



RONGZHONG

# China Rongzhong Financial Holdings Company Limited

*(incorporated in the Cayman Islands with limited liability)*

Stock Code: 3963

## GLOBAL OFFERING

Sole Sponsor



Alliance Capital Partners Limited  
同人融資有限公司

Joint Global Coordinators, Bookrunners and Lead Managers  
(In alphabetical order)



Alliance Capital Partners Limited  
同人融資有限公司



第一上海  
FIRST SHANGHAI GROUP  
FIRST SHANGHAI SECURITIES LIMITED  
第一上海證券有限公司



海通國際  
HAITONG



華泰金融控股(香港)有限公司  
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

## IMPORTANT

**IMPORTANT:** If you are in doubt about any of the contents of this prospectus, you should obtain independent professional advice.



# 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)*

## GLOBAL OFFERING

Number of Offer Shares in the Global Offering	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	90,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	:	HK\$2.48 per Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	3963

## Sole Sponsor



Alliance Capital Partners Limited  
同人融資有限公司

## Joint Global Coordinators, Bookrunners and Lead Managers (In alphabetical order)



Alliance Capital Partners Limited  
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海通國際  
HAITONG



華泰金融控股(香港)有限公司  
HUATAI FINANCIAL HOLDINGS (HONG KONG) LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Appendix V – Documents Delivered to the Registrar of Companies and Available for Inspection" in this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, January 21, 2016 and, in any event, not later than Friday, January 22, 2016. The Offer Price will not be more than HK\$2.48 and is currently expected to be not less than HK\$2.11. If, for any reason, the Offer Price is not agreed by Friday, January 22, 2016 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – The Hong Kong Public Offering – Grounds for Termination".

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered or sold, pledged or transferred within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

January 18, 2016

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## EXPECTED TIMETABLE

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Latest time for completing electronic applications under  
**HK eIPO White Form** service through the designated  
website [www.hkeipo.hk](http://www.hkeipo.hk)<sup>(3)</sup> ..... 11:30 a.m. on  
Thursday, January 21, 2016

Application lists open<sup>(2)</sup> ..... 11:45 a.m. on  
Thursday, January 21, 2016

Latest time to lodge **white** and **yellow** Application Forms ..... 12:00 noon on  
Thursday, January 21, 2016

Latest time to give **electronic application instructions**  
to HKSCC<sup>(4)</sup> ..... 12:00 noon on  
Thursday, January 21, 2016

Latest time to complete payment of **HK eIPO White Form**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s) ..... 12:00 noon on  
Thursday, January 21, 2016

Application lists close ..... 12:00 noon on  
Thursday, January 21, 2016

Expected price determination date<sup>(5)</sup> ..... Thursday, January 21, 2016

Announcement of:

- the Offer Price;
- the level of applications in Hong Kong Public Offering;
- an indication of the level of interest in the International Placing; and
- the basis of allocation of the Hong Kong Offer Shares,

to be published in the South China Morning Post (in English)  
and Hong Kong Economic Times (in Chinese) on ..... Wednesday,  
January 27, 2016

Results of allocations in the Hong Kong Public Offering  
(with successful applicants' identification document  
numbers where appropriate) to be available through  
a variety of channels (see the paragraph headed  
"How to Apply for Hong Kong Offer Shares – 11.  
Publication of Results" in this prospectus) from ..... Wednesday,  
January 27, 2016

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## EXPECTED TIMETABLE

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Results of allocations in the Hong Kong Public Offering will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function . . . . . Wednesday, January 27, 2016

A full announcement of the Hong Kong Public Offering containing the information referred to in the above announcements will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.chinarzfh.com](http://www.chinarzfh.com) from . . . . . Wednesday, January 27, 2016

Share certificates and/or **HK eIPO White Form** e-Auto Refund payment instructions/refund cheques to be despatched on<sup>(6, 7)</sup> . . . . . Wednesday, January 27, 2016

Dealings in Shares on the Stock Exchange expected to commence on . . . . . Thursday, January 28, 2016

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- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Thursday, January 21, 2016, the application lists will not open on that day. See “How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists”.
- (3) You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares – 6. Applying by Giving **Electronic Application Instructions** to HKSCC via CCASS – Effect of Giving **Electronic Application Instructions** to HKSCC via CCASS”.
- (5) The Price Determination Date is expected to be on or around Thursday, January 21, 2016 and, in any event, not later than Friday, January 22, 2016. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Friday, January 22, 2016, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Offer Shares are expected to be issued on Wednesday, January 27, 2016 but will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated. If the Hong Kong Public Offering does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.
- (7) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of or may invalidate the refund cheque.

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### IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

*This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus and the Application Forms. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. Any information or representation not contained or made in this prospectus and the Application Forms must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Sole Sponsor, the Bookrunners, the Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering. Information contained on our website, located at [www.chinarzfh.com](http://www.chinarzfh.com), does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in "Risk Factors". You should read that section carefully in full before you decide to invest in the Offer Shares.*

### OVERVIEW

We are a leading finance leasing company in Hubei Province with the longest operating history among Hubei-based finance leasing companies. According to Euromonitor International, as at December 31, 2014, we were ranked first with total assets worth RMB1.73 billion among finance leasing companies registered in Hubei Province. Since our establishment in 2008, we have focused and continue to focus on the financing needs of SMEs in Wuhan and other parts of Hubei Province and have 86 customers in different industries as at July 31, 2015. We are positioned to take advantage of the opportunities created by the PRC Government's plan to develop Middle China. As Wuhan and Hubei Province are the regional hub of Middle China, we believe a lot of focus and resources will be on the development and advancement of the businesses and industries located in Hubei Province. With our established reputation and years of experience working with SMEs in Hubei Province, we believe the future development of Middle China will provide us with many potential business opportunities.

Over the years we have developed knowledge and experience in meeting the financing needs of certain key industries in Hubei Province, including laser processing, plastics, industrial processing, textile and garments and hotel and leisure. SMEs in these key industries have had continuous financing needs unmet by traditional sources of financing. We expect that these industries will continue to have demand for finance leases. In addition, under the current economic environment, we believe the transportation (cars and aircraft), medical device and education device industries have growth potential and have been actively taking steps to enter into these industries.

### Our revenue and finance lease portfolio

For the three years ended March 31, 2015 and the four months ended July 31, 2015, our revenues were HK\$181.8 million, HK\$220.4 million, HK\$226.9 million and HK\$81.2 million, respectively, and our profits for the same periods were HK\$67.0 million, HK\$70.2 million, HK\$65.6 million and HK\$21.7 million, respectively. We believe that our decision to strategically slow down our pace of expansion and focus on existing customers and internal improvements were instrumental in mitigating this decline in profits for the year ended March 31, 2015 and the four months ended July 31, 2015. Our finance lease receivable were HK\$1,643.4 million, HK\$1,722.2 million, HK\$1,938.2 million and HK\$1,821.3 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively.

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## SUMMARY

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Despite the recent slow-down of the PRC economy in general, we have been able to continue to maintain our revenues. We anticipated this slow-down and made the strategic decision to focus on developing our existing customers and making improvements to our risk management capabilities. In 2014, we employed a prudent and conservative strategy and did not actively pursue the expansion of our customer base. Nevertheless, we did continue to sign new finance leases contracts, including renewal of leases with our existing customers. As a result, we were able to maintain growth in our finance lease receivable portfolio and recorded a small increase in revenues from the year ended March 31, 2014 to the year ended March 31, 2015.

### **Increasing trend in Increased Scrutiny Asset Ratio**

Due to the continuation of downturn economic pressure in China, especially in the third quarter of 2015, it is inevitable for us, like many corporations in the industry, to experience certain level of decline in the quality of our finance lease portfolio. For the four months ended July 31, 2015 and up to November 30, 2015, such effects are reflected in the following areas:

- (i) the general increasing trend of our Increased Scrutiny Asset ratio – in the four months ended July 31, 2015, our Increased Scrutiny Asset ratio increased from 9.5% as at March 31, 2015 to 11.2% as at July 31, 2015. As at November 30, 2015, our Increased Scrutiny Asset ratio was 13.1%;
- (ii) the recent increase in number of extension cases of finance lease receivable – as detailed in “Risk Management and Operation – Finance lease extension approval and management” in the four months ended July 31, 2015 and for period thereafter up to November 30, 2015, we have extended a total of 9 and 24 cases of our loan portfolio for outstanding finance lease receivable (before netting off deposit and impairment allowance) at extension date of RMB267.3 million (HK\$338.4 million) and RMB161.7 million (HK\$197.2 million) respectively; and
- (iii) a higher amount of our legal proceedings against our customers – as at July 31, 2015 we had a total of 17 pending legal proceedings against our customers in the total claim amount of HK\$358.1 million. As at November 30, 2015, we had an increase of three new legal proceedings for recovering of a total claim amount of HK\$8 million, one of the three legal proceedings that has been settled for recovering of claim amount of HK\$1.6 million resulting in 19 pending legal proceedings in the total claim amount of HK\$364.5 million.

We believe the above was primarily due to the short term liquidity problems of our customers, which in turn were caused by both internal and external factors commonly happening in the general economy and faced by some of our existing and potential customers, including: (1) the tightened availability of bank financing which were otherwise available to some of our customers; (2) some of our customers' upstream customers, many of which are state owned enterprises, deferred settlement with them amidst a very stringent internal control requirements; and (3) some of our customers voluntarily reduced their operation scales during the prolonged economic downturn.



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## SUMMARY

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We believe the short term liquidity shortage of our customers faced will be gradually relieved when the general economic environment of China improves. We have taken the following steps in mitigating the situation:

- (1) continuing to adopt the prudent approach commenced in 2014. For example, for the four months ended July 31, 2015, we undertook only four new finance leases;
- (2) closely monitoring the underlying credit quality of our customers. For example, in addition to our normally credit monitoring procedures we pay closer attention on our customers' monthly management accounts, conduct more frequent on-site inspections on their business operations and prepare internal briefings and reports to our senior management and Risk Management committee members;
- (3) continuing to evaluate the feasibility to provide support, through extension of existing leases to some of our customers with good credit records and strong financial performance;
- (4) making additional impairment provisions for our finance lease receivable. For example, we have made HK\$2.4 million and HK\$2.8 million addition impairment provisions as at July 31, 2015 and September 30, 2015 respectively. We have not made any additional impairment provision between September 30, 2015 to the Latest Practicable Date;
- (5) requesting additional collateral through continue negotiations with clients and through initiating legal proceedings. For details, please see "Business – Leased assets and collateral".

We believe we have adopted effective methods, including the steps mentioned above, to resolve these risks and challenges. In the fourth quarter of 2015, we noticed gradual improvements in the overall liquidity in the PRC by quantitative easings of central bank in the PRC. This could also ease certain short-term liquidity pressure faced by some of our customers. However, as it takes time for such improvements to reflect in our customers' financial positions, possibilities of deterioration on our portfolio may exist.

Our top five customers in terms of revenue for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, accounted for 36.5%, 40.0%, 42.3%, and 47.0% of our total revenue, respectively. Our largest customer, which is in the hotel and leisure industry, accounted for 22.0%, 18.0%, 18.4% and 17.5% of our total revenue for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, respectively.

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## SUMMARY

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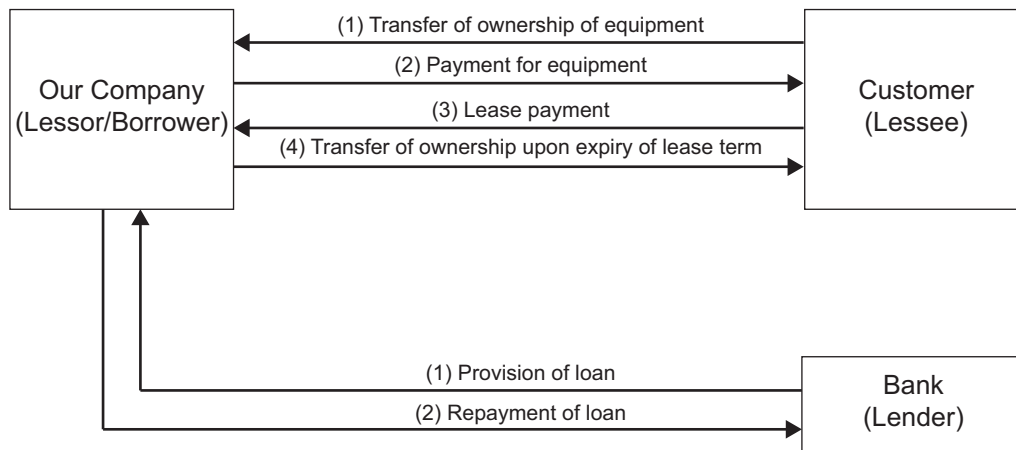
### Our financing sources

We strive to diversify our financing sources and fund our business principally through bank borrowings from different PRC banks. These included a state-owned policy bank, state-owned commercial banks, national commercial banks and the head office of a regional commercial bank. Our total bank borrowing balance as at November 30, 2015, was HK\$761.7 million. As at March 31, 2013, 2014, 2015 and July 31, 2015, our largest bank accounted for 47.7%, 58.3%, 62.8% and 57.5% of our total bank borrowings, respectively. We maintain continuous contact with each of our lenders regarding the progress and development of our business and we believe our relationship with our lender base is strong. Several of these lenders have been working with us since 2008 and have seen our business grow and develop.

### BUSINESS MODEL

#### Sale-leaseback

A typical sale-leaseback usually involves two parties, namely lessors and lessees. The relationship between the two parties is illustrated in the following diagram. We fund our sale-leaseback transactions primarily through bank borrowings.



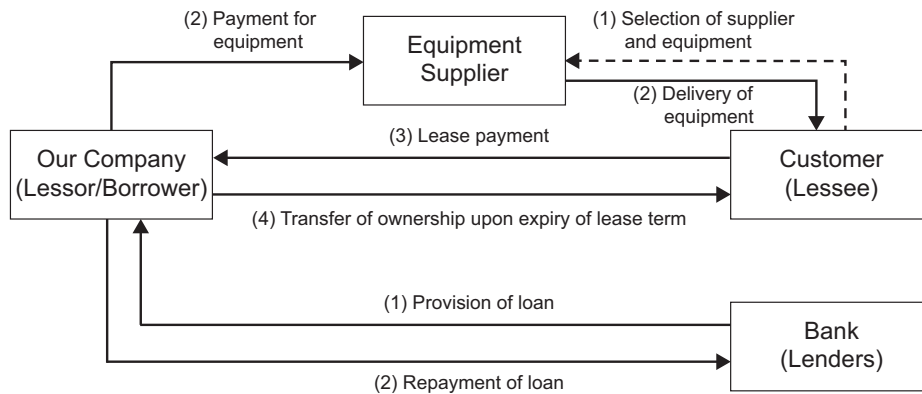
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## SUMMARY

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### Direct Finance Leasing

A typical direct finance lease usually involves three parties, namely lessors, lessees and equipment suppliers. The relationship among the three parties are illustrated in the following diagram. We fund our finance leases primarily through bank borrowings.



During the Track Record Period, the terms of our finance leases were generally two to three years.

### OUR COMPETITIVE STRENGTHS

We believe that the following are our key competitive strengths that have contributed significantly to our success and differentiate us from our competitors:

- We are uniquely positioned to take advantage of the opportunities created by the Middle China Development Plan.
- We have focused experience working with SMEs.
- We are a leader in the finance leasing industry in Hubei Province with an established reputation supported by a diversified customer base.
- We have significant potential for growth and our development is supported by the availability of stable financing sources.
- We have strong risk management capabilities and have adopted measures and methods that further diversify and mitigate our risks.
- We have a team of seasoned and dedicated senior management with proven execution capabilities, and extensive experience in debt collection.
- We have operated our business under the guidance of strong corporate shareholders who have helped us establish high corporate governance standards.

For a discussion of our strengths please see “Business – Our Competitive Strengths”.

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## SUMMARY

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### OUR STRATEGIES

Our goal is to become the leading finance leasing company serving SMEs in Hubei Province and other locations in China with dynamics similar to Hubei Province. We intend to pursue the following strategies to achieve our goal:

- Continue to enhance our risk management capabilities.
- Strengthen our status as the leading finance leasing company in Hubei Province.
- Expand our client base in industries with growth potential.
- Continue to provide innovative finance leasing products and services.

For a discussion of our strategies please see “Business – Our Strategies”.

### OUR RISK MANAGEMENT SYSTEM

As a finance leasing company we face a variety of risks, including credit risk, operational risk, legal and compliance risk, and liquidity risk. We have developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive customer due diligence, independent information review and multi-level approval process. In particular, we have developed our credit evaluation system to assist us in determining the creditworthiness of our customers. We believe that our careful customer selection and vetting process help to minimize our credit risk and ensure our asset quality.

We characterise all our finance leases that are overdue as scrutiny assets. There are two levels of scrutiny. Finance lease receivable that are overdue 90 days and less, we characterise as Normal Scrutiny Assets. Those finance lease receivable that are overdue more than 90 days, we characterise as Increased Scrutiny Assets.

Our Increased Scrutiny Asset ratios (which is calculated as the percentage of Increased Scrutiny Assets to our finance lease receivable (after impairment allowance)) were nil, 0.9%, 9.5% and 11.2% while our Increased Scrutiny Assets were nil, HK\$15.9 million, HK\$183.8 million and HK\$204.5 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. Our Normal Scrutiny Assets were HK\$164.2 million, HK\$59.9 million, HK\$200.6 million and HK\$46.2 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. The increase of our Increased Scrutiny Assets is primarily due to short term liquidity problems faced by some of our customers which were caused by the prolonged economic downturn and other factors. The further increase of our increased scrutiny ratio as at July 31, 2015 is also partly due to the decrease of our finance lease receivable during this period. The decrease of our finance lease receivable as at July 31, 2015 is principally as a result of our prudent and conservative strategy in

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## SUMMARY

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selecting new customers commenced in 2014. As at November 30, 2015, we managed to recover a total of 65.9% and 32.6% of our Actual Overdue Receivable as at March 31, 2015 and July 31, 2015, respectively. See “Risk Management and Operation” and “Financial Information – Significant Factors Affecting Our Results Of Operations – Asset Quality And Provisioning Policy”.

As at March 31, 2013, 2014, 2015 and July 31, 2015, impairment provision on finance lease receivable were nil, HK\$20.9 million, HK\$35.6 million and HK\$38.0 million, respectively. As discussed above, our Increased Scrutiny Assets were nil, HK\$15.9 million, HK\$183.8 million and HK\$204.5 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. Even though our level of Increased Scrutiny Assets has increased over the Track Record Period, we recorded a lower level of impairment loss on finance lease receivable as at March 31, 2015 when compared with the level as at March 31, 2014 and as at July 31, 2015 when compared with the level as at July 31, 2014 primarily as a result of our ability to obtain additional assurances from our customers in the form of increased collateral, guarantees and other credit enhancements.

### OUR SHAREHOLDING STRUCTURE

Immediately upon completion of the Global Offering and the Capitalization Issue (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any shares which may be granted under the Share Option Scheme), Perfect Honour will hold approximately 35.95% of our enlarged issued share capital; and hence, it is our Controlling Shareholder. Perfect Honour is a wholly-owned subsidiary of Goldbond. Therefore, through Perfect Honour, Goldbond is also our Controlling Shareholder. Goldbond is held by (i) Allied Luck as to approximately 30.99%, the entire share capital of which is held by the Trust A and (ii) Ace Solomon as to approximately 25.92%, which is owned as to 50.00% by Allied Golden and 50.00% by Aceyork. The entire share capital of Allied Golden and Aceyork are in turn held by the Trust B. Both the Trust A and the Trust B are discretionary trusts with Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries. Mr. Wong and Mrs. Wong are the settlors and trustees of the Trust A and the trustees of the Trust B whereas Ms. Michelle Wong and Ms. Jacqueline Wong are the settlors of the Trust B. Mr. Wong and Mrs. Wong, as trustees of the Trust A and Trust B, have absolute discretion in exercising the voting rights attached to the Goldbond shares held by Allied Luck and Ace Solomon. Accordingly, Mr. Wong and Mrs. Wong are also our Controlling Shareholders.

For further details regarding our Controlling Shareholders please see “Relationship with our Controlling Shareholders”.

## SUMMARY

### SUMMARY COMBINED FINANCIAL INFORMATION

The following tables set forth a summary of our combined financial information for the financial years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2014 and 2015, and should be read in conjunction with our financial information included in the Accountants' Report set out in Appendix I to this prospectus, including the notes thereto. The summary financial information has been prepared in accordance with HKFRS. See "Financial Information".

#### Combined Statements of Comprehensive Income

	Year ended March 31,			Four months ended July 31,	
	2013	2014	2015	2014	2015
			(HK\$)	<i>(unaudited)</i>	
<b>Revenue</b>	181,817,521	220,376,318	226,942,893	70,915,433	81,228,525
Other income	5,385,360	12,893,702	5,816,853	2,116,319	1,196,519
Net exchange loss	–	(36,014)	–	–	–
Staff costs	(2,405,590)	(2,950,621)	(4,539,010)	(1,226,815)	(2,820,412)
Impairment losses on finance lease receivable	–	(20,935,766)	(14,667,475)	(3,935,670)	(2,403,562)
Other operating expenses	(9,971,902)	(14,596,769)	(16,554,529)	(2,932,419)	(12,430,888)
Finance costs	(85,561,888)	(100,250,047)	(105,234,898)	(32,591,897)	(33,510,488)
<b>Profit before taxation</b>	89,263,501	94,500,803	91,763,834	32,344,951	31,259,694
Taxation	(22,221,342)	(24,252,940)	(26,200,670)	(8,415,312)	(9,605,477)
<b>Profit for the year/period</b>	<u>67,042,159</u>	<u>70,247,863</u>	<u>65,563,164</u>	<u>23,929,639</u>	<u>21,654,217</u>

## SUMMARY

### Selected Combined Balance Sheet Items

	Year ended March 31,			Four months ended July 31,
	2013	2014	2015	2015
			(HK\$)	
<b>Non-current assets</b>	982,958,280	1,094,184,794	605,713,204	527,271,133
<b>Current assets</b>	895,206,476	905,197,780	1,476,399,656	1,557,498,717
<b>Current liabilities</b>	561,123,857	589,957,646	771,015,302	829,122,083
<b>Net current assets</b>	334,082,619	315,240,134	705,384,354	728,376,634
<b>Total assets less current liabilities</b>	1,317,040,899	1,409,424,928	1,311,097,558	1,255,647,767
<b>Non-current liabilities</b>	875,112,313	865,602,268	701,711,734	624,607,726
<b>Capital and reserves</b>				
Share capital	780,000	814,492	814,492	814,492
Reserves	441,148,586	543,008,168	608,571,332	630,225,549
<b>Total equity</b>	441,928,586	543,822,660	609,385,824	631,040,041

### Combined Statements of Cash Flows

	Year ended March 31,			Four months ended July 31,	
	2013	2014	2015	2014	2015
			(HK\$)		
				(unaudited)	
Net cash (used in) from operating activities	(160,605,374)	232,100,708	(187,564,114)	(77,484,212)	178,251,805
Net cash from (used in) investing activities	1,312,807	(25,953,597)	134,382,733	9,572,518	(102,650,316)
Net cash from (used in) financing activities	162,585,036	(202,867,628)	39,912,135	49,417,595	(64,424,510)
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>3,292,469</u>	<u>3,279,483</u>	<u>(13,269,246)</u>	<u>(18,494,099)</u>	<u>11,176,979</u>

We experienced net operating cash outflows of HK\$160.6 million in the year ended March 31, 2013, net operating cash outflows of HK\$77.5 million for the four months ended July 31, 2014 and net operating cash outflows of HK\$187.6 million in the year ended March 31, 2015. The significant net cash outflow in the four months ended July 31, 2014 and the year ended March 31, 2015 was primarily due to an increase of our total finance lease receivable in the ordinary course of business and a decrease in cash deposits from our customers. For a detailed analysis please see “Financial Information – Cash Flows”.

## SUMMARY

### Key operational and financial data

#### Loan portfolio by industry

	2013			As at March 31, 2014			2015			As at July 31, 2015		
	Finance lease amount	Number of clients	Average loan size	Finance lease amount	Number of clients	Average loan size	Finance lease amount	Number of clients	Average loan size	Finance lease amount	Number of clients	Average loan size
	<i>(HK\$, except for client numbers)</i>											
Laser processing <sup>(1)</sup>	154,232,396	63	2,448,133	91,832,116	37	2,481,949	76,927,499	27	2,849,167	53,496,264	21	2,547,441
Plastics <sup>(2)</sup>	157,471,776	8	19,683,972	276,468,190	9	30,718,688	254,738,506	8	31,842,313	239,381,404	7	34,197,343
Industrial processing <sup>(3)</sup>	655,605,716	29	22,607,094	736,516,294	35	21,043,323	928,928,837	33	28,149,359	949,286,790	31	30,622,155
Textile and garment <sup>(4)</sup>	164,255,103	9	18,250,567	169,311,211	9	18,812,357	72,062,716	5	14,412,543	60,447,639	5	12,089,528
Hotel and leisure <sup>(5)</sup>	123,456,790	1	123,456,790	126,582,278	1	126,582,278	258,945,792	2	129,472,896	269,003,855	2	134,501,927
Others <sup>(6)</sup>	388,400,321	21	18,495,253	342,468,763	23	14,889,946	382,188,525	23	16,616,892	287,719,282	20	14,385,964
Impairment allowance	-	-	-	(20,935,766)	-	-	(35,603,241)	-	-	(38,006,803)	-	-
Total net receivables	1,643,422,102	131	12,545,207	1,722,243,086	114	15,107,395	1,938,188,634	98	19,777,435	1,821,328,431	86	21,178,238

#### Notes:

##### Principal Assets

- (1) Computer controlled laser cutting and production equipment.
- (2) Plastic good production equipment.
- (3) Industrial processing equipment.
- (4) Textile and garment production equipment.
- (5) Hotel operation equipment (e.g. central airconditioning, elevators, video-conference devices, electricity generators, water supply and lighting system).
- (6) Manufacturing and production equipment for machinery, electricity power, auto parts and agricultural production.

#### Asset quality

	As at March 31,			As at
	2013	2014	(%)	July 31, 2015
Increased scrutiny assets ratio <sup>(1)</sup>	0	0.9	9.5	11.2
Provision ratio <sup>(2)</sup>	0 <sup>(3)</sup>	1.2	1.8	2.1

#### Notes:

- (1) The percentage of Increased Scrutiny Assets to our finance lease receivable. Our finance lease receivable is calculated as after impairment allowance.
- (2) The percentage of impairment provision on receivables to our finance lease receivable. Our finance lease receivable is calculated as after impairment allowance.
- (3) For the year ended March 31, 2013, despite we have normal scrutiny assets, we did not have any increased scrutiny assets, therefore, after due and careful assessment we did not make any impairment provision for this period. We have assessed the credit quality of our leases receivable, including but not limited to, the value of the leased assets, additional collateral and repayment ability of those customers. We found that although we had overdue leases receivable, the credit quality under these leases remained sound. Therefore, we did not make any impairment provision as at March 31, 2013. See "Financial Information – Significant Factors Affecting Our Results of Operations – Asset quality and provisioning policy".



## SUMMARY

### Net interest margin

	Year ended March 31,			Four months ended
	2013	2014	2015	July 31, 2015
	(HK\$)			
Interest income <sup>(1)</sup>	181,817,521	220,376,318	226,942,893	81,228,525
Interest expense <sup>(2)</sup>	85,561,888	100,250,047	105,234,898	33,510,488
Net interest income	96,255,633	120,126,271	121,707,995	47,718,037
Interest income yield <sup>(3), (7)</sup>	12.7%	13.1%	12.4%	13.0%
Interest expense yield <sup>(4), (7)</sup>	9.4%	10.5%	11.1%	10.2%
Net Interest spread <sup>(5), (7)</sup>	3.3%	2.6%	1.3%	2.8%
Net Interest margin <sup>(6), (7)</sup>	6.7%	7.1%	6.6%	7.6%

*Notes:*

- (1) Interest income is revenue from our finance leasing business.
- (2) Interest expense is the finance cost of our finance leasing business.
- (3) Calculated by dividing interest income by the average total balance of interest-earning assets (2013: HK\$1,429,440,290; 2014: HK\$1,682,832,594; March 31, 2015: HK\$1,830,215,860; July 31, 2015: HK\$1,879,758,533).
- (4) Calculated by dividing interest expense by the average total balance of our interest-bearing liabilities (2013: HK\$908,609,828; 2014: HK\$957,514,948; March 31, 2015: HK\$951,242,500; July 31, 2015: HK\$986,937,975).
- (5) Calculated as the difference between the interest income yield and the interest expense yield.
- (6) Calculated by dividing net interest income by the average balance of total interest-earning assets.
- (7) For illustration, annualised figure for each of the interest income yield, interest expenses yield, net interest spread, net interest margin for the four months ended July 31, 2015 as illustrated in the table above was calculated by the actual ratio multiplied by three and does not represent the ratio for the twelve months ending March 31, 2016, and was incomparable to that for the year ended March 31, 2013, 2014 and 2015.

### Finance costs

	Year ended March 31,			Four months ended	
	2013	2014	2015	July 31, 2014	2015
	(HK\$)			(unaudited)	
Interest on borrowings wholly repayable within five years	62,674,996	70,875,678	72,358,893	22,674,308	21,683,238
Guarantee fee paid to a related company	3,471,534	3,906,435	4,345,270	1,304,247	1,569,221
Imputed interest expense on interest-free deposits from finance lease customers	19,415,358	25,467,934	28,530,735	8,613,342	10,258,029
	<u>85,561,888</u>	<u>100,250,047</u>	<u>105,234,898</u>	<u>32,591,897</u>	<u>33,510,488</u>

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## SUMMARY

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### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

The general economic downturn that started in 2013 has had a significant impact on the PRC economy. As a result, our customers have faced difficult market conditions which has had a direct impact on our business operations. We have continued to operate our business cautiously with a focus on maintaining asset quality and have been more selective in signing new finance leases. In the four months ended July 31, 2015, we only signed four finance leases, one of them with a new customer. The total finance lease receivable under these four leases is HK\$218.8 million, compared with a total of eight leases with total finance lease receivable of HK\$197.7 million signed in the four months ended July 31, 2014, of which four of them with new customers. The decrease of the number of the newly signed finance leases is primarily because we continued to undertake our prudent and conservative business strategy in selecting new customers. In August 2015, the RMB fell 3.3 per cent against the US dollar in three days, which was the largest drop since the mid-1990s. As our reporting currency is Hong Kong dollar but our functional currency is RMB, the depreciation of the RMB would not affect our business but will impact our financial results. While we remain to be prudent during the generally lagged economic environment, we have not stopped in equipping and preparing ourselves to capture business opportunities in strategic segments. During the period after July 31, 2015, our aviation division started to explore potential business in strategic industries, including leasing of aircrafts, aircraft motors and other aircraft related equipment and new energy vehicles leasing. As at the Latest Practicable Date, we have not signed any lease with customers in these new industries. Our finance lease receivable were HK\$1,597.5 million as at November 30, 2015 which was lower than the finance lease receivable as at July 31, 2015. This decrease of our finance lease receivable for the four months ended November 30, 2015 is partly due to our prudent and conservative business strategy and partly due to the sudden depreciation of RMB in August 2015. For the impact of exchange rate fluctuation and our business operation, see "Financial Information – Quantitative and Qualitative Disclosure about Financial Risks – Sensitivity analysis". For the period from December 1, 2015 to the Latest Practicable Date, we have initiated four new legal proceedings against our customers with the total claim of RMB31.2 million. From December 1, 2015 to the Latest Practicable Date, we have signed nine new finance leases in the total amount of RMB245.6 million. Save for the above mentioned facts, our Directors confirm that since July 31, 2015 (being the date to which the latest audited combined financial information of our Group was prepared) and up to the Latest Practicable Date, there had been no material change in the industry in which we operate or to our business and financial condition that would materially affect the information shown in our combined financial statements included in the Accountants' Report set forth in Appendix I to this prospectus.

### LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The Underwriters will receive a commission of 3.0% of the aggregate Offer Price of all the Offer Shares offered under the Global Offering. Assuming an offer price of HK\$2.3 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), underwriting commission is HK\$6.9 million and the total estimated listing related expenses in relation to the Global Offering is approximately HK\$41.2 million, of which HK\$16.2 million were charged to profit and loss during the Track Record Period. For the remaining expenses of HK\$25.0 million, we expect to charge HK\$12.4 million to our profit and loss, and the balance of HK\$12.6 million to be capitalized in the financial year ending March 31, 2016.

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## SUMMARY

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### GLOBAL OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Capitalization Issue and the Global Offering have been completed and 100,000,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option are not exercised; (iii) no Shares have been issued pursuant to the Pre-IPO Share Option Scheme; and (iv) 400,000,000 Shares are issued and outstanding following the completion of the Capitalization Issue and the Global Offering.

	<b>Based on an Offer Price of HK\$2.11</b>	<b>Based on an Offer Price of HK\$2.48</b>
Market capitalization	HK\$844 million	HK\$992 million
Unaudited pro forma adjusted net tangible assets per share	HK\$2.0	HK\$2.1

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see “Appendix II – Unaudited Pro Forma Financial Information”.

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$188.8 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering without taking into account any additional discretionary incentive fee, assuming no Over-Allotment Option is exercised and an Offer Price of HK\$2.30 per Share, being the mid-point of the indicative Offer Price range of HK\$2.11 to HK\$2.48 per Share. We intend to use the net proceeds we receive from the Global Offering for the following purposes:

- approximately 60% (approximately HK\$113.3 million) to apply towards expanding our finance leasing operations in Hubei Province;
- approximately 30% (approximately HK\$56.6 million) to apply towards exploring finance leasing related business opportunities in other cities in China with dynamics similar to Wuhan and other cities in Hubei Province; and
- approximately 10% (approximately HK\$18.9 million) to apply towards our general working capital.

### DIVIDEND POLICY

The payment and amount of any future dividends will be at the sole discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, future prospects and other factors that our Board of Directors deem relevant.

We have never declared or paid any dividends on our Shares. We have no present plan to declare and pay any dividends on our Shares in the near future. Our Company's dividend policy currently does not include a specific dividend payout ratio.

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## SUMMARY

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### RISK FACTORS

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include, among others, the following:

- Substantially all of our income is derived from SMEs, which may be more susceptible than larger businesses to adverse changes in market conditions, competition and general economic conditions and therefore may present a higher default risk.
- We may be unable to effectively mitigate risk and maintain our asset quality.
- There can be no assurance that we can match the maturity profile of our assets and liabilities as we grow. Inability to do so will impact our liquidity and our ability to repay our borrowings and settle our outstanding liabilities.
- An increase in the interest rates would increase our borrowing costs and we may not be able to transfer our borrowing cost effectively to our customers.
- We rely on a few banks for our funding sources.
- Our provisions on impairment losses on leases receivable may not be adequate to cover future credit losses, and we may need to increase our provisions for impaired receivables to cover such future credit losses.
- Our high customer concentration may subject us to fluctuations or declines in revenue.
- Our lessees focus on a limited number of industries. Any adverse effect on those industries will have a direct impact on their ability to make lease payments.
- Our business is concentrated in Hubei Province, and our business, prospects, financial condition and results of operations may be materially and adversely affected by significant deterioration in our business in Hubei Province.
- The value of collateral or guarantees secures our leases and the assets underlying our leases which are disposed of upon repossession, may be inadequate to cover related lease receivables.
- We may not be able to enforce our rights to the underlying collateral or guarantees to our leases, or enforce our rights to repossess assets within our leases.
- We have limited information regarding the SMEs to which we provide our services, and our ability to perform customer due diligence or detect customer fraud may be compromised as a result.

### LEGAL PROCEEDINGS

We are involved, from time to time, in legal proceedings arising in the ordinary course of business. These legal proceedings generally involve claims initiated by us to recover lease payments from our customers. We routinely utilize legal proceedings to put pressure on our customers to work out a repayment schedule with us or as a means

## SUMMARY

to identify additional assets that may be used as collateral to secure the outstanding finance lease. As at November 30, 2015, we had a total of 19 outstanding legal proceedings against our lessees and their guarantors, one of them is a criminal proceeding. The total outstanding finance lease receivable under dispute in relation to the 19 outstanding legal proceedings amounted to approximately HK\$409.3 million. We have made a HK\$13.5 million individual impairment allowance and HK\$1.1 million collective impairment allowance for the finance lease receivable subject to the 19 outstanding legal proceedings as at November 30, 2015.

Data as at November 30, 2015 (HK\$ million)

Number of pending legal proceedings	Total finance lease receivable	Overdue portion of finance lease receivable	Individual impairment (as at September 30, 2015)	Collective impairment <sup>(1)</sup> (as at September 30, 2015)	Claim amount	Value of leased assets <sup>(2)</sup>	Value of additional collateral
19	409.3	122.7	13.5	1.1	364.5	584.2	1,045.5

Notes:

- (1) See “Financial Information – Classification and accounting treatment for our finance leases – Impairment of financial assets”.
- (2) We have successfully obtained legal titles to all these leased assets according to the finance lease agreements and have applied for the court’s freezing orders on all the additional collateral we have seized under these legal proceedings. We have seized the additional collateral in respect of 15 out of the 19 legal proceedings pursuant to court orders in the amount of approximately HK\$1,045.5 million. For the remaining four legal proceedings, two have been approved by the court for seizure of additional collateral, one has sufficient coverage from underlying leased asset and one is a criminal proceeding in which the prosecutors are working on identifying the defendant’s assets.

We have taken protective measures, including applying for freezing the defendant’s deposit or assets, in most of our outstanding litigations, so as to prevent the defendant from transferring its assets and to ensure that the defendant will have assets to satisfy our claims in case we succeed in such litigation. Our Directors believe we have solid grounds to succeed on all the outstanding litigation and believe we will be able to recover a substantial portion of the claimed amount. Therefore, the Directors believe such impairment allowance was made under our standard provisioning policy and was adequate to cover the finance lease receivable subject to legal proceedings. Therefore, we do not anticipate any significant material adverse change to our results of operations if any of these legal proceedings are decided against us. See the table below for more information. For details, please see “Business – Legal Proceedings”.

As at the Latest Practicable Date, we also have one outstanding legal proceeding against a customer’s debtor in the PRC. This case is not included in the 19 legal proceedings that are directly against our customers. The legal proceeding against one of our customer’s debtor involves a bank’s acceptance bill in the amount of RMB10 million. This was additional collateral we obtained from our customer. The overdue finance lease receivable for this customer was successfully restructured in April 2015. We have obtained favorable order from the court in support of our claims on October 27, 2015.

As at March 31, 2013, 2014, 2015 and July 31, 2015, and up to the Latest Practicable Date, we have not been involved in any legal proceedings in which we served as defendant.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.*

“Ace Solomon”	Ace Solomon Investments Limited, a company incorporated in the BVI with limited liability on May 16, 2003, is owned as to 50.00% by Allied Golden and 50.00% by Aceyork
“Aceyork”	Aceyork Investment Limited, a company incorporated in the BVI with limited liability on January 31, 2007, is wholly-owned by the Trust B
“acting in concert”	has the same meaning ascribed thereto under the Takeovers Code
“Actual Overdue Receivable”	actual receivable which has accrued and is past due
“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Alliance Capital” or “Sole Sponsor”	Alliance Capital Partners Limited, a licensed corporation to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the Global Offering
“Allied Golden”	Allied Golden Investment Limited 聯金投資有限公司, a company incorporated in the BVI with limited liability on May 22, 2007, is wholly-owned by the Trust B
“Allied Luck”	Allied Luck Trading Limited, a company incorporated in the BVI with limited liability on October 8, 2002, is wholly-owned by the Trust A
“Application Form(s)”	<b>white</b> Application Form(s), <b>yellow</b> Application Form(s) or <b>green</b> Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering

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## DEFINITIONS

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“Articles” or “Articles of Association”	the articles of association of our Company conditionally approved and adopted on December 18, 2015, and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix III
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audited Financial Statements”	the audited combined financial statements of our Group for the financial years ended March 31, 2013, 2014, and 2015 and the four months ended July 31, 2015 as included in the section headed “Appendix I – Accountants’ Report”
“Board” or “Board of Directors”	the board of directors of our Company
“Bookrunners”	Alliance Capital Partners Limited, First Shanghai Securities Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“Business Development Department”	business development department of the Rongzhong PRC
“BVI”	the British Virgin Islands
“Capital Grower”	Capital Grower Limited, a company incorporated in the BVI with limited liability on June 18, 2012, is wholly-owned by Mr. Xie
“Capitalization Issue”	the issue of 299,895,578 new Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Appendix IV – Statutory and General Information – Further Information About Our Company – Share Capital of our Company after the Global Offering and the Capitalization Issue”

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## DEFINITIONS

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“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China and for the purposes of this prospectus only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“Clifton Rise”	Clifton Rise International Limited, a company incorporated in the BVI with limited liability on November 30, 2012, was initially owned by the Management Investors, who transferred their entire shareholding interest in Clifton Rise to Mr. Xie on June 6, 2013, and since then, Clifton Rise has been wholly-owned by Mr. Xie
“close associates(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) effective from March 3, 2014, as amended, supplemented or otherwise modified from time to time



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## DEFINITIONS

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“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “our”, “we” or “us”	China Rongzhong Financial Holdings Company Limited 中國融眾金融控股有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 5, 2015
“Connected Person(s)”	has the meaning ascribed to it under the Listing Rules
“Connected Transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the same meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company immediately after the Global Offering, being Perfect Honour, Goldbond, Mr. Wong and Mrs. Wong or any of them. See the section headed “Relationship with our Controlling Shareholders”
“Corporate Governance Code”	Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules
“CSRC”	the China Securities Regulatory Commission
“Deed of Indemnity”	the deed of indemnity dated December 18, 2015 executed by the Indemnifiers in favor of our Group in respect of taxation referred to in the paragraph headed “Appendix IV – Statutory and General Information – Other Information – Tax”
“Deeds of Non-competition”	three non-competition undertakings each dated December 18, 2015 executed by each of (a) Mr. Wong, Mrs. Wong, Plenty Boom and Legend Crown, (b) Mr. Xie, Yong Hua, Clifton Rise and Capital Grower and (c) Rongzhong Group in favor of our Group referred to in the paragraph headed “Relationship with our Controlling Shareholders – Deed of Non-competition”

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## DEFINITIONS

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“Deed of Undertaking”	the deed of undertaking dated December 18, 2015, entered into between our Company and Goldbond in respect of certain conflict check undertakings referred to in the paragraph headed “Relationship with our Controlling Shareholders – Conflict Check Undertakings”
“Deemed Overdue Receivable”	aggregate receivable for all outstanding installments which have been deemed to have accelerated as overdue in full, even though some of the installments have not yet actually overdue
“Director(s)”	the director(s) of our Company from time to time
“Euromonitor International” or “Euromonitor”	Euromonitor International Limited
“Executive Director(s)”	the executive Director(s) of our Company
“Foreign Investment Catalog”	the Foreign Investment Industries Guidance Catalog of 2015 (外商投資產業指導目錄(2015)), which was promulgated by NDRC and MOFCOM on March 10, 2015 and came into effect on April 10, 2015
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Goldbond”	Goldbond Group Holdings Limited 金榜集團控股有限公司 (stock code: 172), a company incorporated in Hong Kong with limited liability, whose shares are listed on the Stock Exchange, is one of our Controlling Shareholders
“green Application Form(s)”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time

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## DEFINITIONS

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“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the <b>HK eIPO White Form</b> Service Provider at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by us, as specified on the designated website of <b>HK eIPO White Form</b> at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
“Hong Kong Offer Shares”	the 10,000,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to adjustment as described in the section headed “Structure of the Global Offering”)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1.00%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering”

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## DEFINITIONS

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“Hong Kong Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting – Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated January 15, 2016, relating to the Hong Kong Public Offering, entered into among the Sole Sponsor, the Joint Global Coordinators, the Hong Kong Underwriters, our Company, the Executive Directors and Perfect Honour, as further described in the section headed “Underwriting – The Hong Kong Public Offering”
“Hony Capital”	Hony Capital Fund 2008, L.P., is a leading PRC-focused private equity firm principally engaged in investment holding activities, wholly-owns Silver Creation and is one of our Substantial Shareholders
“Increased Scrutiny Assets”	Finance lease receivable that are overdue more than 90 days
“Indemnifiers”	Perfect Honour, Silver Creation, Plenty Boom, Legend Crown, Clifton Rise, Capital Grower and Yong Hua
“Independent Non-executive Director(s)”	the Independent Non-executive Director(s) of our Company
“Independent Third Party(ies)”	a party that is not a connected person or an associate of a connected person

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## DEFINITIONS

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“International Placing”	the conditional placing of the International Placing Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong and elsewhere, as further described in the section headed “Structure of the Global Offering”
“International Placing Shares”	the 90,000,000 Shares being initially offered for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure of the Global Offering”
“International Underwriters”	the underwriters of the International Placing
“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing and expected to be entered into by the Joint Global Coordinators, the International Underwriters, our Company, the Executive Directors and Perfect Honour on or about January 21, 2016 as further described in the section headed “Underwriting – International Placing”
“Joint Global Coordinators”	Alliance Capital Partners Limited, First Shanghai Securities Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited
“Latest Practicable Date”	January 11, 2016, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Lead Managers”	Alliance Capital Partners Limited, First Shanghai Securities Limited, Haitong International Securities Company Limited and Huatai Financial Holdings (Hong Kong) Limited
“Legend Crown”	Legend Crown International Limited, a company incorporated in the BVI with limited liability on September 30, 2003, is wholly-owned by Ms. Jacqueline Wong

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## DEFINITIONS

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“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be January 28, 2016, on which our Shares are listed and from which dealings in our Shares commence on the Main Board of the Stock Exchange
“M&A Rules”	the Rules on Acquisition of Domestic Enterprises by Foreign Investors, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that came into effect on September 8, 2006 and was amended on June 22, 2009
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Management Investors”	Mr. Peng Qilong, Mr. Cai Hanming and Mr. Fu Wulin
“Management Subscription Agreement”	the subscription agreement of May 2, 2013 entered into among Rongzhong Capital, Capital Grower, Clifton Rise, Management Investors and Mr. Xie in relation to the subscription of 4,422 shares in Rongzhong Capital, representing 4.24% of the enlarged issued share capital of Rongzhong Capital, at US\$3.0 million
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on June 5, 2015 as amended from time to time
“MERS”	Middle East respiratory syndrome coronavirus
“Middle China”	the middle part of the PRC, including Hubei Province and other five provinces
“Middle China Development Plan”	the Plan for the City Cluster along the Middle Reaches of the Yangtze River (長江中游城市群發展規劃)
“MOFCOM”	the Ministry of Commerce of the PRC

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## DEFINITIONS

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“Mr. Xie”	Mr. Xie Xiaoqing, the founder of our Group, our chairman and Executive Director, is one of our Substantial Shareholders
“Mr. Wong”	Mr. Wong, Charles Yu Lung, the spouse of Mrs. Wong and the father of Ms. Michelle Wong and Ms. Jacqueline Wong, the deputy chairman and executive director of Goldbond
“Mrs. Wong”	Mrs. Wong Fang Pik Chun, the spouse of Mr. Wong and the mother of Ms. Michelle Wong and Ms. Jacqueline Wong
“Ms. Jacqueline Wong”	Ms. Wong, Jacqueline Yue Yee, the daughter of Mr. Wong and Mrs. Wong and the sister of Ms. Michelle Wong, our Non-executive Director
“Ms. Michelle Wong”	Ms. Wong, Michelle Yat Yee, the daughter of Mr. Wong and Mrs. Wong and the sister of Ms. Jacqueline Wong, an executive director of Goldbond
“NDRC”	the National Development and Reform Commission
“Non-executive Director(s)”	the non-executive Director(s) of our Company
“Normal Scrutiny Assets”	Finance lease receivable that are overdue 90 days or less
“Offer Price”	the final price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Placing Shares are to be offered pursuant to the International Placing, to be determined as described in the section headed “Structure of the Global Offering – Pricing”
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-Allotment Option

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## DEFINITIONS

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“ordinary share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 15,000,000 additional new Shares (representing in aggregate 15.00% of the initial Offer Shares) to, among other things, cover over-allocations in the International Placing, if any, details of which are described in the section headed “Structure of the Global Offering – Over-Allotment Option”
“PBOC”	the People’s Bank of China
“Perfect Honour”	Perfect Honour Limited, a company incorporated in the BVI with limited liability on March 2, 2004, is wholly-owned by Goldbond and is one of our Controlling Shareholders
“Permitted Leased Assets”	include (i) movable properties such as manufacturing equipment, telecommunication equipment, medical equipment, scientific and research equipment, inspection and testing equipment, engineering and machinery equipment and office equipment; (ii) transportation equipment, such as airplanes, automobiles and ships; and (iii) intangible assets such as software and technology that are attached to the moveable properties and transportation equipment mentioned above provided that the value of such attached intangible assets shall not exceed 50.00% in value of the movable properties or transportation equipment they are attached to pursuant to the Measures on the Administration of Foreign Investment in the Leasing Industry promulgated by MOFCOM on February 3, 2005
“Plenty Boom”	Plenty Boom Investments Limited 豐旺投資有限公司, a company incorporated in the BVI with limited liability on December 13, 2006, is wholly-owned by Ms. Jacqueline Wong



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## DEFINITIONS

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“PRC Legal Counsel”	Global Law Office, a corporate law firm licensed to provide advice with respect to PRC laws headquartered in Beijing, China
“Price Determination Agreement”	the agreement to be entered into among our Company and the Joint Global Coordinators (for itself and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, January 21, 2016 and in any event no later than Friday, January 22, 2016, on which the Offer Price is to be fixed by an agreement between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters)
“Principal Share Registrar and Transfer Office”	Appleby Trust (Cayman) Ltd.
“Project Approval Committee”	project approval committee of Rongzhong PRC
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the reorganization of our Group in preparation of the Listing, details of which are set out in the paragraph headed “History and Reorganization – Reorganization”
“Risk Management Committee”	risk management committee of Rongzhong PRC
“Risk Management Department”	risk management department of Rongzhong PRC
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rongzhong Capital”	Rongzhong Capital Holdings Limited (previously known as Rongzhong Capital Limited), a company incorporated in the BVI with limited liability on June 22, 2005, is a direct wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Rongzhong Capital Subscription Agreement”	the subscription agreement of August 24, 2011 entered into between Rongzhong Capital and Silver Creation in relation to the subscription of 29,500 Rongzhong Capital shares at US\$20.0 million
“Rongzhong Group”	Rongzhong Group Limited 融眾集團有限公司, a company incorporated in the BVI with limited liability on March 3, 2004, is owned as to 40.00% by Perfect Honour, 40.00% by Silver Creation, 12.42% by Yong Hua, 3.79% by Legend Crown and 3.79% by Plenty Boom
“Rongzhong Group Subscription Agreement”	the subscription agreement of August 24, 2011 entered into between Rongzhong Group and Silver Creation in relation to the subscription of 8,275,000 Rongzhong Group shares at US\$90.0 million
“Rongzhong HK”	Rongzhong International Finance Lease Holdings Limited 融眾國際融資租賃集團有限公司 (previously known as Gold Founder Investment Ltd. 金煒投資有限公司), a company incorporated with limited liability in Hong Kong on October 18, 2007, is a direct wholly-owned subsidiary of Rongzhong Capital and an indirect wholly-owned subsidiary of our Company
“Rongzhong PRC”	Rongzhong International Financial Leasing Co., Ltd. 融眾國際融資租賃有限公司, a company established in the PRC with limited liability on May 5, 2008, is a direct wholly-owned subsidiary of Rongzhong Hong Kong and an indirect wholly-owned subsidiary of our Company
“SAFE”	State Administration of Foreign Exchange of the PRC 中華人民共和國國家外匯管理局
“SAIC”	State Administration of Industry and Commerce of the PRC 中華人民共和國國家工商行政管理總局 and its authorized department

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## DEFINITIONS

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“Sale and Purchase Agreements”	the sale and purchase agreements of August 24, 2011 entered into between (i) Silver Creation and Perfect Honour in relation to the acquisition of 4,750,000 shares in Rongzhong Group at US\$39.2 million and (ii) Silver Creation and Yong Hua in relation to the acquisition of 685,000 shares in Rongzhong Group at US\$5.6 million
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s)
“Shareholder(s)”	holder(s) of our Share(s)
“Shareholders’ equity”	Shares, retained earnings and other accumulated comprehensive income
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on December 18, 2015, a summary of its principal terms is set out under “Appendix IV – Statutory and General Information – Share Option Scheme”
“Silver Creation”	Silver Creation Investments Limited 創銀投資有限公司, a company incorporated in the BVI with limited liability on May 23, 2011, is wholly-owned by Hony Capital
“SMEs”	small and medium-sized enterprises
“Stabilizing Manager”	First Shanghai Securities Limited
“State Council”	the State Council of the PRC

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## DEFINITIONS

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“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Stabilizing Manager, Legend Crown and Plenty Boom on or about the Price Determination Date pursuant to which Legend Crown and Plenty Boom will agree to lend to the Stabilizing Manager up to 15,000,000 Shares on the terms set out therein
“subsidiary(ies)”	has the meaning ascribed thereto under section 15 of the Companies Ordinance
“Substantial Shareholder”	has the meaning ascribed to it under the Listing Rules
“Track Record Period”	the period comprising the three years ended March 31, 2015 and the four months ended July 31, 2015.
“Trademark Licence Agreements”	the trademarks licence agreements dated June 15, 2015 entered into between (i) Rongzhong Group (as licensor) and Rongzhong Capital (as licensee) and (ii) Wuhan Rongzhong Internet Technology Company Limited (as licensor) and Rongzhong Capital (as licensee) in respect of the licencing of certain trademarks registered in Hong Kong and in the PRC
“Trust A”	the discretionary trust with Mr. Wong and Mrs. Wong being the settlors and trustees and Ms. Michelle Wong, Ms. Jacqueline Wong and their children being the beneficiaries, the assets of which include the entire issued share capital of Allied Luck
“Trust B”	the discretionary trust with Ms. Michelle Wong and Ms. Jacqueline Wong being the settlors, Mr. Wong and Mrs. Wong being the trustees and Ms. Michelle Wong, Ms. Jacqueline Wong and their children being the beneficiaries, the assets of which include the entire issued share capital of Allied Golden and Aceyork
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

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## DEFINITIONS

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“United States”	The United States of America
“U.S. Securities Act”	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“ <b>white</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“ <b>yellow</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“Yong Hua”	Yong Hua International Limited, a company incorporated in the BVI with limited liability on August 1, 2003, is wholly-owned by Mr. Xie
“%”	percent

*Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option. See “Underwriting”.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.*

*Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the date of this prospectus.*

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## FORWARD-LOOKING STATEMENTS

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Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our capital expenditure programs and future capital requirements;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- our ability to control costs;
- our dividend policy;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors”.

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## **FORWARD-LOOKING STATEMENTS**

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Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as at the date on which such statement is made and, subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise, or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments. All forward-looking statements in this prospectus are expressly qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as at the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements".*

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business; (ii) risks relating to the industry; (iii) risks relating to conducting operations in China; and (iv) risks relating to the Global Offering and our Shares.

### RISKS RELATING TO OUR BUSINESS

**Substantially all of our income is derived from SMEs, which may be more susceptible than larger businesses to adverse changes in market conditions, competition and general economic conditions and therefore may present a higher default risk.**

Our business relies heavily on SMEs to generate income. SMEs may be subject to significant variations in operating results because they often engage in rapidly evolving and volatile businesses and industries, require additional capital to support their operations and expansion or to strengthen their competitive position, and otherwise may have a weaker financial position or be adversely affected by changes in the business cycle. Our SME customers may have weak accounting controls and lack the expertise and resources to prepare accurate audited financial statements on which we rely to evaluate their creditworthiness. As a result, they may be unable to meet collateral requirements typically imposed by banks in China when such banks extend loans to corporate borrowers. Various factors may affect an SME's ability to meet their interest payments to us. Such factors include the failure to meet its business plan, a downturn in its industry and negative economic conditions. Accordingly, SMEs may pose increased risks relating to default relative to large enterprises.



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## RISK FACTORS

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### **We may be unable to effectively mitigate credit risk and maintain our asset quality.**

The sustainability of our business and future growth depends largely on our ability to effectively manage our credit risk and maintain the quality of our receivables portfolio. As such, any deterioration in our asset quality or impairment in the collectability of our receivables could materially and adversely affect our business, prospects, financial condition and results of operations.

Due to the continuation of downturn economic pressure in China, especially in the third quarter of 2015, it is inevitable for us, like many corporations in the industry, to experience certain level of decline in the quality of our finance lease portfolio. For the four months ended July 31, 2015 and up to November 30, 2015, such effects are reflected in the following areas:

- (i) the general increasing trend of our Increased Scrutiny Asset ratio – in the four months ended July 31, 2015, our Increased Scrutiny Asset ratio increased from 9.5% as at March 31, 2015 to 11.2% as at July 31, 2015. As at November 30, 2015, our Increased Scrutiny Asset ratio was 13.1%;
- (ii) the recent increase in number of extension cases of finance lease receivable – as detailed in “Risk Management and Operation – Finance lease extension approval and management” in the four months ended July 31, 2015 and for period thereafter up to November 30, 2015, we have extended a total of 9 and 24 cases of our loan portfolio for outstanding finance lease receivable (before netting off deposit and impairment allowance) at extension date RMB267.3 million (HK\$338.4 million) and RMB161.7 million (HK\$197.2 million) respectively; and
- (iii) a higher amount of our legal proceedings against our customers – as at July 31, 2015 we had a total of 17 pending legal proceedings against our customers in the total claim amount of HK\$358.1 million. As at November 30, 2015, we had an increase of three new legal proceedings for recovering of a total claim amount of HK\$8 million, one of the three legal proceedings that has been settled for recovering of claim amount of HK\$1.6 million resulting in 19 pending legal proceedings in the total claim amount of HK\$364.5 million.

We believe the above was primarily due to the short term liquidity problems of our customers, which in turn were caused by both internal and external factors commonly happening in the general economy and faced by some of our existing and potential customers, including: (1) the tightened availability of bank financing which were otherwise available to some of our customers; (2) some of our customers’ upstream customers, many of which are state owned enterprises, deferred settlement with them amidst a very stringent internal control requirements; and (3) some of our customers voluntarily reduced their operation scales during the prolonged economic downturn.

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## RISK FACTORS

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There is no guarantee that our credit evaluation process and methods to mitigate the credit risks for these extension cases and cases involved in legal proceedings are adequate and that the quality of these assets will not be further deteriorated. In the event that quality of any of our finance leases turn sour, our overall asset quality and profitability will be materially and adversely affected.

**There can be no assurance that we can match the maturity profile of our assets and liabilities as we grow. Inability to do so will impact our liquidity and our ability to repay our borrowings and settle our outstanding liabilities.**

We depend on our ability to match our asset growth with our fundraising on an ongoing basis. We manage our liquidity risk by regularly monitoring the relative maturities between our assets and liabilities and by taking steps to maintain a balance of long-term and short-term funding sources. If we fail to match the relative maturities of our assets and liabilities or manage our interest rate exposures between our borrowings and our leases receivable, net liquidity shortfalls may result, and we may not be able to meet our financial liabilities as they fall due. In addition, such liquidity shortfalls may also impair our ability to obtain sufficient additional financing, if at all. As a result our liquidity may be impaired, which would have a material adverse effect on our business, prospects, financial condition and our results of operation. See “Financial Information – Liquidity and Capital Resources – Liquidity”.

**An increase in the interest rates would increase our borrowing costs and we may not be able to transfer our borrowing cost effectively to our customers.**

We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings from commercial banks. Accordingly, changes in interest rates have affected and will continue to directly and immediately affect our financing costs and, ultimately, our profitability and results of operations, if we cannot increase the interest charged to our clients by the same amount. As we obtain a substantial portion of our funding from commercial banks, any significant change in the prevailing interest rates in the domestic markets could have a material adverse impact on our business, prospects, financial condition and results of operations.

**We are heavily exposed to liquidity risk.**

Our business operations are funded by bank borrowings, operating cash flow and shareholders' equity. We expect that we will continue to do so in the future. Our high level of bank borrowings and gearing ratio could materially and adversely affect our liquidity. For example, the high level of bank borrowings and high gearing ratio could:

- require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow to fund our operations and growth;
- increase our vulnerability to adverse economic or industry conditions;

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## RISK FACTORS

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- limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate;
- limit our ability to incur additional debt; and
- increase our exposure to interest rate fluctuations.

Our gearing ratio was 69.8%, 62.2%, 62.3% and 60.5% as at March 31, 2013, 2014, 2015 and July 31, 2015 respectively.

There can be no assurance that we will obtain the required bank financing in the future or that we would be able to arrange for re-financing the bank borrowings when they become due, repay our bank borrowings or raise the necessary funding to finance our business growth.

### **We rely on a few banks for our funding sources.**

During the Track Record Period, we obtained funding from a small number of commercial banks and all of them are independent third parties. For each of the three years ended March 31, 2015 and the four months ended July 31, 2015, our largest bank accounted for 47.7%, 58.3%, 62.8% and 57.5%, respectively, of our total bank borrowings. Failure to obtain the required financing in the future or to raise the necessary funding to finance our operations could result in adverse impact on our business, prospects, financial condition and results of operations.

There can be no assurance that we will be able to obtain financing on commercially acceptable terms or at all, which depends on the general market conditions and the interest rate fluctuations, which are outside our control. Negative sentiment in the capital and credit market could lead to commercial banks less willing to provide financing for our business or that the cost of such financing would not be commercially reasonable.

### **We may not be able to service our debts.**

Our financing agreements with banks contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- transfer of material assets without obtaining the banks' prior approval;
- material changes to our shareholding structure, including but not limited to merger or consolidation with another company, division, restructuring or change of controlling shareholder;
- seeking additional financing from third parties for the underlying asset without the banks' prior approval; and

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## RISK FACTORS

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- failure of our financial indicators to meet certain standards set out under our financing agreements.

There can be no assurance that we will comply with all the requirements or covenants under our bank borrowings agreements or other material contracts entered into as part of our ordinary course of business or that we will be able to obtain any waiver if we fail to comply with them. If we violate any of the undertakings or covenants, it could result in increase in the interest rates, accelerated repayment of loans and interest, termination or delay in the relevant arrangements or legal proceedings against us. Any of these incidents could have a material and adverse effect on our business, prospects financial condition and results of operations.

As at the Latest Practicable Date, none of our banks have claimed default against us under any of the provisions in the financing agreements during the Track Record Period and we believe that we have not breached any of the provisions in such a way that could result in any event of default during the Track Record Period. If we fail to comply with any of the requirements of our financing arrangements, or are unable to generate sufficient cash flows from our business operations, from the disposal of the assets underlying our leases, or from other business activities, or if we are unable to obtain further financing on favorable terms or at all to meet or repay our debts when due, the banks may be entitled to accelerate the maturity of loans or foreclose on collateral supporting such loans, which would consequently materially and adversely affect our liquidity, business, prospects, financial condition, result of operations and our ability to obtain future financing.

**Our provisions for impairment losses on leases receivable may not be adequate to cover future credit losses, and we may need to increase our provisions for impaired receivables to cover such future credit losses.**

We make provisions for impairment losses on leases receivable in accordance with HKFRS. Our impairment provision on receivables amounted to nil, HK\$20.9 million, HK\$14.7 million and HK\$2.4 million, for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, respectively. As our provisions under HKFRS require significant judgment and estimation, our allowance for impairment losses may not always be adequate to cover credit losses in our business operations. Our allowance may prove to be inadequate if adverse changes occur in the PRC economy or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for our receivables, which could significantly reduce our profit and may materially and adversely affect our business, prospect, financial condition and results of operations. See “Financial Information – Significant Factors Affecting Our Results of Operations – Asset quality and provisioning policy”.

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## RISK FACTORS

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**Our high customer concentration may subject us to fluctuations or declines in revenue.**

Our top five customers in terms of revenue in the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015 accounted for 36.5%, 40.0%, 42.3% and 47.0% of our total revenue in the corresponding periods, respectively. Our largest customer by revenue in the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015 accounted for 22.0%, 18.0%, 18.4% and 17.5% of our total revenue, respectively. The average effective interest rate we charged for our largest customer is approximately 40%. The finance lease to our largest customer by revenue was completed in May 2015. During the lease period, we extended this lease 3 times. Upon completion, we entered into a new finance lease with this customer. Our second largest customer by revenue for the four months ended July 31, 2015 accounted for 9.3% of our total revenue. We have initiated legal proceedings against our second largest customer by revenue and have made an individual impairment provision in connection with the finance lease with our second largest customer by revenue. See “Business – Legal Proceedings”. We cannot assure you that we will be able to maintain or improve our relationships with these customers or other key customers, or that we will be able to continue to provide finance leases to these customers at current levels or at all. If our major customers leave and we are unable to find alternative customers at comparable levels, our revenue may fluctuate or decline as a result.

**Our financial results may be negatively affected by significant non-recurring listing expenses in the financial year ending March 31, 2016.**

We expect to incur listing expenses in connection with the Global Offering in the sum of approximately HK\$41.2 million, based on the mid-point of the indicative Offer Price of HK\$2.30 per Share of which HK\$16.2 million was charged to profit and loss during the Track Record Period. For the remaining expenses of HK\$25.0 million, we expect to charge HK\$12.4 million to our profit and loss, and the balance of HK\$12.6 million to be capitalized in the financial year ending March 31, 2016. Our Directors would like to emphasize that such amount is a current estimate and the final amount is subject to adjustment based on audit and changes in variables and assumptions. However, our Directors take the view that the final amount should be at a similar level as the estimated amount. Therefore, we expect that our financial results for the year ending March 31, 2016 may be negatively affected by this non-recurring item.

**Our lessees focus on a limited number of industries. Any adverse effect on those industries will have a direct impact on their ability to make lease payments.**

Our principal customers are engaged in the laser processing, plastics, industrial processing, textile and garments and hotel and leisure industries. There can be no assurance that there will sufficient demand for their products and services that would allow them to make lease or interest payments in a timely manner or at all. Any industry wide effect that would negatively affect our customers’ ability to make lease payments could have a material and adverse impact on our business, prospects, financial condition and results of operations.

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## RISK FACTORS

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**Our business model could be negatively affected by changes and fluctuations in the banking and financial industry.**

Our business model is premised on the fact that SMEs are generally underserved by the banking industry because commercial banks in China have been reluctant to lend to SMEs without credit support, such as third-party guarantees, or adequate collateral of tangible assets, and we believe that they will remain so in the foreseeable future. This has created opportunities for us to develop and expand our business. However, new trends in the banking industry or the applicable regulatory requirements may alleviate the high transaction costs or the lack of collateral and public information generally associated with bank financing to SMEs in China or otherwise make this business more attractive to banks. In the event that commercial banks begin to compete with us, for example, by making loans to SMEs on an unsecured basis or require a lower level of credit guarantee in return for higher risk-based interest rates, we may experience less demand for our guarantee services and greater competition with respect to our business. In addition, direct competition with our cooperating banks will also undermine our relationship with them and adversely affect our business, results of operations and prospects.

In addition, our business may also be subject to the factors affecting the banking industry, such as the spike in the interbank rates and the subsequent cash crunch fears as reported in the second and third quarters of 2013, as well as the increasing non-performing loan ratios as reported by the banking industry in 2013. Such factors adversely affecting the banking industry may result in a liquidity crunch and the subsequent reductions in the amount of, or tightened approval requirements for the loans available to our customers or us. As a result, we may experience a deterioration of our portfolio quality and/or a difficulties obtaining bank financing. Furthermore, if our customers' business is negatively affected due to the cash crunch or tightened liquidity, our risks of customer default may increase, which may materially and adversely affect our business, prospects, financial condition or results of operations.

**Our business is concentrated in Hubei Province, and our business, prospects, financial condition and results of operations may be materially and adversely affected by significant deterioration in our business in Hubei Province.**

Our business is concentrated in Hubei Province. For the Track Record Period, substantially all of our revenues were originated from Hubei Province. In 2014, the GDP growth rate of Hubei Province decreased from 10.1% for 2013 to 9.7% for 2014 year on year growth, which was the lowest in 24 years. A significant economic downturn in Hubei Province may undermine the financial condition of our customers and their ability to meet their finance lease obligations, and our business, prospects, financial condition and results of operations may be materially and adversely affected as a result.

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## RISK FACTORS

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**If our lessees encounter financial difficulties and we decide to make extensions to or restructure our leases, the extensions and restructuring would likely result in lease terms that are less favorable for us.**

If a lessee is late in making payments, fails to make payments in full or in part under a lease or has advised us that it will fail to make payments in full or in part under a lease in the future, we may need to make extensions to or restructure the lease, which could result in less favorable terms or termination of a lease without receiving all or any of the past due amounts. The outstanding amount of finance lease receivable (before netting off deposit) at extension date that have been extended or restructured was RMB138.6 million, RMB14 million, RMB177.8 million and RMB267.3 million as at March 31, 2013, 2014 and 2015 and July 31, 2015, respectively. We may be unable to agree upon acceptable terms for some or all of the requested extensions or restructurings and as a result may be forced to exercise our remedies under those leases. If we, in the exercise of our remedies, repossess an asset, we may not be able to re-lease or liquidate the asset promptly at favorable rates, if at all. We expect that extensions, restructurings and/or repossessions with some lessees will occur in the future. The terms and conditions of possible lease extensions or restructurings may result in a significant reduction of lease revenue, which may adversely affect our business, prospects, financial condition and results of operations.

**The value of collateral or guarantees securing our leases and the assets underlying our leases which are disposed of upon repossession, may be inadequate to cover related leases receivable.**

During the Track Record Period, most of our leases were secured by guarantees. To further manage the risks of our portfolio, we usually request the lessees to provide guarantees for the leases but we must specifically agree guarantee arrangements with each lessee on a case-by-case basis, mainly considering their industry category. In our standard finance lease, we include a provision that the title of the asset under lease will be transferred from the lessee to us upon the commencement of the lease. We then register such assets to show the title change in nationally accredited title registration system such as the Credit Reference Center in the People's Bank of China. In the event of any material default on payment terms, we are contractually entitled to enforce our security rights over any collateral or guarantee and/or repossess and dispose of the assets underlying our leases to realize their value. The value of our collateral and/or assets underlying our leases to be disposed of may decline and may be materially and adversely affected by a number of factors, such as damage, loss, oversupply, devaluation or reduced market demand. Similarly, a significant deterioration in the financial condition of guarantors under our leases could significantly decrease the amounts we may recover under such guarantees.

Our policies require periodic internal re-evaluation of collateral and assets underlying our leases to be disposed of for impairment testing purposes. If the value of such collateral or assets underlying our leases to be disposed of prove to be inadequate to cover the related leases receivable, we may need to obtain additional security from our customers or other sources, and there can be no assurance that we would be able to do so.

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## RISK FACTORS

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Declines in the value of collateral, guarantees or assets underlying our leases or our inability to obtain additional security may result in impairments and require us to make additional impairment provisions against our leases receivable, which may, in turn, materially and adversely affect our business, prospects, financial condition and results of operations. There is also no assumption that we could liquidate or otherwise monetise our assets under cease or collateral to cover any shortfall in terms of repayment default.

**We may not be able to enforce our rights to the underlying collateral or guarantees to our leases, or enforce our rights to repossess assets underlying our leases.**

In the event of any material default on interest payment terms, we are entitled to enforce our security rights over any collateral or guarantee and/or repossess and dispose of the assets underlying our leases to realize their value. The lessees in the leases secured by guarantees are Independent Third Parties. In the PRC, the procedures for liquidating or otherwise realizing the collateral value of tangible assets and the procedures for enforcing our rights to a guarantee or to repossess and dispose of the asset underlying our leases are usually time-consuming (the whole process may take three to six months) and in practice it may be difficult to realize such collateral value, enforce the guarantee or repossess and dispose of assets underlying our leases. Although we could apply to a PRC court in accordance with the PRC Civil Procedure Law for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying our leases upon default, it is uncertain whether any judgment made by local courts would be enforceable due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, our rights to any collateral securing our leases may be subordinated to other claims such as employment benefit claims. If we are unable to bring an enforcement action with respect to any collateral or any guarantee related to any assets underlying our leases to be repossessed and disposed of on a timely basis, it may have a material adverse effect on our business, prospects, financial condition or results of operations.

**We may not be able to effectively and timely dispose the leased assets and additional collateral.**

In the event of a customer default, we may have to dispose the underlying assets and additional collateral in order to cover our losses. However, due to differences of liquidity these leased assets and additional collateral have, which are affected by their unique features, functions, and existing and potential demand from the market, we may not be able to effectively and timely dispose them. For example, in the case of our largest customer, there may not be existing demand and readily available buyers for the operating assets which are mainly resort villas, hotel buildings and conference rooms, as well as for the equipment assets which are operational equipment and devices that are mainly fixed on these operating assets. See “Business – Customer – Our largest customer” for a breakdown of the leased assets and collateral under our largest customer and an analysis of their liquidity. If we are not able to effectively and timely dispose these leased assets and additional collateral in cases of default, the amount of money we can recover from them may be significantly decreased, which in turn may adversely affect our business, cashflow, financial condition and results of operations.



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## RISK FACTORS

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**We may not be able to obtain sufficient funds to finance our operations or expansion plans.**

A substantial amount of capital and ongoing funding is required to support the growth of our leases receivable portfolio, as well as to fund future expansion. We primarily fund our operations and expansion through bank borrowings, our shareholders' equity and cash flow from our operations.

If there are changes in international and/or domestic macroeconomic conditions and policies, negative sentiment in the capital and credit markets in which we source our financing could lead to commercial banks and other financial institutions being less willing to provide financing or that the cost of such financing would be unreasonably high. In any of these events occur, we may face a liquidity gap and we may need to use other means, such as selling our assets at inappropriate time, to support our funding needs.

If we are unable to obtain sufficient financing from banks or other financing source on commercially acceptable terms, our business, prospects, financial condition and results of operations could be materially and adversely affected.

**We rely on our key personnel and our ability to attract and retain qualified personnel.**

We depend on the continued efforts of our senior management team for our success. Our Executive Directors (namely Mr. Xie and Mr. Li Fan) and our senior management (namely Mr. Cai Hanming, Ms. Cui Haiying and Mr. Yao Feng) play vital roles in the our operations. Each of them has years of experience in the finance leasing industry in China, and collectively they possess a deep understanding of our target industries, our customers and competitors and the laws regulating our business. Therefore, they play an important role in formulating and implementing appropriate strategies for our success. However, there can be no assurance that any of our key employees will not voluntarily terminate his or her employment with us or leave his or her position due to other reasons beyond our control. The loss of service of any of our key management, in particular our Executive Directors, could impair our ability to operate and make it difficult to implement our business and growth strategies. We may not be able to replace such persons within a reasonable period of time or with another person of equivalent expertise and experience, which may severely disrupt our business operations.

Mr. Xie is currently involved in a civil litigation. If he loses such litigation and is subject to a judgment to such an extent that affects his ability to serve as a Director, then there will be a negative impact on our operations. Also, any negative allegations may have an adverse impact on Mr. Xie's reputation, which in turn may affect his ability to effectively manage our Group. There are allegations on the internet relating to Mr. Xie's background and integrity. Based on our thorough due diligence, we believe these allegations are unfounded. We cannot assure you that there will not be further allegations in the future against Mr. Xie or us. Any such future allegations may have a material adverse impact on our reputation which would materially and adversely affect our business, prospects, financial condition and results of operations.

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## RISK FACTORS

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Our continued success also depends on our ability to attract and retain qualified personnel to manage our existing operations and future growth. Qualified individuals are in high demand and we may not be able to successfully attract, assimilate or retain all the personnel we need with the required industry expertise (such as personnel for our sales and marketing and risk management departments). We may also need to offer higher compensation and other benefits to attract and retain key personnel and therefore cannot assure you that our compensation and benefits payments will not increase unpredictably or at a greater rate than our revenues. Our failure to attract and retain qualified personnel and any increase in staffing costs to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business, and may also have a material adverse effect on our business, prospects, financial condition and results of operations.

**Our risk management systems and internal control policies may not be effective in mitigating our risk exposure.**

Our risk management systems and internal control policies may not be effective in mitigating our exposure to all types of risk, including unidentified or unanticipated risks. Some risk management and control methods are based upon industry practice, historic market behavior and past events. As such, we may not be able to adequately identify or estimate future risk exposures, which could be significantly greater than indicated by measures based on historical data. Other risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in the PRC is relatively undeveloped and there is no extensive and unified nationwide credit information system. As such, we are only able to rely on publicly available resources and our internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information. Furthermore, as we enter new industry sectors, approaches other customer segments or develops additional product and service offerings, we may not be in a position to adequately identify and predict future risk exposures. See “Risk Management and Operation”.

In addition, management of operational, legal or regulatory risks requires various sets of policies and procedures in order to accurately record and verify a large number of transactions and events. Such policies and procedures may not be fully effective. Any failure of our risk management procedures or any failure to identify applicable risks may have a material adverse effect on our results of operations and financial condition.

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## RISK FACTORS

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**We have limited information regarding the SMEs to which we provide our services, and our ability to perform customer due diligence or detect customer fraud may be compromised as a result.**

Our credit evaluation depends primarily on customer due diligence. There is very limited information available about SMEs. For example, the accounting records or other financial information of our customers might not have been well maintained, their business model and procedures might not have been properly documented, if at all, and they may not have sufficient internal controls as the larger corporate entities would have. We rely on our project managers to conduct due diligence in respect of our customers and to obtain and verify the information necessary to enable us to make credit evaluations. Lack or inadequacy of information may not only result in additional efforts and costs on, but also undermine the effectiveness of, our customer due diligence. We cannot assure you that our customer due diligence will uncover all material information necessary to make a fully informed decision, nor can we assure you that our due diligence efforts will be sufficient to detect fraud committed by our customers. If we fail to perform thorough due diligence or discover customer fraud or intentional deceit, the quality of our credit evaluation may be compromised. A failure to effectively measure and limit the credit risk associated with our finance lease receivable portfolio could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, we may be unable to monitor our customers' actual use of the financing we provided, or verify if our customers have other undisclosed contingent liability or borrowings. We may not be able to detect our customers' suspicious or illegal transactions, such as money laundering activities, in our business and we may suffer financial and/or reputational damage as a result.

**Disruptions to our information technology systems may adversely affect our operations and financial condition.**

Our business operations are dependent on the ability of our information technology systems to accurately process a large number of transactions and information in a timely manner. The proper functioning of our financial control, risk management, accounting, customer service and other data processing systems is critical to our business and our ability to compete effectively. We have established our own internal back-up systems to carry on principal functions in the event of system failures. However, there can be no assurance that our operations will not be materially disrupted if any of our systems fail due to, among other things, fire, natural disasters, power loss, software faults, computer virus attacks, conversion errors due to system upgrades, or security breaches. Any disruption to any of our information technology systems could materially and adversely affect our business, prospects, financial condition and results of operations.

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## RISK FACTORS

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**We may not be able to detect and prevent fraud or other misconduct committed by our employees or third parties.**

Fraud or other misconduct by employees (such as unauthorized business transactions and breaches of our internal policies and procedures) or third parties (such as breach of law) may be difficult to detect and prevent and could subject us to financial loss, sanctions imposed by governmental authorities and seriously harm our reputation. Our risk management systems, information technology systems and internal control procedures are designed to monitor our operations and overall compliance. However, we may be unable to identify non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud or other misconduct and the precautions we take to prevent and detect such activities may not be effective. Hence, there exists the risk that fraud or other misconduct may have previously occurred but was undetected, or may occur in the future. This may have a material adverse effect on our business, prospects, financial condition and results of operations.

**Our lessees may have inadequate insurance coverage.**

While we do not directly control the operation of any of our lessees, by virtue of holding title to their assets, directly or indirectly, we may be held strictly liable for losses resulting from the operation of our assets, or may be held liable for those losses on other legal theories. We require our lessees to obtain specified levels of insurance and indemnify us for, and insure against, liabilities arising out of their use and operation of their assets.

We are unable to give assurance that there would not be any major losses resulting from the operation of our assets nor any assurance that such losses be covered by insurance.

Furthermore, our lessees' insurance or other coverage may not be sufficient to cover all claims that may be asserted against us arising from the operation of their assets by our lessees. Inadequate insurance coverage or default by lessees in fulfilling their indemnification or insurance obligations will reduce the proceeds that would be received by us in the event we are sued and are required to make payments to claimants, which could materially and adversely affect our business, prospects, financial condition and results of operations.

**We may not have adequate insurance coverage to cover potential liabilities or losses.**

We have obtained insurance coverage for our business operations in accordance with legal requirements, and in respect of all assets which we deem material for our operations. We face various risks in connection with our businesses and may lack adequate insurance coverage or may have no relevant insurance coverage. In addition,

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## RISK FACTORS

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in line with general practice in the PRC, we do not maintain business interruption insurance. As a result, our insurance coverage may be inadequate to cover such losses should they arise. Any such uninsured losses may materially and adversely affect our business, prospects, financial condition and results of operations.

**Failure to obtain, renew, or retain licenses, permits or approvals or failure to comply with applicable laws and regulations may affect our ability to conduct our business.**

The licensing requirements within the PRC finance leasing industry are constantly evolving and we may be subject to more stringent regulatory requirements due to changes in the political or economic policies in China. See “Regulatory Overview”. There can be no assurance that we will be able to satisfy such regulatory requirements and as a result we may be unable to retain, obtain or renew any existing or additional licenses, permits or approvals in the future. Failure to do so may materially and adversely affect our business, prospects, financial condition and results of operations.

**If we encounter difficulties executing and integrating our growth strategy and expansion plans, our growth prospects may be limited and we may be unable to recoup the costs incurred thereby.**

As part of our business strategy, we plan to expand our business to include other target industries in Hubei Province and to explore possibilities of providing additional services and products to our customers. There can be no assurance that we will be able to identify any suitable business opportunities, target industries, investment projects or business partners in the near future. An expanded business shall require corresponding investment in resources such as personnel and risk control infrastructure. Failure to effectively manage our expansion may lead to increased costs, reduced growth and reduced profitability for us. Even upon completion of investments or partnerships, we may experience difficulties in adapting to such businesses, and incur higher costs than initially anticipated. This may materially and adversely affect our business, prospect, financial condition and results of operations.

**We may be involved in legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.**

We may be involved in disputes with the lessees relating to our financial leasing agreements and other security arrangement. These disputes may lead to various forms of protests against us or legal or other proceedings and may result in substantial costs, damages to our brand and reputation and a diversion of resources and management’s attention. In addition, we may have disagreements with regulatory bodies in the course of our operations which may subject us to administrative proceedings and unfavorable decrees that result in pecuniary liabilities or otherwise disrupt our business operations. We cannot assure you that we will not be involved in any major disputes or legal or other proceedings in the future. Further, we endeavor to structure our business in a tax

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## RISK FACTORS

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efficient manner. If any of our arrangements is successfully challenged by the relevant tax authorities, we may incur additional tax liabilities, which could adversely affect our results of operations or financial condition. In addition, from time to time, our officers and management may be parties to litigation or other legal proceedings. Even though we may not be directly involved in such proceedings, such proceedings may affect our reputation and, consequently, adversely impact our business. See “Business – Legal Proceedings”.

### RISKS RELATING TO THE INDUSTRY

#### **We operate in an increasingly competitive market.**

The financial services industry is an increasingly competitive industry, there can be no assurance that we will be able to sustain our competitive advantage or effectively implement our business strategies. Our competitors comprise mainly bank-affiliated leasing companies, captive leasing companies, independent leasing companies and other financial service companies, which are all similarly involved in the financial leasing and/or financial services business. Competition from such entities may result in certain developments in our industry, business and operating environment, such as downward competitive pressure on interest rates charged to customers, expansion by existing competitors, adoption by our competitors of innovative financial services or comparatively effective branding efforts, any of which may have a material adverse impact on our business, financial condition and results of operations.

Upon China’s accession to the World Trade Organization in 2001, the PRC leasing industry entered a phase of rapid development and the number of both foreign and domestic investors in the industry has increased. In order to fulfill its commitment to liberalize the PRC financial leasing market, China’s MOFCOM implemented several policies to develop further the leasing industry and encourage additional investment. For instance, the *Measures on the Administration of Foreign Investment in the Leasing Industry* was promulgated in 2005 and permitted the incorporation of foreign investment leasing companies either through the establishment of wholly-owned or joint venture financial leasing companies. In order to encourage participation by domestic investors, the “*Circular on Issues in Connection with the Engagement in Financial Leasing Business*” was jointly promulgated by the MOFCOM and the State Administration of Taxation. This notice permitted the establishment of domestic pilot financial leasing companies. In 2007, the CBRC issued the newly revised “*Measures on Administration of Finance Leasing Companies*” which allowed qualified domestic promoters to invest in or establish financial leasing companies qualified as financial institutions with or without foreign investment. Pursuant to the *Decision of the State Council of PRC on the Fifth Batch of Administrative Examination and Approval Matters to be Cancelled or Delegated to Subordinate Authorities* promulgated and effected on July 4, 2010, approval for the establishment or modification of foreign-invested enterprises engaged in financial leasing with a total investment amount of US\$300 million or less can be approved by provincial-level governmental authorities instead of those at the national level. We

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## RISK FACTORS

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believe these measures are likely to further increase competition in the PRC financial leasing industry. If we are unable to compete successfully against current and future participants in the industry, our business, prospects, and financial condition and results of operations may be materially and adversely affected.

Some of these competitors in Hubei Province may have greater operating and financial resources and access to lower capital costs than us. We may not always be able to compete successfully with such competitors and other entities, which could materially and adversely affect our business, prospects, financial condition and results of operations.

**Interest rate changes may adversely affect interest expense related to our borrowings, reduce net interest income and reduce demand for our leasing services.**

Our business is affected by interest rates, including both the interest rates charged to our finance leasing customers and the rate of interest we pay on our bank borrowings. In order to remain responsive to changing interest rates and to manage our interest rate exposure, we have implemented measures to adjust the structure of our assets and liabilities based on an assessment of the sensitivity of projected net interest income under various interest rate scenarios. However, an increase in interest rates, or the perception that such an increase may occur, could adversely affect our ability to obtain bank borrowings at favorable interest rates, our ability to maximize our interest income, our ability to originate new leases and our ability to grow. On the other hand, a decrease in interest rates may result in the decrease of our net interest margin and net interest spread if not all the charging interest rates of our finance lease receivable move in the same magnitude and direction as our bank borrowing rates, and therefore has negative impact on our profitability. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (i.e., basis risk) could affect the interest rates received on interest-earning assets differently from the interest rates paid on interest-bearing liabilities, which could, in turn, result in an increase in interest expense or a decrease in net interest income (which is our interest income minus our interest expense). In addition, our net interest income is also impacted by whether we can adjust the interest rates we charge our customers in response to fluctuations in interest rates for our interest-bearing bank borrowings to maintain our net interest spread and our net interest margin. If we fail to appropriately adjust the interest rates of our lease contracts in a timely manner, our net interest spread and our net interest margins may decrease, and as a result, our profitability and results of operations would be adversely impacted. Any increase in our interest expense or decrease in our net interest income could have a material adverse effect on our business, financial condition and results of operations.

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### **Fluctuations in equipment prices may adversely affect our operations and business.**

Rapid increases in equipment prices may reduce overall demand for our finance leasing services and, accordingly, reduce our ability to generate new contracts. Moreover, reductions in equipment prices may also affect our ability to recover the related leases receivable due to the increasing likelihood of default by our customers. In particular, the price at which we are able to sell any asset underlying our leases may be lower than the price at which we acquired it. In the event that we are required to recover a material portion of our equipment receivables but are only able to do so at values substantially below their acquisition prices, there may be a material adverse effect on our business, results of operations and financial condition.

### **RISKS RELATING TO CONDUCTING OPERATIONS IN CHINA**

**As substantially all of our operations are conducted in Hubei Province, PRC, changes in the economic, political and social conditions in the PRC may have a material adverse effect on our business, results of operations and financial condition.**

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to:

- economic structure;
- level of governmental involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

As a result of these differences, our business may not develop in the same way or at the same rate as might be expected if the PRC economy were similar to those of developed countries. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. The PRC government has implemented economic reform measures emphasizing responsiveness to market forces in the development of the PRC economy. However, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Furthermore, despite the implementation of such reforms, changes in the PRC's political and social condition, laws, regulations, policies and diplomatic relationships with other countries could have an adverse effect on our business, financial condition or results of operations.



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In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Other political, economic and social factors may also lead to further adjustments of the reform measures. For example, the PRC government has in the past implemented a number of measures intended to curtail certain segments of the economy, which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and an adverse effect on the prospects of SMEs in Hubei Province, in turn, have a mutual and adverse impact on our business, prospects, and financial condition and results of operations.

**Any slowdown in the Chinese economy may affect the industries in which we operate.**

Substantially all of our revenue is derived from the provision of finance leases. We rely exclusively on domestic demand to achieve growth in our revenue. Such demand is materially affected by industrial development and the overall economic growth in China as well as policy support for our clients' industries and for our financial services. Any deterioration of these industries in China resulting from a global economic downturn or the Chinese government's macroeconomic measures affecting these industries may have a material adverse impact on our business, prospects, financial condition and results of operations. Furthermore, any deterioration in the financial condition of our customers in these industries or any industry-specific difficulties encountered by these customers could affect our business (such as the deterioration of the quality of our existing leases receivable and our ability to generate new leases), thereby materially and adversely affecting our business, prospects, financial condition and results of operations.

Furthermore, the global crisis in financial services and credit markets since 2008 caused a slowdown in the growth of the global economy with a corresponding impact on the Chinese economy. Although there are signs of recovery in the global and Chinese economies, there can be no assurance that any such recovery is sustainable. As a result of global economic cycles, we cannot assure you that the Chinese economy will grow in a sustained or steady manner. Any slowdown or recession in the Chinese economy may affect our ability to secure new leases and contracts, and may increase the default rate on our existing leases and contracts and our ability to obtain sufficient financing, which may in turn have a material adverse effect on our business, prospects, financial condition and results of operations.

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## RISK FACTORS

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**We may be subject to PRC income taxes on our worldwide income or be required to withhold PRC income tax on dividends payable to our foreign shareholders, and your gains from selling our Shares may be subject to PRC income tax if we are deemed to be a PRC tax resident.**

The PRC EIT Law provides that enterprises established outside of China whose “de facto management bodies” are located in China are considered PRC “tax resident enterprises” and will generally be subject to the uniform 25.0% PRC enterprise income rate on their global income. Under the implementation rules to the PRC EIT Law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and other assets of an enterprise, however, the circumstances under which an enterprise’s “de facto management body” would be considered to be located in China are currently unclear. A tax circular issued by the State Administration of Taxation on April 22, 2009 (the “Circular 82”), provides that certain foreign enterprises controlled by a PRC company or a PRC company group will be classified as “resident enterprises” if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights.

We may be deemed to be a PRC resident enterprise if the related criteria under Circular 82 are referred to and applied to us by the PRC tax authorities. If we or any of our overseas subsidiaries is considered a PRC tax resident enterprise for PRC tax purposes, a number of unfavorable PRC tax consequences could follow. First, our Company or our overseas subsidiary will be subject to the uniform 25.0% enterprise income tax rate as to our global income as well as tax reporting obligations. Second, we cannot assure you that such dividends, which would normally qualify as “tax-exempted income” under applicable rules, will not be subject to a 10.0% withholding tax, as the PRC taxation authorities, which enforce the withholding tax, have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC tax purposes. Finally, dividends payable by us to our investors that are non-resident enterprises and gain on the sale of our Shares may become subject to PRC withholding tax, if such dividends and gains are regarded by PRC tax authorities to be sourced from China.

**Any limitation on the ability of our PRC subsidiaries to pay dividends to us and repay their debts to creditors could limit our ability to distribute profits to our Shareholders and fulfill our repayment obligations.**

We have no offshore operations and would need to rely on dividends paid by our PRC operating subsidiaries for our cash requirements (if any), including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any offshore debt we may incur, and to pay our offshore operating expenses (if any).

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## RISK FACTORS

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PRC regulations currently permit payments of dividends only out of accumulated profits, as determined in accordance with the accounting standards and regulations in China, which differ in many aspects from generally accepted accounting principles in other jurisdictions. Our PRC subsidiaries are required to allocate certain percentages of any accumulated profits after tax each year to their statutory common reserve fund as required under the PRC Company Law, until the aggregate accumulated statutory common reserve funds exceed 50% of its registered capital. These reserve funds cannot be distributed as cash dividends. In addition, if our PRC subsidiaries incur debt on their own or enter into certain agreements in the future, the instruments governing the debt or such other agreements may restrict their ability to pay dividends or make other distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may materially and adversely affect our ability to pay dividends to our Shareholders.

**The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.**

Our PRC subsidiaries receive all of their revenue in Renminbi. Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot guarantee that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regime, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advanced approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, may be approved by or registered or filed with SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there can be no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payment to our Shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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## RISK FACTORS

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### **Fluctuations in the value of the RMB could have an adverse effect on our business, results of operations and financial condition.**

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's economic and political condition. In 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is permitted to fluctuate within a band against a basket of currencies, determined by the PBOC, against which it could rise or fall by as much as 0.3% each day. On May 21, 2007, the PRC government further widened the daily trading band to 0.5%. Between July 21, 2005 and December 31, 2009, the RMB has appreciated significantly against the U.S. dollar. In June 2010, the PRC government indicated that it would make the foreign exchange rate of the RMB more flexible, which increases the possibility of sharp fluctuations of the RMB's value in the near future and the unpredictability associated with the RMB's exchange rate. On April 16, 2012, the PRC government widened the daily trading band to 1%. On March 17, 2014 the PRC government further widened the daily trading band to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand. The PBOC has also introduced a series of measures to facilitate the reform of the Renminbi exchange rate regime, including the introduction of financial derivative products such as currency swaps, the relaxation on Renminbi trading by non-financial institutions and the introduction of market makers, comprising both domestic and foreign banks, for the trading of Renminbi. Notwithstanding the above, there still remains significant international pressure on the PRC government to further liberalize its currency policy, which could result in a further and more significant fluctuation in the value of the RMB against the Hong Kong dollar, the U.S. dollar and other foreign currencies. In August 2015, the RMB fell 3.3 per cent against the US dollar in three days, which was the largest drop since the mid-1990s. As our reporting currency is Hong Kong dollar but our functional currency is RMB, the depreciation of the RMB would not affect our business but will impact our financial results.

Even though substantially all of our revenue and expenses are denominated in 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. Any unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar may adversely affect the value of our distribution. In addition, any unfavorable movement in the exchange rate of the RMB against other foreign currencies may also lead to an increase in our costs, which could adversely affect our business, financial condition and results of operations. For the impact of exchange rate fluctuation and our business operation, see "Financial Information – Quantitative and Qualitative Disclosure about Financial Risks – Sensitivity analysis".

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## RISK FACTORS

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**PRC regulation of loans to and direct investments in PRC companies by offshore holding companies may delay or prevent us from providing loans or capital contributions to our PRC subsidiaries, which could materially and adversely affect their liquidity and our ability to fund and expand our business.**

To use the proceeds from the Global Offering or any future offerings, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to Chinese regulations and approvals. For example, loans by us to our wholly-owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered with SAFE or its local counterparts. Any capital contributions to our PRC subsidiaries must be approved by MOFCOM or its local counterparts.

In addition, pursuant to the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises (國家外匯管理局關於改革外商投資企業外匯資本金結匯管理港式的通知) (“Circular 19”) promulgated on March 30, 2015 by SAFE which became effective on June 1, 2015, foreign-invested enterprises shall be allowed to settle foreign exchange capitals on a discretionary basis. Furthermore, where the foreign-invested enterprises engaged in equity investment in the PRC, it shall follow the regulations on reinvestment in territory of PRC. Circular 19 unlocks the restriction on foreign exchange capital settlement, but it is still uncertain whether it is practicable and may adversely affect our ability to expand our business.

**The uncertainties of the PRC legal system and its laws and regulations may have a negative impact on our operations.**

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law. However, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis, if at all) that may have a retroactive effect. The PRC may not accord equivalent rights (or protection for such rights) to those rights investors might expect in countries with more sophisticated real estate laws and regulations.

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## RISK FACTORS

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Furthermore, the PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces and may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present also no integrated system in the PRC from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, each court may refuse to make the documentation that it holds available for inspection.

Agreements that are governed by PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

**The recurrence of SARS or an outbreak of other epidemics, such as MERS, bird flu or Type A H1N1 influenza, natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect our business, results of operations and financial condition.**

Certain areas in the PRC, including the areas in which we operate, may be prone to infectious diseases such as MERS, Severe Acute Respiratory Syndrome, or SARS. Outbreaks of infectious diseases in the past have damaged the regional and national economies in the PRC. A recurrence of SARS or other infectious diseases such as H5N1 bird flu or Type A H1N1 influenza, especially in the areas in which we or our customers operate, may result in material disruptions to our and our customers' businesses. Natural disasters such as earthquakes, floods, severe weather conditions or other catastrophic events may severely affect the regions where we or our customers operate. For example, in May 2008, Sichuan Province experienced a strong earthquake, measuring approximately 8.0 on the Richter magnitude scale, causing widespread damage and casualties. These natural disasters could cause a material economic downturn in the affected area or nationally and could have a material adverse effect on our business, prospects, financial condition and results of operations.

Similarly, war, terrorist activity, threats of war or terrorist activity, social unrest and the corresponding heightened travel security measures instituted in response to such events, as well as geopolitical uncertainty and international conflict and tension, could affect economic development and construction projects. In turn, there could be a material adverse effect on our business, prospects, financial condition and results of operations. In addition, we may not be adequately prepared in terms of contingency planning or have recovery capabilities in place to deal with a major incident or crisis. As a result, our operational continuity may be adversely and materially affected and our reputation seriously harmed.

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## RISK FACTORS

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**It may be difficult to effect service upon, or to enforce judgments against us or the Directors or senior management residing in China, in connection with judgments obtained from courts other than PRC courts.**

Substantially all of our Directors and members of our senior management reside in China. Almost all of our assets and most of the assets of our Directors and the members of our senior management are located within China. Moreover, the PRC does not have treaties with most other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Judgments obtained in a Hong Kong court may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments in the PRC.

Furthermore, China does not have treaties or agreements providing for the reciprocal recognition and enforcement of judgments awarded by courts of the United States, the United Kingdom, or most other European countries or Japan. Hence, the recognition and enforcement in China of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

**The enforcement of the New Labor Contract Law and other labor-related regulations in China may adversely affect our business and our results of operations.**

On June 29, 2007, the PRC Government enacted a new labor law, namely, the Labor Contract Law of the PRC (the “New Labor Contract Law”), which became effective on January 1, 2008. The New Labor Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labor union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the New Labor Contract Law, an employer is obligated to sign an unlimited term labor contract with an employee if the employer continues to employ the employee after two consecutive fixed term labor contracts. The employer must also pay compensation to employees if the employer terminates an unlimited term labor contract. Unless an employee refuses to extend an expired labor contract, compensation is also required when the labor contract expires and the employer does not extend the labor contract with the employee under the same terms or better terms than those in the original contract. Further, under the Regulations on Paid Annual Leave for Employees, which became effective on January 1, 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three

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## RISK FACTORS

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times their normal salaries for each waived vacation day. As a result of these protective labor measures or any additional future measures, our labor costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

### **RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES**

**Any sale or possible sale in the public market of the interests of our Controlling Shareholders or an issue of new Shares by us may cause a significant decrease in the market price of the Shares.**

Immediately following the Global Offering, assuming the Over-allotment Option is not exercised, our Controlling Shareholders will beneficially own and control approximately 35.95% of the Shares in issue. If, following the expiry of its lock-up period, our Controlling Shareholders sell or are perceived as intending to sell a substantial portion of their interests in the Shares, the market price of the Shares may be adversely affected.

Future offerings or sales of our Shares by us or our Controlling Shareholders, or other Shareholders in the public market, or the perception that such offerings or sales could occur, may cause the market price of our Shares to decline. Following the expiration of their respective lock-up periods, the market price of our Shares may decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares (including the issuance of new Shares pursuant to the exercise of share options granted by us) or the perception that such sales or issuances may occur. This could also have a material and adverse effect on our ability to raise capital in the future at a time and at a price deemed appropriate. In addition, if we issue additional Shares or share options in the future, you may experience further dilution.

**Our Shares have never been publicly traded and an active or liquid market for our Shares may never develop.**

Prior to the Global Offering, there has been no public market for Shares and an active or liquid market for our Shares may never develop or be sustained after the Global Offering. Listing and quotation does not guarantee that a trading market for our Shares will develop or, if a market does develop, the liquidity of that market.

**The market price of our Shares may decline after the Global Offering.**

The Offer Price of our Shares will be determined by agreement between the Underwriters and the Company, and may not be indicative of the market price for our Shares following completion of the Global Offering. Our Shares may trade at market prices significantly below the Offer Price after the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile.



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## RISK FACTORS

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The market price of our Shares will depend on many factors, including, but not limited to:

- actual or anticipated fluctuations in our revenues and results of operations;
- the perceived prospects of our business;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts' earnings estimates or recommendations or projections;
- changes in general economic or market conditions or other developments which affect us or our industry;
- the market value of our assets;
- the perceived attractiveness of our Shares against that of other equity or debt securities, including those not in our client's industries;
- the balance of buyers and sellers of our Shares;
- any future changes to the regulatory systems of the PRC and Hong Kong, both generally and specifically in relation to dividends and tax systems;
- our ability to successfully implement our investment and growth strategies;
- interest rates and limitations or restrictions on financing for our clients' industries;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- the operating and stock price performance of other companies and other industries and other events or factors beyond our control;
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or our Shareholders;

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## RISK FACTORS

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- foreign exchange rates; and
- broad market fluctuations, including any weakness of the equity markets.

For these reasons, among others, the Shares may trade at prices that are higher or lower than the Offer Price. You should also note that shares of other companies on the Stock Exchange in our client's industries or with significant operations and assets in the PRC have experienced price volatility in the past. Moreover, the securities markets generally have, from time to time, experienced significant price and volume fluctuations that are not related to the performance of particular industries or companies. These types of price volatility and fluctuations may also materially and adversely affect the market price of our Shares. In addition, to the extent that we retain operating cash flow for investment, working capital requirements or other purposes, these retained funds, while increasing the value of our underlying assets, may not correspondingly increase the market price of the Shares.

**There is no assurance that the Shares will remain listed on the Stock Exchange.**

Although it is currently intended that the Shares will remain listed on the Stock Exchange, there is no guarantee of the continued listing of the Shares. Among other factors, the Company may not continue to satisfy the listing requirements of the Stock Exchange. Holders of Shares would not be able to sell their Shares through trading on the Stock Exchange if the Shares were no longer listed on the Stock Exchange.

**You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles, other media and/or research reports regarding us, our business, our industry and the Global Offering.**

You should rely solely upon the information contained in this prospectus in making your investment decision regarding the Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or appropriateness of any forecasts, projections, views or opinions expressed by the press, other media and/or research analysts regarding the Shares, the Global Offering, the Group, our business or our industry. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, projections, views or opinions expressed or any such publications. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

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## RISK FACTORS

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**Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus.**

There has been coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

**Certain information, forecasts and statistics contained in this prospectus are derived from publicly available official sources, which have not been verified by us.**

This prospectus contains information, forecasts and statistics related to, among other things, the PRC, the PRC economy and the monetary policies in the PRC. Such information, forecasts and statistics have been derived from various publicly available government and official sources. We believe that the sources of such information, forecasts and statistics are appropriate sources for such information, forecasts and statistics and have taken reasonable care in the extraction and reproduction of such information, forecasts and statistics. We have no reason to believe that such information, forecasts or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information, forecasts or statistics false or misleading in any material respect. However, we have not independently verified such information, forecasts and statistics and no representation is given as to their correctness, reliability or accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the information, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to information, forecasts and statistics produced with respect to other economies. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. Therefore, you should not unduly rely upon the information, forecasts and statistics contained in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Securities and Futures (Stock Market Listing) Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

### **INFORMATION ABOUT THIS PROSPECTUS**

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Joint Global Coordinators, the Bookrunners, the Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as at any date subsequent to the date of this prospectus.

### **SELLING RESTRICTIONS**

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus, and the offering and sale of the Offer Shares, in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may be issued pursuant to the exercise of the Over-allotment Option.

Save as disclosed in this prospectus, no part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Stock Exchange.

### **UNDERWRITING**

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Placing Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on the Offer Price between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further details of the Underwriters and the underwriting arrangements, see the section headed "Underwriting".

### **STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING**

For details of the structure and conditions of the Global Offering, see the section headed "Structure of the Global Offering".

### **PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES**

For details of the application procedures for the Hong Kong Offer Shares, see the section headed "How to Apply for Hong Kong Offer Shares" and the relevant Application Forms.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Main Board of the Stock Exchange are expected to commence on Thursday, January 28, 2016. The Shares will be traded on the Main Board of the Stock Exchange in board lots of 1,000 Shares each. The stock code of the Shares is 3963.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

### **REGISTERS AND HONG KONG STAMP DUTY**

Our principal register of members will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

### **REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES**

We have instructed our Hong Kong Share Registrar, Tricor Investor Services Limited, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the Cayman Companies Law and our Articles of Association;

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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- agrees with us and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes us to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in the Offer Shares (or exercising rights attached to them). None of us, the Sole Sponsor, the Underwriters, any of our or their respective directors, agents, employees or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Offer Shares.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates:

HK\$1.00 to RMB0.81, being the exchange rate for the period from April 1, 2012 to April 30, 2013;

HK\$1.00 to RMB0.79, being the exchange rate for the period from May 1, 2013 to August 30, 2015;

HK\$1.00 to RMB0.82, being the exchange rate for the period from August 31, 2015 to the Latest practicable Date;

US\$1.00 to RMB6.11, being the exchange rate prevailing on June 26, 2015 published by PBOC; and

US\$1.00 to HK\$7.75, being the exchange rate set forth in the H.10 weekly statistical average of the Board of Governors of the Federal Reserve System of the United States on June 26, 2015.

These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, US\$ or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

### **ROUNDING**

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING**

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### **TRANSLATION**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities included in this prospectus for which no official English translation exists are unofficial translation for reference only.



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## PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Residential Address	Nationality
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#### *Executive Directors*

Mr. Xie Xiaoqing (謝小青)	Room 1102, Floor 11 Yang Guang Plaza No.222 of Xin Hua Xia Road Jiang Han District Wuhan, Hubei Province, China	Chinese
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Mr. Li Fan (李凡)	No.1 of Building 13 No.959 Jianshe Avenue Jiang An District Wuhan, Hubei Province, China	Chinese
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#### *Non-executive Directors*

Mr. Sun Changyu (孫昌宇)	Room 2001, Building No. 46 No. 20 Yuan, Chengfu Street Xueyuan Road, Haidian District Beijing, China	Chinese
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Mr. Ding Chung Keung Vincent (丁仲強)	Flat C, 19/F Ocean Court Block 1 3 Aberdeen Praya Road Aberdeen, Hong Kong	Chinese
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Ms. Wong, Jacqueline Yue Yee (黃悦怡)	House 19, 19 South Bay Road Repulse Bay Hong Kong	Chinese
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## PARTIES INVOLVED IN THE GLOBAL OFFERING

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Name	Residential Address	Nationality
<i>Independent Non-executive Directors</i>		
Mr. Nie Yong (聶勇)	No. 301, Unit 2 Building No. 4 Auditing Administration Residence Shuiguohu Chagang Residence Wu Chang District Wuhan, Hubei Province, China	Chinese
Mr. Duan Chang Feng (段昌峰)	17A, Building No. 32, Block I Meigui Huayuan, Nan Hai Shenzhen, Guangdong, China	Chinese
Ms. Zou Lin (鄒林)	Building No. 61 Mei Nan Shan Ju Wu Chang District Wuhan, Hubei Province, China	Chinese

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## PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED

#### Sole Sponsor

**Alliance Capital Partners Limited**  
Unit 318, 3/F, Shui On Center  
6-8 Harbour Road  
Wanchai  
Hong Kong

#### Joint Global Coordinators, Bookrunners, and Lead Managers

**Alliance Capital Partners Limited**  
Unit 318, 3/F, Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

**First Shanghai Securities Limited**  
19/F., Wing On House  
71 Des Voeux Road Central  
Hong Kong

**Haitong International Securities  
Company Limited**  
22/F Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

**Huatai Financial Holdings (Hong Kong)  
Limited**  
Room 5808-12, 58F, The Center  
99 Queen's Road Central  
Hong Kong

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## PARTIES INVOLVED IN THE GLOBAL OFFERING

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### Legal Advisors to the Company

*As to Hong Kong law*

**Howse Williams Bowers**

27/F Alexandra House  
18 Chater Road  
Central  
Hong Kong

*As to PRC law*

**Global Law Offices**

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No. 81 Jianguo Road  
Beijing  
China

*As to Cayman Islands law*

**Appleby**

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Hong Kong

### Legal Advisors to the Sole Sponsor and the Underwriters

*As to Hong Kong law*

**Goodwin Procter**

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Central  
Hong Kong

*As to PRC law*

**Commerce & Finance Law Offices**

6F NCI Tower  
A12 Jianguomenwai Avenue  
Beijing  
China

### Reporting Accountant and Independent Auditor

**Deloitte Touche Tohmatsu**

35/F One Pacific Place  
88 Queensway  
Hong Kong

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## PARTIES INVOLVED IN THE GLOBAL OFFERING

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**Compliance Advisor**

**Alliance Capital Partners Limited**

Unit 318, 3/F, Shui On Center  
6-8 Harbour Road  
Wanchai  
Hong Kong

**Receiving Bankers**

**Standard Chartered Bank (Hong Kong) Limited**

15/F Standard Chartered Tower  
388 Kwun Tong Road  
Kwun Tong  
Hong Kong

**Bank of Communications Co., Ltd.  
Hong Kong Branch**

20 Pedder Street  
Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office in the Cayman Islands</b>	PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and Principal Place of Business in China</b>	Rooms 5001 to 5003 and 5005 to 5007, First Phase New World International Trade Building No. 568 Jianshe Avenue Jiangnan District Wuhan, Hubei Province China
<b>Principal place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance</b>	Unit 417, 4/F, Tower 2 Lippo Centre, 89 Queensway Hong Kong
<b>Company Website</b>	<u><a href="http://www.chinarzfh.com">www.chinarzfh.com</a></u>  (the information contained on this website does not form part of this prospectus)
<b>Company Secretary</b>	Mr. Wong Tsz Lun Room 3, 16/F, Block A Shing Yan House, Yue Shing Court Shatin, Hong Kong
<b>Authorized Representatives</b>	Mr. Xie Xiaoqing Room 1102, Floor 11 Yang Guang Plaza No. 222 of Xin Hua Xia Road Jiang Han District Wuhan, Hubei Province China  Mr. Wong Tsz Lun Room 3, 16/F, Block A Shing Yan House, Yue Shing Court Shatin, Hong Kong
<b>Audit Committee</b>	Mr. Nie Yong ( <i>chairman</i> ) Mr. Duan Chang Feng Ms. Zou Lin Mr. Ding Chung Keung Vincent Mr. Sun Changyu

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## CORPORATE INFORMATION

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<b>Remuneration Committee</b>	Mr. Duan Chang Feng ( <i>chairman</i> ) Mr. Nie Yong Ms. Zou Lin Mr. Ding Chung Keung Vincent Mr. Sun Changyu
<b>Nomination Committee</b>	Mr. Xie Xiaoqing ( <i>chairman</i> ) Mr. Nie Yong Mr. Duan Chang Feng Ms. Zou Lin Mr. Sun Changyu
<b>Risk Management Committee</b>	Mr. Xie Xiaoqing ( <i>chairman</i> ) Mr. Li Fan Mr. Nie Yong Mr. Duan Chang Feng Ms. Zou Lin Mr. Yao Feng ( <i>observer</i> )
<b>Principal Share Registrar</b>	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street, P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong Share Registrar</b>	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Compliance Advisor</b>	<b>Alliance Capital Partners Limited</b> Unit 318, 3/F, Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
<b>Principal Banker</b>	<b>China Everbright Bank</b> <b>Xinhua Branch, Wuhan</b> No. 186, Xinhua Road Wuhan, China Post Code 430022

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## INDUSTRY OVERVIEW

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*Certain information and statistics set out in this section and elsewhere in this prospectus relating to the finance leasing industry in China are derived from various government and other publicly available sources, and from the market research report prepared by Euromonitor International, an independent industry consultant which was commissioned by us (the “Industry Report”). The information extracted from the Industry Report should not be considered as a basis for investments in the Offer Shares or as the opinion of the value of any securities or the advisability of investing in our Company. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. Our Directors have further confirmed, after making reasonable enquiries and exercising reasonable care, that there is no adverse change in the market information since the date of publication of Industry Report or any of the other reports which may qualify, contradict or have an impact on the information in this section. No independent verification has been carried out on such information and statistics by us, the Sole Sponsor, the Joint Global Coordinators, the Bookrunners, the Lead Managers, the Underwriters or any other parties involved in the Global Offering or their respective directors, officers, employees, advisers, agents, and no representation is given as to the accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics.*

### SOURCES OF INFORMATION

We commissioned Euromonitor International, an independent market research consulting firm which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of finance leasing market in China and in Hubei Province. Based on its analyses, Euromonitor International prepared a market research report which consists of overviews of the following:

- finance leasing market in Mainland China;
- finance leasing market in Hubei Province; and
- competitive landscape and key drivers in these two finance leasing markets.

Euromonitor International’s independent market research was undertaken through both primary and secondary research obtained from various sources within China. Primary research involved trade interviews with leading industry players and industry observers for latest data and insights on existing size and market drivers, development trends and competitive landscape. Secondary research involved reviewing publicly available sources, peer company website, reports and audited financial statements,



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## INDUSTRY OVERVIEW

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independent third party reports and Euromonitor International's database. Projected data were obtained from a review over the historic data and market development trend, plotted against macroeconomic data with reference to specific industry-related drivers, and a cross-check through trade interviews with industry players as well as official numbers provide by the government. All the statistics presented by Euromonitor International's in its market research report were checked and can objectively show characteristics of the industry and the Company.

In preparing the market research report, Euromonitor International has relied on certain assumptions as follows:

- The overall Chinese social, economic and political environment will remain stable in the forecast period;
- The Chinese economy and retail sales of consumer goods will maintain steady growth over the forecast period;
- There will be no external shock, such as financial crisis or significant raw material shortage or cost inflation that affects the demand and supply of the financial leasing market in Mainland China and Hubei Province during the forecast period;
- The sources of funds for SMEs will not change significantly;
- Key market drivers discussed in the report will boost the development of China's finance leasing market;
- National and local government policies and regulations on finance leasing market will not change significantly.

We have extracted certain information from the research report of Euromonitor International dated June 2015 in this section so as to provide a more comprehensive presentation of the finance leasing industry. We paid a fee of US\$40,500 to Euromonitor International for the market research report. Except for this market research report, we did not commission any other customized research report in connection with this document.

### **FINANCE LEASING MARKET IN THE PRC**

#### **Market Performance of Finance Leasing**

According to China's Finance Leasing Industry Development Report, in 2010, the outstanding contract value for financial leasing was only RMB700.0 billion, but 4 years later in 2014, it grew to RMB3,200.0 billion, an increase of 357.1% or a CAGR of 46.2%. At the end of 2014, there was a total of 2,202 finance leasing companies actively operating in China, an increase of 1,109.9% compared to 2010, when there was a total of 182 active finance leasing companies in China.

## INDUSTRY OVERVIEW

According to Euromonitor International's industry report, finance leasing is recognized as the second largest financial tool in many developed countries with a high investment penetration rate<sup>1</sup> (投資滲透率). The investment penetration rate of the U.S. finance leasing industry was 22%, much higher than China's 3.1%. China's finance leasing industry is in the initial development stage and it has the potential for rapid growth in the coming years.

### Finance leasing market in the PRC 2010-2014

	Unit	2010	2011	2012	2013	2014*
Outstanding contract value for financial leases in China	RMB billion	700.0	930.0	1,550.0	2,100.0	3,200.0
Number of finance leasing companies in China	Unit	182	294	560	1,086	2,202
Total registered capital for registered finance leasing companies in China	RMB billion	80.0	135.8	189.0	306.0	–

*Source: China Finance Leasing Industry Development Report and Euromonitor International Estimated from trade interviews and desk research*

\* 2014 figures are not available in China Finance leasing Industry Development Report. The number of finance leasing companies in Mainland China in 2014 is estimated from trade interviews and desk research.

### Future Outlook of China's Finance Leasing Market

Outstanding contract value for finance leasing in China is expected to reach RMB4,850.0 billion in 2015 and RMB7,280.0 billion in 2016. This is expected to be fuelled by the increasing demand from SMEs, pillar industries' attractiveness, and the growing number of construction companies to target finance leasing market.

(1) Investment penetration rate=leasing facilities and equipment/total investment in fixed assets

## INDUSTRY OVERVIEW

### ***Prevailing RMB loan interest rate applicable to all financial institutions is continuously decreasing in mainland China***

The prevailing RMB loan interest rate from the People's Bank of China to financial institutions has been continuously decreasing since 2008. Loans are available in 5 different durations: below 6 months, above 6 months and below 12 months, 1 to 3 years, 3 to 5 years and above 5 years. In 2008, the highest interest rate for financial institutions was 7.74% for a duration of 5 years or above, but in 2014 the same interest rate was 6.15%, a decline of 1.59%. The lowest interest rate in 2014 was 5.60% for a duration of 6 to 12 months and it decreased 1.6% compared to 2008. The loan interest rate to financial institutions continues to decrease, which reflects the interest rate liberalization (利率市场化) strategy in China. Due to continuously decreasing loan interest rates to financial institutions, the competition among different banks is intensifying and banks are mainly targeting large enterprises with good corporate credit and reputation.

Despite the decreasing interest rates of loans, it is still difficult for SMEs to obtain bank loans.

### **Prevailing RMB Loan Interest Rate applicable to all Financial Institutions in Mainland China, 2008-2015**

Date  Date of interest rate adjustment	Unit Annual interest rate	By Loan duration				
		6 months & below	>6 months to 12 months	1 to 3 years	3 to 5 years	5 years & above
September 16, 2008	%	6.21	7.20	7.29	7.56	7.74
October 9, 2008	%	6.12	6.93	7.02	7.29	7.47
October 30, 2008	%	6.03	6.66	6.75	7.02	7.20
November 27, 2008	%	5.04	5.58	5.67	5.94	6.12
December 23, 2008	%	4.86	5.31	5.40	5.76	5.94
October 20, 2010	%	5.10	5.56	5.60	5.96	6.10
December 26, 2010	%	5.35	5.81	5.85	6.22	6.40
February 9, 2011	%	5.60	6.06	6.10	6.45	6.60
April 6, 2011	%	5.85	6.31	6.40	6.65	6.80
July 7, 2011	%	6.10	6.56	6.65	6.90	7.05
June 8, 2012	%	5.85	6.31	6.40	6.65	6.80
July 6, 2012	%	5.60	6.00	6.15	6.40	6.55
November 22, 2014*	%	5.60	5.60	6.00	6.00	6.15
March 1, 2015	%	5.35	5.35	5.75	5.75	5.90
May 11, 2015	%	5.10	5.10	5.50	5.50	5.65
June 28, 2015	%	4.85	4.85	5.25	5.25	5.40
August 26, 2015	%	4.60	4.60	5.00	5.00	5.15
October 24, 2015	%	4.35	4.35	4.75	4.75	4.90

Source: People's Bank of China

\* Since November 22, 2014, the loan duration was simplified to 1 year, 1 to 5 years and above 5 years.

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## INDUSTRY OVERVIEW

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### ***The increasing number of SMEs as a growth engine will drive China's finance leasing market***

According to the National Small Micro Enterprises Development Report, published by the SAIC in 2014, there were approximately 11.7 million registered SMEs in China in 2013 that accounted for 76.6% of total registered enterprises in China. It is difficult for SMEs to obtain bank loans. Based on the report from the SAIC, SMEs in China contributed for 60% of the country's GDP, 80% of new products and 50% of tax revenue. Financing difficulty restricts the development of SMEs and finding new financing channels and methods is important for them to grow. So the demand for alternative sources of financing has increased. Finance leasing has been able to assist SMEs to bridge their mid-to-long-term financing needs. Finance leasing companies have moved quickly to fill the funding gap.

### ***Aviation leasing is still attractive for finance leasing companies***

As China's economy develops, the demand for airplanes is continuously increasing and many finance leasing companies are optimistic for the future growth in these industries and have been targeting these kinds of customers. According to the 12th Five-Year Plan from the General Administration of Civil Aviation of China, by the end of 2016, the number of commercial airplanes in China will increase to 2,750. Without finance leasing, airline companies will find it difficult to achieve the fleet growth they desire.

### ***Cutting edge machinery and equipment continue attracting finance leasing companies***

Cutting edge machinery and equipment are important tools for industrial companies to improve technologies and production efficiency. However, these kinds of machinery mainly need to be imported from foreign countries with a premium price, which occupies a lot of company capital. Finance leasing companies are targeting these industries with increasing demand for advanced machinery and equipment to help them address financing difficulties and allow them to purchase high-end machinery and equipment.

### ***A growing number of construction companies are starting to lease machinery and equipment***

There are a number of construction companies that have recently started to lease machinery for their building projects as an important way to improve their cash flow. The competition among construction machinery companies in China has intensified and construction companies are trying to find more options to attain high-end machinery and equipment. Finance leasing can stimulate the use of idle construction machinery, which can become an important and indispensable platform in the modern marketing system.

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## INDUSTRY OVERVIEW

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### ***Increased innovation and opening-up of financial services section***

China launched the Shanghai Pilot Free Trade Zone (the “Shanghai FTZ”) in 2013 as a testing ground for innovating financial services. Within the Shanghai FTZ, finance leasing companies have been granted with tax subsidies and have been allowed to conduct commercial factoring.

The Tianjin Pilot Free Trade Zone was launched in 2015 (the “Tianjin FTZ”) by the government as a measure to further open up the country’s finance industry. In the Tianjin FTZ, finance leasing is a key sector that the government aim to foster with preferential policies.

### **ECONOMIC ENVIRONMENT IN HUBEI PROVINCE**

#### **Located in central of Mainland China with stable economic growth, contributing to approximately 4% of national GDP**

Hubei Province (湖北省) is located in the easternmost part of Middle China. Its capital is Wuhan, the major transportation thoroughfare and economic hub of Middle China. Additionally, Hubei Province is one of the important industrial clusters in China focused on the automotive, metallurgy, machinery, power generation, textile and other high-tech industries, such as optical electronics.

According to the Statistics Bureau of Hubei Province, Hubei Province recorded a GDP of RMB2,736.7 billion in 2014, a growth of 9.7% compared to 2013. Per capita GDP in Hubei Province was RMB47,145.0 in 2014, which was slightly higher than national average. Hubei Province has infrastructure that supports the automotive, metallurgy, machinery, power generation, textile and high-tech industries. Due to characteristics of these industries in Hubei Province, the demand for advanced, heavy-duty machinery continues to increase. Finance leasing has been and will continue to be an important financing channel that will help enterprises address financing needs. In fact, a growing number of construction companies in China are leasing machinery and equipment for building projects, which they view as a valuable way to gain a competitive edge.

Due to the strong demand for advanced equipment, finding feasible financing channels has become important. Finance leasing is one of the financial channels that can help enterprises address financing issues.

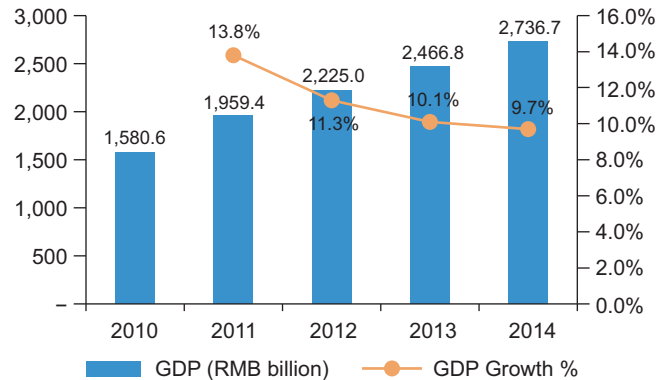
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## INDUSTRY OVERVIEW

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In 2015, the Hubei Finance Leasing Industry Association was established in Wuhan and Rongzhong International Financing Leasing Corporation was selected to join the Members Council (理事單位) as one of the nine finance leasing companies council members. In 2009, the State Council of China approved a plan for “Middle China Development Plan” (促進中部地區崛起規劃) and Wuhan (Capital of Hubei Province) has officially become a strategic supporting point for promoting the economic development of Middle China.

### Macroeconomic Environment in Hubei Province, 2010-2014



Source: Statistics Bureau of Hubei Province

## FINANCE LEASING MARKET IN HUBEI PROVINCE

### Finance leasing industry as emerging industry in Hubei Province with great potential

According to statistics from the Department of Commerce of Hubei Province, at the end of 2014, there was a total of 21 finance leasing companies registered in Hubei Province, an increase of 90.9% compared to 2013. By the end of 2014, there were two bank-affiliated finance lease companies (2013: 1), 10 domestic finance leasing companies (2013: 2) and 9 foreign-funded finance leasing companies (2013: 8). The domestic finance leasing companies in Hubei Province enjoyed a rapid increase in total registered number.

By the end of 2014, the total registered capital from finance leasing companies registered in Hubei Province achieved RMB5.0 billion, a growth of 150% compared to 2013. Thanks to pillar industries such as automotive, metallurgy, machinery, textile and photoelectron information industries with strong demand for advanced equipment and other technical supports, and finance leasing's ability to accommodate those demands, the financial leasing industry in Hubei Province has grown and will continue to grow.

The registered capital among domestic finance leasing companies was RMB680.0 million in 2014. Compared to domestic finance leasing companies, foreign funded companies reached RMB2.0 billion in 2014 and the total registered capital of domestic companies accounted for 34% of total registered capital compared to foreign funded ones.

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## INDUSTRY OVERVIEW

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The outstanding contract value for foreign-funded finance leasing companies in Hubei Province reached RMB10.5 billion in 2014. Compared to foreign funded companies, domestic finance leasing companies reached RMB0.85 billion, which accounted for 8.1% of the outstanding contract value compared to foreign funded finance leasing companies.

According to the Department of Commerce of Hubei Province, in 2014, foreign funded finance leasing companies played an important role in Hubei Province. At the end of 2014, the total assets of finance leasing companies in Hubei Province reached RMB5.8 billion and the total assets from foreign funded ones was over RMB4.0 billion, which accounted over 70% of the total. Rongzhong PRC is the leading foreign funded player in Hubei Province with total assets of RMB1.73 billion, accounting for 29.8% of total in 2014.

### **Steady growth in Hubei Province's GDP per capita shows strong momentum in economic development and greater potentials for the finance leasing industry**

According to Statistics Bureau of Hubei Province, Hubei's GDP per capita reached RMB47,145.0 in 2014, a 10.1% increase from 2013. This increase was attributed to the economic stimulation policies implemented by the Hubei government. The Hubei government's economic policies target traditional industries such as automotive and metallurgy and high-tech and emerging industries such as optical-electronics, telecommunications and software. For example, Wuhan Optical Valley Software Park is the biggest photoelectron information industry base in China with a large number of SMEs. These SMEs have become potential customers for finance leasing companies in Hubei Province. Currently we have customers based in the Wuhan Optical Valley Software Park and also entered into cooperation agreement with laser processing equipment manufacturers that supply machineries to the companies in Wuhan and other cities across the country.

### **Characteristics of regional industries in Hubei Province reflecting potential demand for financial leasing**

Hubei Province is one of the provinces in China with a strong industrial base. According to Statistics Bureau of Hubei Province, Hubei's industrial businesses generated RMB4,070.8 billion at the end of 2014, accounting for 3.7% of national industrial business income. It indicates the increasing demand of advanced machinery and equipment by companies in Hubei Province, and consequently, huge potential for finance leasing services for these companies.

The pillar industries of Hubei Province are automotive, steel, petro chemical, machinery, and textile. For these industries, advanced equipment will improve product quality and production efficiency. Strong demand for these advanced equipment create strong demand for finance leasing services.

## INDUSTRY OVERVIEW

SMEs play an important role for the development of Hubei Province. According to statistics released by the Hubei government, by the end of 2014, SMEs contributed 54.5% of GDP in Hubei Province, 80% of job positions and 60% of tax revenue. Due to the significant contribution of SMEs, Hubei Province aims to assist SMEs in sourcing funding for further development by introducing finance leasing companies to them. For example, various government agencies jointly created the Hubei Province SMEs Financing Service Network on which SMEs can match their finance needs with the services provided by finance leasing companies.

### Competitive Landscape

#### *Total of 21 finance leasing companies registered in Hubei Province*

By the end of March 2015, there was a total of 21 finance leasing companies registered in Hubei Province. China Everbright Finance leasing Co., Ltd., was ranked first with registered capital of RMB3,700 million. The following list only reflects the total number of finance leasing companies that are registered in Hubei Province. Rongzhong PRC was ranked as eighth in terms of registered capital with US\$41.0 million.

#### **Finance leasing Company in Hubei Province, by Registered Capital, end of March, 2015**

Rank	Company Name	Company Name (CN)	Established	Registered Capital (by the end of March, 2015)
1	China Everbright Finance Leasing Co., Ltd.	光大金融租賃股份有限公司	2010	RMB3,700 million
2	Damo Finance Leasing (China) Co., Ltd.	大摩融資租賃(中國)有限公司	2012	RMB610 million
3	Central China Leasing Co., Ltd.	湖北國中融資租賃有限公司	2012	RMB427 million
4	Wuhan Guanggu Finance Leasing Co., Ltd.	武漢光谷融資租賃有限公司	2012	RMB350 million
5	Hubei Haohua Finance Leasing Co., Ltd.	湖北昊華融資租賃公司	2012	RMB305 million
6	Hubei Yuan Rong Finance Leasing Co., Ltd.	湖北圓融融資租賃有限公司	2013	RMB305 million
7	Hubei Luyin Finance Leasing Co., Ltd.	湖北魯銀融資租賃有限公司	2013	RMB305 million
8	Rongzhong International Financial Leasing Co., Ltd.	融眾國際融資租賃有限公司	2008	RMB250.1 million



## INDUSTRY OVERVIEW

Rank	Company Name	Company Name (CN)	Established	Registered Capital (by the end of March, 2015)
9	Hubei Gaotou Finance Leasing Co., Ltd.	湖北高投融資租賃有限公司	2015	RMB205 million
10	Hubei Zhongtaihe Finance Leasing Co., Ltd.	湖北中泰和融資租賃有限公司	2015	RMB200 million
11	Hubei Huarongjiahe Finance Leasing Co., Ltd.	湖北華融嘉和融資租賃有限公司	2015	RMB200 million
12	Hubei Wanming Finance Leasing Co., Ltd.	湖北萬民融資租賃有限公司	2015	RMB200 million
13	Caifutianxia Finance Leasing (Hubei) Co., Ltd.	財富天下融資租賃(湖北)有限公司	2014	RMB183 million
14	Hubei Fenghui Finance Leasing Co., Ltd.	湖北豐匯融資租賃有限責任公司	2014	RMB180 million
15	Wuhan Jiexiang Finance Leasing Co., Ltd.	武漢佳鄉融資租賃有限公司	2013	RMB175 million
16	Hubei Huakang As Far As Finance Leasing Co., Ltd.	湖北華康遠達融資租賃有限公司	2014	RMB170 million
17	Jiayang Finance Leasing (Hubei) Co., Ltd.	嘉陽融資租賃(湖北)有限公司	2015	RMB170 million
18	Hubei Yongsheng Finance Leasing Co., Ltd.	湖北永盛融資租賃有限公司(咸寧)	2013	RMB170 million
19	Citic YBN Finance Leasing Co., Ltd.	中信逸百年融資租賃有限公司	2012	RMB100 million
20	Hubei Yangtze River International Finance Leasing Co., Ltd.	湖北長江國際融資租賃有限公司	2008	RMB100 million
21	China RayEast Leasing (Hubei) Co., Ltd.	湖北中瑞銀融資租賃有限責任公司	2011	RMB100 million

Source: Department of Commerce of Hubei Province and 01 Finance leasing Research Center (<http://www.01leasing.com/>)

\* The registered capital reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the value into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the registered capital based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

\*\* The listed companies are registered in Hubei Province and fixed exchange rate: US\$1=RMB6.1 (2015)

## INDUSTRY OVERVIEW

### **Leading finance leasing company in Hubei Province by operation performance (total assets)**

In China, the local Department of Commerce at the provincial level judges the operational performance of local finance leasing companies (domestic and foreign funded finance leasing companies), including total assets, revenue and other financial data<sup>(1)</sup>, in order to supervise local finance leasing companies. According to statistics from the Department of Commerce of Hubei Province, by the end of 2014, there was a total of 9 finance leasing companies registered in Hubei that are permitted to carry on finance leasing businesses. Rongzhong PRC was ranked first with total assets worth RMB1.73 billion among finance leasing companies registered in Hubei Province.

#### **Finance leasing company in Hubei Province, by Total Assets, 2014**

Ranking	Company Name	Company Name (CN)	2014 Total Asset (RMB billion)	Value Share %	Listed or Not
1	Rongzhong International Financial Leasing Co., Ltd.	融眾國際融資租賃有限公司	1.73	29.8%	N
2	Company A	–	1.54	26.4%	N
3	Company B	–	1.44	24.8%	N
4	Company C	–	0.30	5.1%	N
5	Company D	–	0.23	3.9%	N
6	Company E	–	0.19	3.2%	N
7	Company F	–	0.17	2.9%	N
8	Company G	–	0.13	2.2%	N
9	Company H	–	0.10	1.7%	N
	Total	–	5.8	100%	–

*Source: Department of Commerce of Hubei Province*

\* The market share data reported above has been determined via a fieldwork program consisting of desk research and trade interviews. While audited data was available for some of the companies, they typically do not break the values numbers into the relevant categories which were covered in this study. For these companies as well as those companies that are included in the market shares but are not publicly listed, we have estimated the markets shares based on estimates provided by various trade sources (i.e. not just the companies themselves) and seeking a consensus on these estimates as much as possible.

Since audited sales data is not available yet, future alterations on this ranking could be possible.

\*\* According to the local government regulator, there are only nine finance leasing companies in Hubei Province that are currently in active operation.

*Note:*

(1) As advised by the Directors and the industry expert, it is extremely difficult to disclose rankings of finance leasing companies with operations in Hubei Province (include companies which are not registered in Hubei Province, but have operations in Hubei Province) by other measures adopted by regulators, since these information is not available in the public channel and difficult to verify.

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## INDUSTRY OVERVIEW

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### ***Drivers and constraints of Hubei's Finance Leasing Market***

#### **Drivers**

*Hubei Province as heavy industrial cluster located in the central of China, as the potential market for finance leasing for increasing demand of advanced machinery and equipment*

Hubei Province is one of China's important industrial bases, especially for automotive, machinery, chemical, textile and photoelectron information industries. Among these pillar industries, advanced machinery and equipment play an important role that help companies develop new technologies and improve production efficiency. Therefore, the demand to purchase advanced machinery and equipment is increasing, and finding flexible and efficient financing channels is important. As industries continue to develop in Hubei Province, the finance leasing market is developing alongside them, and it is attracting many new entrants, especially for domestic finance leasing.

*Continuously increasing the number of SMEs in Hubei Province, reflecting the growing demand for finance leasing*

SMEs are developing into a new engine to drive China's economic development. In Hubei Province, the number of SMEs is increasing gradually and they play an important role in Hubei's economic development. The China Banking Regulatory Commission's Hubei Office, the Hubei Economy and Information and Technology Commission and the SME Service Center in Hubei Province together form the Hubei Province SMEs Financing Service Network (湖北省小微企業融資服務網). The network is attempting to set up a platform for Hubei's SMEs to address financing difficulties. According to Hubei Province SMEs Financing Service Network, at the end of 2014, there were approximately 600,000 SMEs and less than 7% of them were able to obtain bank loans. This platform will help SMEs find financing channels other than banks to address financing difficulties.

*Government established industrial zones to create favorable environment for SMEs to start business, which become potential customer base for finance leasing companies Building up the "Yangtze River Economic Belt" (長江經濟帶) to emphasis the importance of Hubei Province. Connecting western, central and eastern regions together*

The Yangtze River Delta is an extremely important area for China's economic growth. Building the Yangtze River Economic Belt, which will include Shanghai, Jiangsu, Zhejiang, Anhui, Jiangxi, Hubei, Hunan, Sichuan, Chongqing, Yunnan and Guizhou, will be a complicated chess game in order to have the coastal, western and central regions mutually support each other. The government of Hubei Province is building Wuhan into the financial center of Middle China to develop more opportunities for the financial market.

Due to Wuhan's status as an industrial cluster, there is a large demand for advanced heavy machinery such as construction materials and tools. Finance leasing will provide an ideal financing option for these needs.

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## INDUSTRY OVERVIEW

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### *Favorable regulations to encourage finance leasing industry in Hubei Province*

The government of Hubei Province has issued several regulations to directly and indirectly provide a favorable environment for finance leasing companies. In 2011 the Wuhan municipal government issued the Measures for the Implementation of the Development of the Finance Leasing Industry in the Capital Zone (促進資本特區融資租賃業務發展實施辦法), and in 2014 the Wuhan Economic and Information Commission released the Measures for Subsidy of Finance Leasing Projects from Medium and Small Sized Enterprises (武漢市中小工業企業融資租賃項目補貼暫行辦法). Furthermore, the Replacing of the Business Tax (BT) with the Values-Added Tax (VAT) (營業稅改徵增值稅) is an important tax incentive for the industry as a whole.

### **Constraints**

#### *Finance leasing industry is still a new financing channel in Middle China*

Hubei Province is located in Middle China and the maturity of its financial market, especially for financial services, lags behind other areas, such as Shanghai, China's financial center. From the customer side, even though Hubei Province has built up a potential customer base for finance leasing companies, the finance leasing market in Hubei Province still needs a more favorable environment and continual customer education to further develop. The provincial government needs to prompt this emerging financing channel by issuing more regulations regarding finance leasing or related industries.

#### *Competition from other financing channels*

Typical mid-to-long term financing tools provided by non-banking financial institutions include finance leasing entrusted lending and corporate bonds. SMEs require mid-to-long term financing to update, modify and upgrade machinery, equipment and production lines in order to enhance production capacity, product quality and market competitiveness. Finance leasing mainly targets large corporate customers and SME customers. Entrusted lending and corporate bonds are financing tools different from financial leasing. Due to different financing methods and financing conditions, these rarely compete with financial leasing. Compared with other mid-to-long term financing tools, finance leasing is extremely competitive among SME customers.

### **Future Outlook of Finance Leasing Market in Hubei Province**

#### ***Hubei government continues creating favorable environment to develop finance leasing***

For finance leasing market, favorable regulation environment is the important for their development. In fact, government recently is starting to setup pilot zone for these emerging financial service, such as the Shanghai FTZ. In FTZs, there are several measures to encourage China's financial service sector open up, such as interest rate liberalization and market-oriented pricing for assets of financial institutions. For financial service, for example, finance leasing business will be encouraged and enjoy tax incentives and also allow finance leasing companies to engage in the commercial factoring business related to primary business.

Similar in Hubei Province, the provincial government not only pursue "Replacing Business Tax (BT) with the Values-Added Tax (VAT) (營業稅改徵增值稅)" policy but also issued regulations based on industrial characteristics, such as encouragement policed about SMEs of software.

A favorable regulatory environment is important for the development of the finance leasing market. Right now, the Shanghai and Tianjin FTZs have implemented liberalizing measures such as low interest rates and market-oriented pricing for assets that are encouraging China's financial service sector to open up. Furthermore, the government's plan to replace the business tax with a value-added tax is encouraging the creation of more SMEs, which, in turn, aids the growth of the financial leasing industry.

#### ***The quickly increasing number of SMEs will fuel the finance leasing market in Hubei Province***

The number of SMEs continues to increase in the Wuhan Optical Valley Software Park due to favorable regulation that encourages them to set up in the region. The sector is becoming a new growth section and is contributing to Hubei's economic development.

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## REGULATORY OVERVIEW

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Our business is conducted in China. The key laws and regulations regulating our business operations in China include the following:

- Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法);
- Measures for Supervision and Administration of Finance Leasing Enterprises (融資租賃企業監督管理辦法);
- Notice of the General Office of the Ministry of Commerce on Strengthening and Improving the Examination and Approval, and Administration over Foreign-invested Finance Leasing Companies (商務部辦公廳關於加強和改善外商投資融資租賃公司審批與管理工作的通知);
- Regulations on Supervision and Control of Medical Equipment (醫療器械監督管理條例), Measures on the Supervision and Administration of the Business Operations of Medical Devices (醫療器械經營監督管理辦法), Official Replies to Relevant Issues about Medical Equipment Leasing (關於租賃醫療器械有關問題的批覆) and Comments in Response to Some Regulatory Issue about Medical Equipment Finance Leasing (關於融資租賃醫療器械監管問題的答覆意見);
- Circular of the General Office of the State Council on Strengthening the Management of Imported Civil Aircrafts (國務院辦公廳關於加強進口民用飛機管理的通知);
- Administrative Regulations of the People's Republic of China on the Import and Export of Goods (中華人民共和國貨物進出口管理條例);
- Measures on the Administration of the Automatic Import Licensing for Goods (Order of the Ministry of Commerce and the General Administration of Customs (貨物自動進口許可管理辦法);
- PRC Contract Law (合同法);
- Notice of Ministry of Finance and State Administration of Taxation on Some Issues about Policies on Business Tax (財政部、國家稅務總局關於營業稅若干政策問題的通知);
- Notice of State Administration of Taxation on Levying Turnover Tax on Finance Leasing Business (國家稅務總局關於融資租賃業務徵收流轉稅問題的通知) and Supplemental Notice of State Administration of Taxation on Levying Turnover Tax on Finance Leasing Business (國家稅務總局關於融資租賃業務徵收流轉稅問題的補充通知);
- Announcement of State Administration of Taxation, No.13 in 2010-Announcement on Tax Issues Concerning Lessee Selling Assets in Finance Sale-leaseback (國家稅務總局公告2010年第13號-關於融資性售後回租業務中承租方出售資產行為有關稅收問題的公告);

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- Enterprise Accounting Codes No.21-Leasing (企業會計準則第21號-租賃);
- Circular of Ministry of Finance and State Administration of Taxation on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax (財政部、國家稅務總局關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知);
- Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Return Investment via Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“Circular No. 75”);
- Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Offshore Investment and Financing and Return Investment via Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (“Circular No. 37”);
- Notice on Further Simplification and Improvement of Foreign Exchange Administration Policies for Direct Investment (國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) (“Circular No. 13”);
- Notice on Strengthening the Administration of Enterprise Income Tax on Gain Derived from Equity Transfer Made by Non-Resident Enterprise (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“Circular No. 698”);
- Announcement of the State Administration of Taxation on Relevant Issues Concerning the Application of Special Tax Treatments to the Equity Transfers by Non-resident Enterprises (國家稅務總局關於非居民企業股權轉讓適用特殊性稅務處理有關問題的公告) (“Circular No. 72”);
- The Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“Circular No. 7”).

### Measures on the Administration of Foreign Investment in the Leasing Industry

MOFCOM promulgated the *Measures on the Administration of Foreign Investment in the Leasing Industry* (the “Measures of Foreign Investment in the Leasing Industry”) on February 3, 2005 to regulate the operation of foreign-invested leasing business and finance leasing business.

The Measures of Foreign Investment in the Leasing Industry applies to the establishment of foreign-invested enterprises by foreign investors such as foreign companies, enterprises and other economic organizations in the form of Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and wholly foreign-owned

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enterprises in the PRC to engage in the leasing business or finance leasing business as well as to carry out business activities. Under the Measures of Foreign Investment in the Leasing Industry, foreign investors with total assets of no less than US\$5 million are permitted to apply to MOFCOM for establishing wholly foreign-owned finance leasing companies in the PRC. Foreign-invested finance leasing companies must satisfy the following conditions: (i) the registered capital shall not be less than US\$10 million; (ii) the term of operation of a foreign-invested finance leasing company in the form of a limited liability company normally shall not exceed 30 years; and (iii) it shall be staffed by appropriate professionals and its senior management personnel shall possess the appropriate professional qualifications and not less than three years' experience in the business.

Under the Measures of Foreign Investment in the Leasing Industry, foreign-invested finance leasing companies may conduct the following businesses: (i) finance leasing business; (ii) leasing business; (iii) purchasing domestic and overseas leased assets; (iv) disposal of the residual value of and maintenance of leased property; (v) lease transaction consultancy and security services; and (vi) other businesses approved by MOFCOM. "Finance leasing business" is defined as the business in which a lessor, based on a lessee's selections with respect of the seller and the leased object, agrees to purchase the assets underlying the leases from a seller, makes the leased object available to the lessee for use and collects rents from the lessee. Foreign-invested finance leasing companies may carry out finance leasing activities by way of direct leasing, sub-leasing, sale-leaseback, leveraged leasing, entrusted leasing and joint leasing. Only Permitted Leased Assets, namely (i) movable properties such as manufacturing equipment, telecommunication equipment, medical equipment, scientific and research equipment, inspection and testing equipment, engineering and machinery equipment and office equipment; (ii) transportation equipment, such as airplanes, automobiles and ships; and (iii) intangible assets such as software and technology that are attached to the moveable properties and transportation equipment mentioned above provided that the value of such attached intangible assets shall not exceed half value of the movable properties or transportation equipment they are attached to can qualify as leased objects under a finance lease. The Group primarily engages in finance leasing business through Rongzhong PRC, a wholly owned subsidiary of the Company. As confirmed by our PRC legal advisor, the establishment Rongzhong PRC as a wholly foreign owned enterprise in May 2008 has been duly approved by MOFCOM and registered with SAIC, and fully complied with the Measures of Foreign Investment in the Leasing Industry.

The Measures of Foreign Investment in the Leasing Industry requires that the at risk assets of a foreign-invested finance leasing company, which are determined by the total amount of residual assets after deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the enterprise, shall generally not exceed ten times the company's net assets as at the end of each financial year. The Measures of Foreign Investment in the Leasing Industry further requires that foreign-invested finance leasing companies shall submit a report on their business operations and financial statements audited by an accounting firm of the past year to MOFCOM for



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filing purposes before March 31 of each year. In accordance with the Measures of Foreign Investment in the Leasing Industry and other relevant laws and regulations, Rongzhong PRC has set up appropriate business development and risk management programs, and has made timely reports as required by the Measures of Foreign Investment in the Leasing Industry along with its year end financials to MOFCOM for filing purposes before March 31 of each year. During the Track Record Period, we did not receive any inquiry from MOFCOM in relation to these filings.

### **Measures for Supervision and Administration of Finance leasing Enterprises**

On September 18, 2013, MOFCOM promulgated the *Measures for Supervision and Administration of Finance Leasing Enterprises* (the “Measures for Finance Leasing Enterprises”) to strengthen the regulation over both domestic and foreign-invested finance leasing enterprises.

According to the Measures for Finance Leasing Enterprises, MOFCOM and the provincial-level commerce authorities are in charge of the supervision and administration of finance leasing enterprises. A finance leasing enterprise shall, according to the requirements of MOFCOM, report the relevant data in a timely and truthful manner through the National Finance Leasing Enterprise Management Information System. Specifically, a finance leasing enterprise shall, within 15 working days after the end of each quarter, submit the statistics on and summary of its operation in the preceding quarter, and statistics on and summary of its operation in the preceding year as well as its financial and accounting report (including appended notes thereto) audited by an audit body for the preceding year prior to April 30 of each year. In the event of change of name, relocation to another region, increase or decrease of registered capital, change of organizational form, adjustment of ownership structure or other changes, a finance leasing enterprise shall report to the competent provincial-level commerce authority in advance. A foreign-invested finance leasing enterprise that undergoes the said changes shall go through approval and other procedures according to relevant provisions. A finance leasing enterprise shall, within 5 working days after the change of registration procedure with the AIC authority, log into the National Finance Leasing Enterprise Management Information System to modify the above information.

The Measures for Finance Leasing Enterprises explicitly stipulate the business scope of the finance leasing enterprise. A finance leasing enterprise may conduct its finance leasing activities by way of direct lease, sublease, leaseback, leveraged lease, trust lease and joint lease within the limits of applicable laws, regulations and rules. A finance leasing enterprise shall take finance leasing and other leasing businesses as its main business, and may be engaged in the purchase of leased property, disposal of the residual value of and maintenance of leased property, lease transaction consultancy and security services, assignment of amount receivables to a third party institution, receiving the lease deposit and other businesses approved by the approving authority in relation to finance leasing and leasing business. A finance leasing enterprise shall not be engaged in deposit taking, offering of loans, entrusted loans, and without the approval of competent authority, shall not be engaged in inter-bank borrowing. A finance leasing enterprise shall not be allowed to carry out illegal fund-raising activities under the disguise of finance leasing in any circumstances.

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The Measures for Finance Leasing Enterprises also requires the finance leasing enterprises to strengthen their internal risk controls, and establish good systems for classifying at risk assets, and adopting a credit appraisal system for the lessee, an ex post recovery and disposal system and the risk alert mechanism. A finance leasing enterprise shall also establish an affiliated transaction management system, and exclude the persons related to the affiliated transactions from the voting or decision-making process for affiliated transactions where the lessee is an affiliate. In the event of any purchase of equipment from an affiliated production enterprise, the settlement price for such equipment shall not be lower than the price offered by such enterprise to any third party of such equipment or the equipment of the same batch. A finance leasing enterprise shall manage its assets under trust lease and assets under sublease separately and keep separate accounts therefor. A finance leasing enterprise shall strengthen the management of its major lessees, control the proportion of business with a single lessee and with lessees that are its affiliates, and pay attention to the prevention and diversification of operational risks. The Measures for Finance Leasing Enterprises also stipulates that the risky assets of a finance leasing enterprise shall not exceed 10 times of its total net assets.

The Measures for Finance Leasing Enterprises also contains regulatory provisions specifically focusing on the leaseback transaction. The subject matter of a leaseback transaction shall be those properties that can give play to its economic functions and produce continuous economic benefits. A finance leasing enterprise shall not accept any property to which a lessee has no title, or on which any mortgage has been created, or which has been sealed up or seized by any judicial organ, or whose ownership has any other defects as the subject matter of a leaseback transaction. A finance leasing enterprise shall give adequate consideration to and objectively evaluate assets leased back, set purchasing prices for subject matter thereof with reference to reasonable pricing basis in compliance with accounting principles, and shall not purchase any subject matter at a price in excess of the value thereof. Rongzhong PRC has been reporting in accordance with the Measures for Finance Leasing Enterprises, and has established an effective risk control mechanism to limit the exposure especially in the leaseback business.

### **Regulations on Supervision and Control of Medical Equipment, Measures on the Supervision and Administration of the Business Operations of Medical Devices, Official Replies to Relevant Issues about Medical Equipment Leasing and Comments in Response to Some Regulatory Issues about Medical Equipment Finance Leasing**

The State Council promulgated the *Regulations on Supervision and Control of Medical Equipment* (the "Regulations on Medical Equipment") on January 4, 2000 to regulate the research, production, operation and use of medical equipment, which has been amended on March 7, 2014. According to the Regulations on Medical Equipment, business deals in category two medical equipment shall be filed for record with the food and drug administrations at the municipal level. Business deals in category three medical equipment shall be filed for review and approval with the food and drug administrations at the municipal level and a license for business deals in medical equipment shall be obtained.

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The State Food and Drug Administration promulgated the *Measures on the Supervision and Administration of the Business Operations of Medical Devices* on July 30, 2014 to regulate the administration and supervision of business deals in medical equipment. According to these rules, entities engaged in business deals in category two medical equipment shall file to the food and drug administrations at the municipal level for record; engaged in business deals in category three medical equipment shall submit relevant materials to the food and drug administrations at the municipal level to apply for the license for business dealings in medical equipment.

The State Food and Drug Administration promulgated the *Official Replies to Relevant Issues about Medical Equipment Leasing and Comments in Response to Some Regulatory Issues about Medical Equipment Finance Leasing* on April 15, 2004 and June 1, 2005, respectively. Accordingly, medical equipment finance leasing conducted by finance leasing companies shall be categorized as business deals in medical equipment and a license for business deals in medical equipment shall be obtained in accordance with the Regulations on Medical Equipment. Rongzhong PRC has obtained the license for business deals in medical equipment in August 2013 issued by Wuhan Food and Drug Administration.

### **Circular of the General Office of the State Council on Strengthening the Management of Imported Civil Aircrafts**

According to this circular, the batch and procurement plan for large volume of aircraft imports should be prepared by the Civil Aviation Administration of China in conjunction with relevant departments and, after being examined, be reported to the State Council for approval. If the volume of aircraft imports is small or any civil aviation company in the preparation stage intends to import aircraft, the plan should be examined by the Civil Aviation Administration of China and then reported the State Planning Commission (which has been renamed as the National Development and Reform Commission) for approval. For short term operation of leasing aircraft (including less than one year, inclusive of one year), leasing aircraft on a trial basis, small aircraft given as gifts, and importing utility aircraft and light aircraft, the plan should be examined and approved by the Civil Aviation Administration of China with strict control and then reported to the State Planning Commission for filing purposes. Entities not engaged in civil aviation transportation businesses should not be allowed to import aircraft.

### **Administrative Regulations of the People's Republic of China on the Import and Export of Goods**

The State Council promulgated the *Administrative Regulations of the People's Republic of China on the Import and Export of Goods* (the "Administrative Regulations on the Import and Export of Goods") on December 10, 2001 for the purpose of standardizing the administration over the import and export of goods, maintaining the order of import and export of goods and promoting the healthy development of foreign trade.

Under the Administrative Regulations on the Import and Export of Goods, a license shall be issued to the import of goods subject to the automatic import licensing administration. When importing goods under automatic import license administration,

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the import business operators shall, prior to handling the formalities of customs declaration, file an application with the Foreign Trade Department under the State Council or relevant economic administrative departments under the State Council (which have been reorganized as the MOFCOM) for obtaining the automatic import license. According to the latest *2015 Catalogue of Goods Subject to the Automatic Import Licensing Administration*, aircraft is categorized as goods subject to automatic import licensing administration.

### **Measures on the Administration of the Automatic Import Licensing for Goods**

MOFCOM and General Administration of Customs promulgated the *Measures on the Administration of the Automatic Import Licensing for Goods* (the “Measures on the Administration of the Automatic Import Licensing”) on November 10, 2004 to effectively regulate the foreign trade operators and other entities undertaking the import of goods. Under the Measures on the Administration of the Automatic Import Licensing, a consignee (including the importer and user) shall, when importing the goods subject to the automatic import license administration, submit an application for automatic import license to the local or corresponding license issuing organ and obtain an “Automatic Import License” before it makes customs declaration. The customs shall handle the inspection and release formalities on the strength of automatic import licenses affixed with the special seals of automatic import license. The bank shall handle the formalities on selling and paying foreign exchanges on the strength of automatic import licenses.

### **PRC Contract Law**

The National People’s Congress promulgated *the PRC Contract Law* on March 15, 1999 for regulating the civil contractual relationship among natural persons, legal persons and other organizations. Chapter 14 of the PRC Contract Law sets mandatory rules about finance leasing contracts.

Under the PRC Contract Law, the finance leasing contracts shall be in written format and shall include terms such as the name, quantity, specifications, technical performance and inspection method of the leased object, the lease term, the composition, payment term, payment method and currency of the rent and the ownership of the leased object upon expiration of the lease.

Under the finance leasing contracts, the lessor shall conclude a purchase contract based on the lessee’s selections in respect of the seller and the leased property, and the seller shall deliver the leased property to the lessee as agreed. The lessee has the rights of a buyer when taking delivery of the leased property. Without the consent of the lessee, the lessor may not modify relevant particulars related to the lessee of the purchase contract which has been concluded based on the lessee’s selections in respect of the seller and the leased property.

In respect of the usage and maintenance of the leased property, the lessee shall take due care of the leased property and use it properly. The obligation to maintain and repair the leased object while in the possession of the lessee shall be performed by the

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lessee. The lessor is not liable for injury to the body or damage to the property of a third party caused by the leased property while in the possession of the lessee. However, the ownership of the leased property vests in the lessor. If the lessee becomes bankrupt, the leased property does not become part of the property available for distribution in the bankruptcy. If the leased property fails to meet the requirements stipulated by the parties or is not fit for the purpose for which it is to be used, the lessor shall not be liable, unless the lessee selected the leased property in reliance on the technical ability of the lessor or the lessor interfered in the selection of the leased property.

The lessor and the lessee may stipulate in which party ownership of the leased property shall vest upon expiration of the lease. If they have not stipulated in which party ownership shall vest upon expiration, if such stipulation is not clear, or if ownership cannot be determined in accordance with the PRC Contract Law, the ownership of the leased object shall vest in the lessor. If the parties have stipulated that ownership of the leased property shall vest upon the lessee upon expiration of the lease, and the lessee has already paid most of the rent but is unable to pay the balance, and if the lessor terminates the contract and repossesses the leased property on those grounds, the lessee may demand a partial refund if the value of the leased property repossessed exceeds the rent and any other expenses owed by the lessee.

### **Notice of Ministry of Finance and State Administration of Taxation on Some Issues about Policies on Business Tax**

The Ministry of Finance and the State Administration of Taxation jointly promulgated the *Notice of Ministry of Finance and State Administration of Taxation on Some Issues about Policies on Business Tax* on January 15, 2003. According to this notice, if an entity is approved by the PBOC, the Ministry of Foreign Trade and Economic Cooperation and the State Economic and Trade Commission to conduct finance leasing business, its revenue in the finance leasing business shall be calculated as the total price and off-price fees received from the lessee (including the residual value) after deducting the actual cost of the assets subject to lease that were borne by the lessor. Such actual cost of the assets subject to lease that were borne by the lessor shall include the purchase price, customs duty, value added tax, consumption tax, transportation cost, installation cost, insurance premium and interest on loans (including accrued interest on foreign currency and RMB-denominated loans) of the assets subject to lease that were borne by the lessor.

### **Notice of State Administration of Taxation on Levying Turnover Tax on Finance Leasing Business and Supplemental Notice of State Administration of Taxation on Levying Turnover Tax on Finance Leasing Business**

The State Administration of Taxation promulgated the *Notice of State Administration of Taxation on Levying Turnover Tax on Finance Leasing Business* on July 7, 2000. According to this notice, the finance leasing business conducted by entities approved by the PBOC shall be levied business tax according to the *Provisional*

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*Regulations on Business Tax* and no value added tax shall be levied, whether or not the ownership of the leased goods has been transferred to the lessee. For the same business conducted by other entities, value added tax rather than business tax shall be levied if the ownership of the leasing goods has been transferred to the lessee; while business tax rather than value added tax shall be levied if the ownership of the leasing goods has not been transferred to the lessee.

The State Administration of Taxation promulgated the *Supplemental Notice of State Administration of Taxation on Levying Turnover Tax on Finance Leasing Business* on November 15, 2000. According to this notice, the *Notice of State Administration of Taxation on Levying Turnover Tax on Finance Leasing Business* shall be applicable to the finance leasing business conducted by foreign-invested enterprises and foreign enterprises approved by Ministry of Foreign Trade and Economic Cooperation.

### **Announcement of State Administration of Taxation, No.13 in 2010 – Announcement on Tax Issues Concerning Lessee Selling Assets in Financial Sale-leaseback**

On September 8, 2010, the State Administration of Taxation promulgated the *Announcement on Tax Issues Concerning Lessee Selling Assets in Financial Sale-leaseback* for introducing some preferential tax treatments on the lessees in financial sale-leaseback. Under this announcement, “financial sale-leaseback” is defined as the business in which a lessee for the purpose of financing sells its assets to an enterprise which has been approved to engage in the finance leasing business and then have the sold assets leased back from such enterprise. According to the announcement, the lessee in financial sale-leaseback can enjoy the following preferential tax treatments: (i) no value added tax and business tax shall be imposed on the lessee’s activities of selling assets in financial sale-leaseback; (ii) the lessee’s activities of selling assets in financial sale-leaseback would not be recognized as sales income and the depreciation of the assets of finance leasing shall still be made by lessees based upon the book value before the sale of the assets. The financing interest paid by the lessee during the finance leasing period shall be deducted as financial costs before making payments of corporate income tax.

### **Enterprise Accounting Codes No. 21 – Leasing**

The Ministry of Finance promulgated the *Enterprise Accounting Codes No. 21-Leasing* (the “Codes”) on February 15, 2006 to regulate the accounting and information disclosure about finance leasing and operating leasing.

Under the Codes, leasing means an agreement to transfer the use rights of an asset to another party for a specified period in return for a rental payment. These Codes do not apply to the leasing of land-use rights or buildings through operating lease or the licensing of films, video tapes, scripts, writings, patents and copyrights, and the impairment losses of long-term credits formed by the finance leasing of a lessor.

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In respect of any leasing, the Codes require the lessor and the lessee to classify the leasing as finance leasing or as operating leasing at the commencement of the lease. The Codes also set out factors to be considered in such classification. The accounting treatment of finance leasing and operating leasing to be applied to the lessor and the lessee are specified in separate sets of detailed provisions in the Codes. The lessor and the lessee are also required to comply with several disclosure requirements in respect of their lease transaction on the notes of their balance sheet. In addition, they are required to disclose each sale-leaseback transaction as well as the important provisions of these sale-leaseback contracts.

### **Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax**

On December 12, 2013, the Ministry of Finance and the State Administration of Taxation jointly promulgated the *Circular on the Inclusion of the Railway Transport Industry and Postal Service Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax* (the “Circular”).

Appendix 1 to the Circular, Implementing Measures for Pilot Collection of Value-added Tax in Lieu of Business Tax, stipulates that entities and individuals providing asset-backed leasing service within the territory of the People’s Republic of China shall pay PRC VAT at a rate of 17%. However, Appendix 2 of the Circular, Provisions on Matters Concerning the Pilot Collection of Value-added Tax in Lieu of Business Tax, states that with regards to contracts executed, but not yet fully implemented, on the day of the implementation of the pilot policy in the region, the PRC business tax shall continue to be paid in accordance with existing business tax policies before the expiry date of the contract. In addition, under Appendix 3: Provisions on the Transit Policies for the Pilot Collection of Value-added Tax in lieu of Business Tax, where general taxpayers among the pilot taxpayers approve by the People’s Bank of China, China Banking Regulatory Commission, and Ministry of Commerce to engage in financial leasing services further provide asset finance leasing services, the actual PRC VAT part of whichever rate is more than 3% shall be immediately refunded upon collection.

The respective output PRC VAT will be charged to and collected from the lessees, and such as the Pilot Collection of Value Added Tax in Lieu of Business Tax rules mentioned above will not have significant impact to the financial performance of Rongzhong China.

### **Regulatory Agency**

MOFCOM is the principal regulatory authority responsible for the supervision and regulation of foreign-invested finance leasing companies operating in China. Our business in the PRC is subject to the administration of MOFCOM.

MOFCOM is an executive agency of the State Council of the PRC. It is responsible for formulating policy on foreign trade, export and import regulations, foreign direct investments, consumer protection, market competition and negotiating bilateral and multilateral trade agreements.

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## REGULATORY OVERVIEW

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To establish a foreign-invested finance leasing company, the investor shall submit all application materials to MOFCOM's provincial branch at the place where the company will be located. MOFCOM's provincial branch shall, after preliminary examination of the submitted application materials, submit the application materials together with a preliminary examination opinion to MOFCOM within 15 working days from the date on which it receives all application materials. MOFCOM shall make a decision with respect to whether or not it shall grant an approval within 45 working days from the date on which it receives all application materials. If it decides to grant an approval, it shall issue the foreign investment enterprise approval certificate; if it decides not to grant an approval, it shall explain in written form. Pursuant to the Decision of the State Council of PRC on the Fifth Batch of Administrative Examination and Approval Matters to be Cancelled and Delegated to Subordinate Authorities promulgated and effected on July 4, 2010, the approval process for the establishment or modification of foreign-invested enterprises engaged in finance leasing business with a total investment amount of US\$300 million or less can be approved by provincial-level governmental authorities without the need to submit the application to national level authority.

### **Circular No. 75, Circular No. 37 and Circular No. 13**

On July 4, 2014, the SAFE released the Circular No. 37 and abolished the Circular No. 75 which came into effect on November 1, 2005. Pursuant to Circular No. 37, a PRC resident should apply to the SAFE for foreign exchange registration of overseas investments before it makes capital contribution to an SPV using his or her legitimate domestic or offshore assets or interests. SPVs mean offshore enterprises directly established or indirectly controlled by domestic residents for the purpose of investment and financing by utilizing the domestic or offshore assets or interests they legally hold. Following any significant change in a registered offshore SPV, such as capital increase, reduction, equity transfer or swap, consolidation or division involving domestic resident individuals, the domestic individuals shall amend the registration with the SAFE. Where an SPV intends to repatriate the funds raised after completion of the offshore financing to the PRC, it shall comply with relevant PRC regulations on foreign investment and foreign debt management. A foreign-invested enterprise established through return investment shall complete relevant foreign exchange registration formalities according to the prevailing foreign exchange administration regulations on foreign direct investment and truthfully disclose information on the actual controller of its shareholders. Where a domestic resident fails to go through relevant foreign exchange registration as required, fails to truthfully disclose information on the actual controller of the enterprise involved in the return investment or otherwise makes false commitments, the foreign exchange control authority may order them to take remedial actions, issue a warning, and impose a fine of less than RMB300,000 on an institution or less than RMB50,000 on an individual.

On February 13, 2015, the SAFE issued the Circular No. 13, which came into effect on June 1, 2015. Pursuant to the Circular No. 13, a domestic resident who makes capital contribution to a SPV using his or her legitimate domestic or offshore assets or interests is no longer required to apply to the SAFE for foreign exchange registration of overseas



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## REGULATORY OVERVIEW

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investments. Instead, he or she shall apply to banks in the place where the assets or interests of such domestic enterprise are located (in case such domestic resident individually makes capital contribution to the SPV using his or her legitimate domestic assets or interests) or banks in place where his or her permanent residence is registered (in case such domestic resident individually makes capital contribution to the SPV using his or her legitimate offshore assets or interests).

### **Circular No. 698, Circular No. 72 and Circular No. 7**

Pursuant to Circular No. 698 issued by the State Administration of Taxation on December 10, 2009 with retroactive effect from January 1, 2008, and the Circular No.72 which was issued on December 12, 2013, if an overseas investor indirectly transfers its equity interests in a PRC resident enterprise through the sale of its equity interests in an overseas holding company located in a country or region which (1) has an effective tax rate of less than 12.5% or (2) does not impose income tax on the foreign income of its residents, the overseas investor must report the indirect transfer to the competent tax authority of the PRC resident enterprise. Based on the principle of “substance over form”, the PRC tax authority may disregard the existence of the overseas holding company if the overseas investor indirectly transfers the equity interests of a PRC resident enterprise by adopting an abusive arrangement of organizational form and lacks a reasonable business purpose for avoiding its obligation to pay enterprise income tax.

On February 3, 2015, the State Administration of Taxation issued Circular No. 7, which abolished certain provisions in Circular No. 698 and Notice No. 24 and provided more guidance on a number of issues in the Circular No. 698. If a non-resident enterprise indirectly transfers its equity interest in the PRC resident enterprises and other properties by implementing arrangements without reasonable commercial purposes but to evade the enterprise income tax, the nature of this indirect transfer shall be re-defined and recognized as a direct transfer of equity interest in a PRC resident enterprise and other properties. The equity interest in the PRC enterprises and other properties refers to (i) properties of an establishment or place in the PRC, (ii) real estate in the PRC or (iii) equity investment in a PRC resident enterprise and other properties directly held by such non-resident enterprise and for which the proceeds from the transfer of such properties shall be subject to EIT as specified by the PRC tax laws (collectively the “PRC Taxable Properties”). An indirect transfer of the PRC Taxable Properties refers to transactions with the same or similar substantive results as a direct transfer of the PRC Taxable Properties arising from a transfer by a non-resident enterprise of equity interest or other similar interest in an overseas enterprise (excluding the PRC resident enterprises registered overseas) that directly or indirectly holds the PRC Taxable Properties, including a change in overseas enterprise’s shareholders as a result of reorganization of such non-resident enterprise.

The relevant provisions in Circular No. 7 are not applicable if the overall arrangement regarding the indirect transfer of the PRC Taxable Properties meets with any of the following circumstances: (1) such non-resident enterprise obtains income

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## REGULATORY OVERVIEW

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from indirect transfer of PRC Taxable Properties by acquiring and disposing of the equity interests of the same offshore listed company in a public market; or (2) such non-resident enterprise directly holds and transfers the PRC Taxable Properties in accordance with applicable tax treaty or arrangement which exempts the transfer from relevant enterprise income tax in the PRC.

If the above exemptions do not apply, transfers of Shares by Shareholders which are non-resident enterprises may be re-defined and recognized as a direct transfer of the PRC Taxable Properties if it is determined that such arrangements have no reasonable commercial purposes but to evade the EIT, which should be determined on a case-by-case basis.

Circular No. 7 provides that the overall circumstances of such transfer shall be considered and the following relevant factors shall all be analyzed in determining whether an indirect transfer of the PRC Taxable Properties has a reasonable commercial purpose, which should be determined on a case-by-case basis: (1) whether the main value of the equity of the overseas enterprise is, directly or indirectly, sourced from the PRC Taxable Properties; (2) whether the assets of the overseas enterprise is, directly or indirectly, mainly comprised investments in the PRC, or whether its income is, directly or indirectly, mainly sourced from the PRC; (3) whether the actual functions performed and risks undertaken by the overseas enterprises and its subsidiaries which, directly or indirectly, hold the PRC Taxable Properties can prove the economic substance of the corporate structure; (4) the existence duration of the shareholders, business model and related organizational structure of the overseas enterprise; (5) the information regarding overseas income tax payment for the indirect transfer of the PRC Taxable Properties; (6) whether the indirect investment or indirect transfer of the PRC Taxable Properties by the equity transferor can be substituted by a direct investment or a direct transfer of the PRC Taxable Properties; (7) the information regarding the tax treaties or tax arrangements applicable to the income from indirect transfer of the PRC Taxable Properties; and (8) other related factors.

Circular No. 7 also provides that unless fall under the exemptions stipulated, an indirect transfer shall be directly deemed to have no reasonable commercial purpose if it meets with all the following circumstances (“Deemed Negative Determination”): (1) 75% or more of the value of the overseas enterprise shares is, directly or indirectly, derived from the PRC Taxable Properties; (2) at any time within one year before the indirect transfer of the PRC Taxable Properties, 90% or more of the total assets of the overseas enterprise (not including cash) is, directly or indirectly, comprised investments in PRC, or 90% or more of the overseas enterprise’s income in the year before the indirect transfer of the PRC Taxable Properties is, directly or indirectly, derived from PRC; (3) the overseas enterprise and its subsidiaries which, directly or indirectly, hold the PRC Taxable Properties, are incorporated in a country (region) to meet the organizational form as required by law, but actually only perform limited functions and undertake limited risks which are not enough to substantiate their economic substance; and (4) the overseas income tax payable for the indirect transfer of the PRC Taxable Properties outside of the PRC is less than the possible tax burden in the PRC on the direct transfer of the PRC Taxable Properties in the PRC.

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## REGULATORY OVERVIEW

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It is also stated in Circular No. 7 that, an indirect transfer of the PRC Taxable Properties shall be deemed to have reasonable commercial purpose if it meets with all the following conditions: (1) parties to the indirect transfer have one of the following equity holding relationships: (a) the transferor, directly or indirectly, holding over 80% equity interest in the transferee; (b) the transferee, directly or indirectly, holding over 80% equity interest in the transferor; or (c) over 80% equity interest in each of the transferee and the transferor is held, directly or indirectly, by the same party. To the extent that the offshore subject company derives directly and indirectly more than 50% of its value from real estate in the PRC, the equity shareholding threshold shall be 100%; for the aforesaid indirect shareholding, the equity interest shall be calculated by multiplying the equity shareholding percentage at each level; (2) The current indirect transfer does not result in a reduction in the PRC income tax payable on the proceeds from subsequent potential indirect transfers of the PRC Taxable Properties; and (3) The transferee pays the consideration for the indirect transfer solely in the form of its equity interest or the equity interest of entities with equity controlling holding relationship (excluding equity interest in publicly listed companies).

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## HISTORY AND REORGANIZATION

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### HISTORY AND DEVELOPMENT

In 2001, Mr. Xie founded a company in Wuhan to principally engage in the provision of loan guarantee services for personal consumption loans and subsequently established four more companies in Guangzhou, Chongqing, Changsha and Chengdu engaging in the same business with his own financial resources (collectively as “Rongzhong Companies”). Rongzhong Group primarily focused on loan guarantee business and later diversified into small loan financing, pawn shop, asset management, financial consulting and bill financing businesses. For more details regarding the businesses of Rongzhong Group, please see the section headed “Relationship with our Controlling Shareholders”.

Our Group started in 2008, when Rongzhong HK, a then wholly-owned subsidiary of Rongzhong Group, established Rongzhong PRC in Wuhan to principally engage in the provision of a wide range of finance leasing services to enterprises across the PRC. Rongzhong PRC was the first wholly foreign owned finance leasing company founded in Hubei Province. At that time, Rongzhong Group was owned as to 71.00% by Goldbond (through Perfect Honour), 19.01% by Mr. Xie (through Yong Hua) and 9.99% by Ms. Jacqueline Wong (through Plenty Boom and Legend Crown). Rongzhong Group had been the ultimate holding company of Rongzhong PRC until April 2010, when Rongzhong Group transferred its entire interest in Rongzhong HK to its wholly-owned subsidiary, Rongzhong Capital. For more details on the transfer, please see the paragraph headed “Group Prior to Reorganization – Rongzhong HK” below. Since then, Rongzhong PRC has been an indirect wholly-owned subsidiary of Rongzhong Capital.

In order to further the growth of the business of Rongzhong PRC, Hony Capital was introduced as a strategic investor to our Group in 2011. Hony Capital (through Silver Creation) subscribed for 29.50% of the total issued share capital in Rongzhong Capital at US\$20.0 million. Details of the investment by Hony Capital are set out in the paragraph headed “Investments” below.

To effect Hony Capital’s investment, Rongzhong Group was restructured immediately prior to the completion of such investment. The restructuring involved, inter-alia, the sale of shares in Rongzhong Capital such that following completion of the restructuring and the investment by Hony Capital, Rongzhong Capital ceased to be a wholly-owned subsidiary of Rongzhong Group and became owned as to approximately 50.06%, 29.50%, 13.40% and 7.04% by Goldbond (through Perfect Honour), Hony Capital (through Silver Creation), Mr. Xie (through Yong Hua) and Ms. Jacqueline Wong (through Plenty Boom and Legend Crown), respectively. Details of the restructuring are set out in the paragraph headed “Group Prior to Reorganization – Rongzhong Capital” below.

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## HISTORY AND REORGANIZATION

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With an aim to procure continuing dedication of the key management, namely the Management Investors and Mr. Xie, to the business development of Rongzhong PRC, the Management Investors and Mr. Xie were invited to subscribe for new shares in Rongzhong Capital in 2013. In accordance with the Management Subscription Agreement, Mr. Xie took up the new shares in Rongzhong Capital offered to the Management Investors by himself. Immediately upon completion of the share subscription, Mr. Xie's shareholding in Rongzhong Capital (through Yong Hua, Clifton Rise and Capital Grower) increased by approximately 3.67% (from approximately 13.40% to approximately 17.07%) and the remaining shares of Rongzhong Capital was owned as to 47.93% by Goldbond (through Perfect Honour), 28.25% by Hony Capital (through Silver Creation) and 6.75% by Ms. Jacqueline Wong (through Plenty Boom and Legend Crown).

Since incorporation, Rongzhong PRC has obtained all the necessary licences and approvals required to engage in finance leasing business in the PRC. In April 2008, it obtained the approval from MOFCOM for operating businesses in the areas of finance leasing; leasing; purchasing domestic and overseas leased assets; repairing and disposing residual value of leased properties; finance leasing consultation; and guarantee. In August 2013, it obtained the medical device distributing enterprise licence from the Food and Drug Administration of Wuhan, which enables Rongzhong PRC to expand its business into the healthcare field, which we believe to have sustainable growth potential.

Over the years, Rongzhong PRC has successfully entered into finance leases with 98 PRC enterprises operating in a wide array of industries, including laser processing, plastics, industrial processing, textile and garments and hotel and leisure. For example, in 2013, Rongzhong PRC entered into finance leases worth RMB200.0 million with one of the top ten private enterprises in Hubei Province. Rongzhong PRC has also formed strategic cooperation with a number of major banks in the PRC, including but not limited to China Everbright Bank and China Citic Bank.

As at the Latest Practicable Date, our Group has grown to a team of 44 employees.

The following sets forth the important milestones in our corporate and shareholding history:

<b>Year</b>	<b>Event</b>
2001	<ul style="list-style-type: none"><li>• Establishment of Rongzhong Companies by Mr. Xie</li></ul>
2004	<ul style="list-style-type: none"><li>• Establishment of Rongzhong Group by Mr. Xie</li><li>• Goldbond (through Perfect Honour) becoming a shareholder of Rongzhong Group</li></ul>

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## HISTORY AND REORGANIZATION

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Year	Event
2008	<ul style="list-style-type: none"><li>• Establishment of Rongzhong PRC in Wuhan, being the first wholly foreign owned finance leasing company founded in Hubei Province</li><li>• Entering into a cooperation agreement regarding lease financing with a PRC-based laser technology company, which marks the commencement of our provision of direct finance leasing services to equipment manufacturers</li></ul>
2009	<ul style="list-style-type: none"><li>• Formation of strategic cooperation with two large joint stock commercial banks on certain bank facilities to fund our finance leasing business</li><li>• Commencement of our strategy to expand into the transportation (cars and aircraft), medical device and education device industries</li></ul>
2010	<ul style="list-style-type: none"><li>• Formation of strategic cooperation with China Everbright Bank on certain bank facilities to fund our finance leasing business</li></ul>
2011	<ul style="list-style-type: none"><li>• Investment in our Group by Hony Capital (through Silver Creation)</li><li>• Restructuring of Rongzhong Capital and Rongzhong Group to facilitate investment by Hony Capital</li></ul>
2012	<ul style="list-style-type: none"><li>• Entering into non-recourse receivables assignments worth RMB100.0 million with a large joint stock commercial bank to fund our finance leasing business</li></ul>
2013	<ul style="list-style-type: none"><li>• Entering into finance leases worth RMB200.0 million with one of the top ten private enterprises in Hubei Province</li><li>• Obtaining the medical device distributing enterprise licence</li></ul>
2014	<ul style="list-style-type: none"><li>• Formation of strategic cooperation with two regional commercial banks in the PRC on certain bank facilities to fund our finance leasing business</li></ul>
2015	<ul style="list-style-type: none"><li>• Establishment of the aviation division<sup>(1)</sup></li><li>• Rongzhong PRC was elected as the deputy director of the Finance Lease Enterprise Association of Hubei Province</li></ul>

*Note:*

- (1) The aviation division was established on February 26, 2015 to explore opportunities in the leasing of aircrafts, aircraft motors and other aircraft related equipment in the future. As at the date of this prospectus, we have not devoted significant resources to developing aircraft related finance leasing opportunities.

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## HISTORY AND REORGANIZATION

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### GROUP PRIOR TO REORGANIZATION

The following entities are the companies comprising our Group immediately prior to the commencement of the Reorganization.

#### Rongzhong PRC

Rongzhong PRC, the main operating entity of our Group, was established with limited liability on May 5, 2008 to principally engage in the provision of a wide range of finance leasing services to enterprises across the PRC. The establishment of Rongzhong PRC was financed by funds obtained from the then ultimate shareholders including Goldbond, Mr. Xie and Ms. Jacqueline Wong in proportion to their respective shareholdings in Rongzhong Group. At incorporation, Rongzhong PRC had a registered capital of US\$10.0 million and it has increased its registered capital three times since then. The registered capital of Rongzhong PRC was first increased to US\$20.0 million on September 30, 2010 and then to US\$39.5 million on October 27, 2011. It was further increased to US\$41.0 million on July 2, 2013. Rongzhong PRC has been wholly-owned by Rongzhong HK since its incorporation.

#### Rongzhong HK

Rongzhong HK (previously known as Gold Founder Investment Ltd. 金燁投資有限公司) was incorporated in Hong Kong with limited liability on October 18, 2007 with an authorized share capital of HK\$10,000.00 made up of 10,000 shares of HK\$1.00 each. Rongzhong HK is principally engaged in investment holding.

At incorporation, Rongzhong HK allotted and issued one share to Cartech Limited at par value, and on November 1, 2007, Cartech Limited transferred its one share in Rongzhong HK to Rongzhong Group at HK\$1.00.

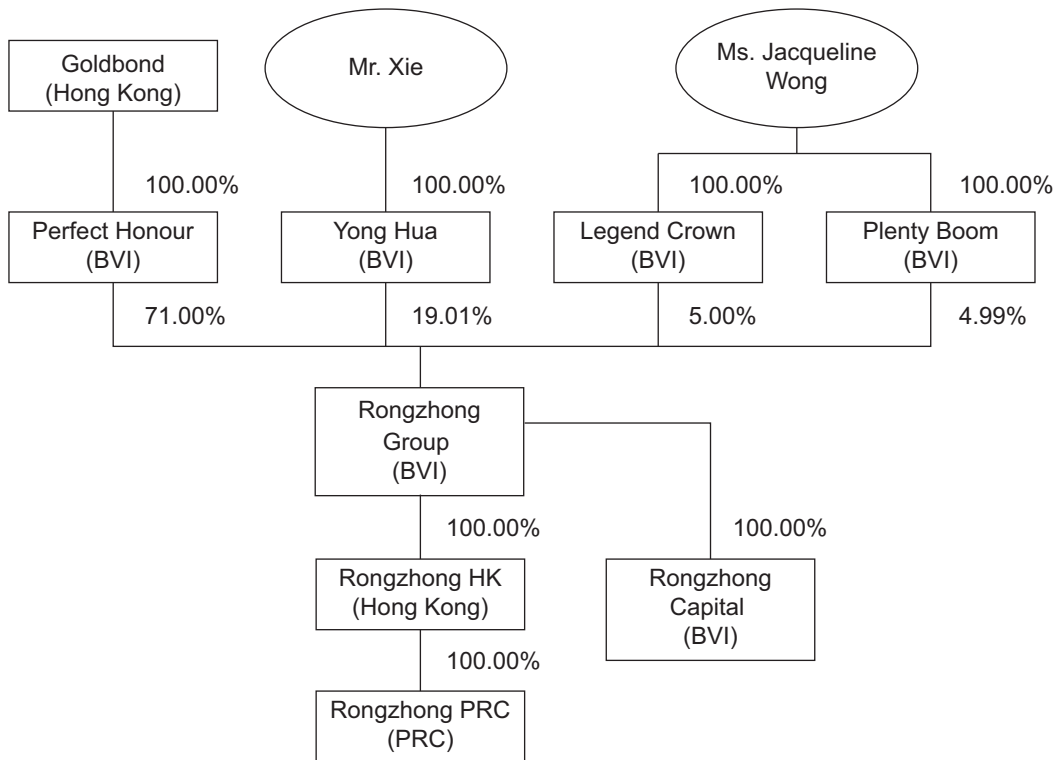
As at November 1, 2007, Rongzhong Group was indirectly owned as to 71.00% by Goldbond (through Perfect Honour), 19.01% by Mr. Xie (through Yong Hua) and 9.99% by Ms. Jacqueline Wong (through Plenty Boom and Legend Crown).

On April 8, 2010, Rongzhong Group transferred its one share in Rongzhong HK to its wholly-owned subsidiary Rongzhong Capital at par value, being HK\$1.00 (the "Transfer"), and since then, Rongzhong HK has been a wholly-owned subsidiary of Rongzhong Capital.

## HISTORY AND REORGANIZATION

The corporate structures of Rongzhong HK immediately prior to and after the Transfer are set out below:

### *Immediately prior to the Transfer\**

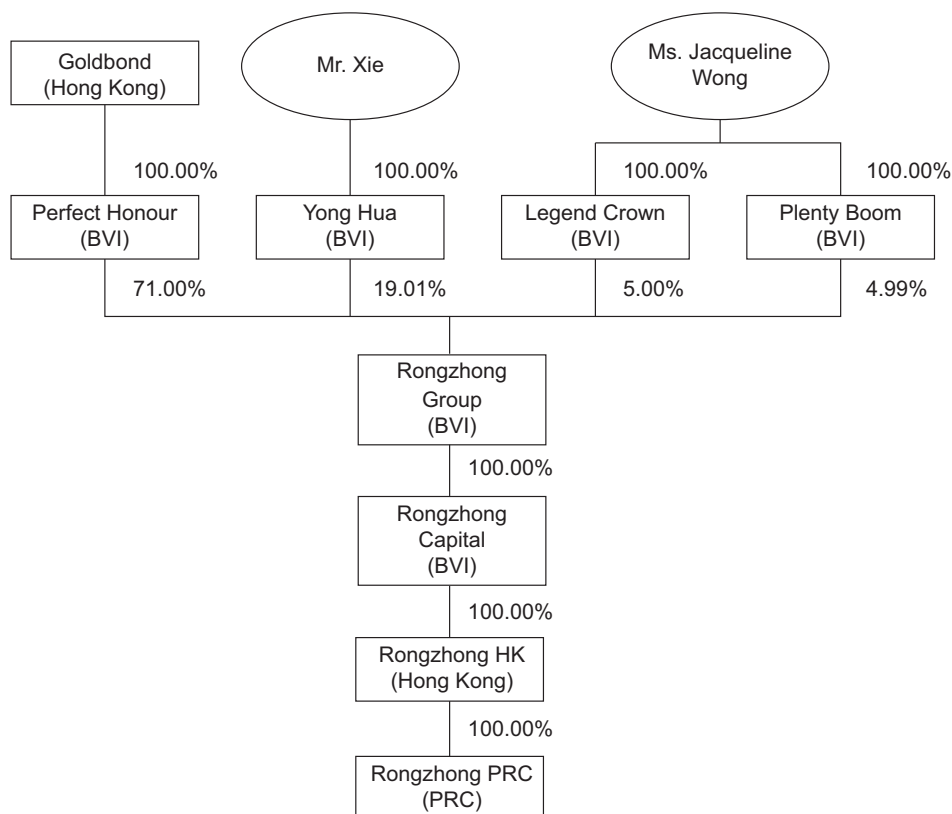


\* The percentages of the shareholding are rounded up to two decimal places.



## HISTORY AND REORGANIZATION

### *Immediately after the Transfer\**



\* The percentages of the shareholding are rounded up to two decimal places.

Since completion of the Transfer, Rongzhong HK has been a wholly-owned subsidiary of Rongzhong Capital.

### **Rongzhong Capital**

Rongzhong Capital (previously known as Rongzhong Capital Limited) was incorporated in the BVI with limited liability on June 22, 2005, with an authorized share capital of US\$50,000.00 divided into 50,000 shares of US\$1.00 each, which was increased to US\$10,000,000.00 divided into 10,000,000 shares of US\$1.00 each on August 26, 2011. Rongzhong Capital is principally engaged in investment holding.

At incorporation, the entire issued share capital of Rongzhong Capital, being one share of US\$1.00, was held by Rongzhong Group. On October 19, 2011, Rongzhong Capital further allotted and issued at par value 9,999 new shares to Rongzhong Group in contemplation of the Acquisition (as defined below).

For the corporate structure of Rongzhong Capital immediately upon the allotment and issue of 9,999 new shares to Rongzhong Group, please refer to the corporate structure chart of Rongzhong HK immediately after the Transfer in the paragraph headed “Group Prior to Reorganization – Rongzhong HK” above.

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## HISTORY AND REORGANIZATION

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In order to further the growth of the business of Rongzhong PRC, which is capital intensive in nature, Hony Capital was invited to invest in our Group. On August 24, 2011, Silver Creation, a company wholly-owned by Hony Capital, entered into the Rongzhong Capital Subscription Agreement to acquire in aggregate 29.50% of the enlarged issued share capital of Rongzhong Capital at US\$20.0 million through subscription. The consideration for the subscription of shares in Rongzhong Capital was based on, among others, (i) the unaudited combined net assets value attributable to the owners of Rongzhong Capital of approximately HK\$30.1 million as at March 31, 2011; (ii) the increase in the combined net assets value of Rongzhong Capital by HK\$156.0 million upon capitalization of the shareholders' loan due from Rongzhong Capital to Rongzhong Group (the "Rongzhong Capital Shareholders' Loan"); and (iii) the track record and future prospect of Rongzhong Capital.

On August 24, 2011, Silver Creation also entered into (i) the Rongzhong Group Subscription Agreement to acquire approximately 24.14% of the enlarged issued share capital of Rongzhong Group at US\$90.0 million through subscription; and (ii) the Sale and Purchase Agreement to acquire approximately 15.86% of the enlarged issued share capital of Rongzhong Group at US\$44.8 million through share purchase.

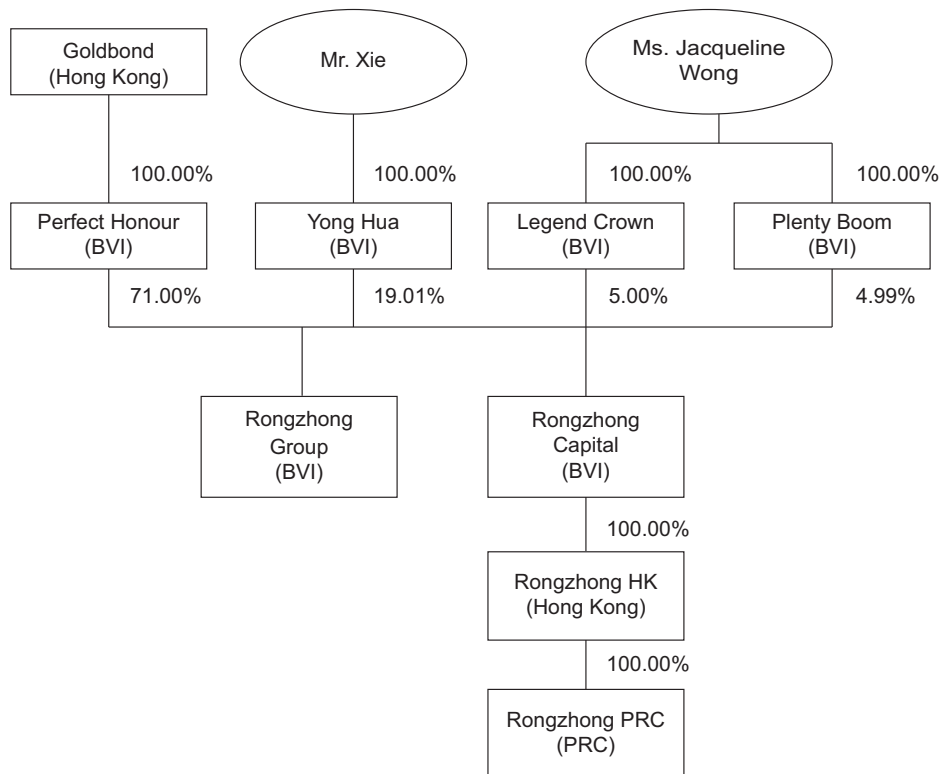
To facilitate Hony Capital's investment in Rongzhong Capital and Rongzhong Group (the "Acquisition"), Rongzhong Capital and Rongzhong Group have undergone a restructuring (the "Restructuring") involving the following steps immediately prior to completion of the Acquisition:

- (i) Rongzhong Group assigned the Rongzhong Capital Shareholders' Loan to Solomon Glory Limited ("Solomon Glory"), a wholly-owned subsidiary of Goldbond, to offset part of the debt it owed to Solomon Glory.
- (ii) In proportion to their respective shareholding in Rongzhong Group, Perfect Honour, Yong Hua, Plenty Boom and Legend Crown additionally acquired 7,100, 1,901, 499 and 500 shares respectively in Rongzhong Capital from Rongzhong Group at an aggregate consideration of US\$10,000.00.
- (iii) Solomon Glory assigned the Rongzhong Capital Shareholders' Loan to each of Perfect Honour, Yong Hua, Plenty Boom and Legend Crown in proportion to their respective shareholding in Rongzhong Capital and each of Yong Hua, Plenty Boom and Legend Crown settled the consideration in relation to such assignment in cash.

## HISTORY AND REORGANIZATION

- (iv) Rongzhong Capital capitalized approximately HK\$155.9 million of the Rongzhong Capital Shareholders' Loan by allotment and issue of 42,955, 11,501, 3,025 and 3,019 new shares in Rongzhong Capital to Perfect Honour, Yong Hua, Legend Crown and Plenty Boom respectively to match to their respective shareholdings in Rongzhong Capital, with the remaining balance of the Rongzhong Capital Shareholders' Loan to be settled by Rongzhong Capital to Perfect Honour, Yong Hua, Plenty Boom and Legend Crown in proportion to their respective shareholding in Rongzhong Capital.

The corporate structure of Rongzhong Capital and Rongzhong Group upon completion of the Restructuring but prior to the completion of the Acquisition is set out below\*:

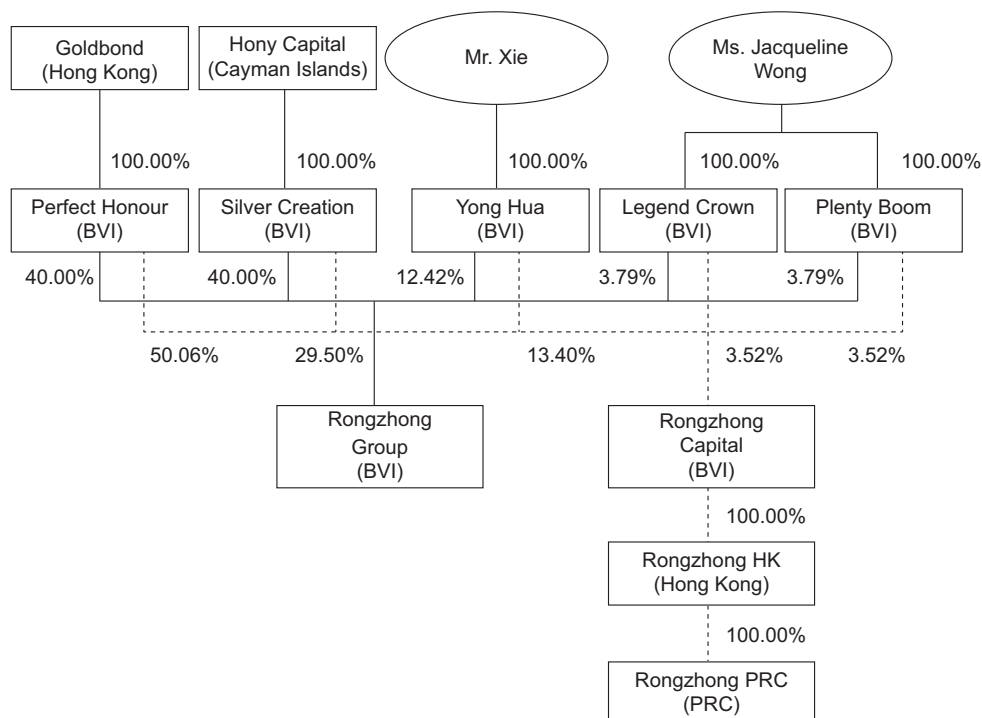


\* The percentages of the shareholding are rounded up to two decimal places.

Immediately upon completion of the Acquisition on October 26, 2011, Rongzhong Capital ceased to be a wholly-owned subsidiary of Rongzhong Group and was owned as to 50.06% by Goldbond (through Perfect Honour), 29.50% by Hony Capital (through Silver Creation), 13.40% by Mr. Xie (through Yong Hua), 7.04% by Ms. Jacqueline Wong (through Plenty Boom and Legend Crown). Hony Capital became a substantial shareholder of Rongzhong Capital through its wholly-owned subsidiary Silver Creation.

## HISTORY AND REORGANIZATION

The corporate structure of Rongzhong Capital upon completion of the Restructuring and the Acquisition is set out below\*:



\* The percentages of the shareholding are rounded up to two decimal places.

In order to procure continuing dedication of the key management, namely Mr. Xie and the Management Investors, to the business development of Rongzhong PRC and further strengthen the capital base of Rongzhong PRC, on May 2, 2013, the Management Subscription Agreement was entered into among others, Rongzhong Capital, Capital Grower (a company wholly-owned by Mr. Xie) and Clifton Rise (a company wholly-owned by the Management Investors) pursuant to which Rongzhong Capital agreed to allot and issue, and Capital Grower and Clifton Rise agreed to subscribe for, a total of 4,422 new shares in Rongzhong Capital (being 4.24% of the enlarged issued share capital) at an aggregate consideration of US\$3.0 million. The consideration was based on: (i) the subscription price per subscription share under the Rongzhong Capital Subscription Agreement; (ii) the unaudited combined net assets value of Rongzhong Capital of approximately HK\$410.0 million as at September 30, 2012; and (iii) the track record and future prospect of Rongzhong Capital.

## HISTORY AND REORGANIZATION

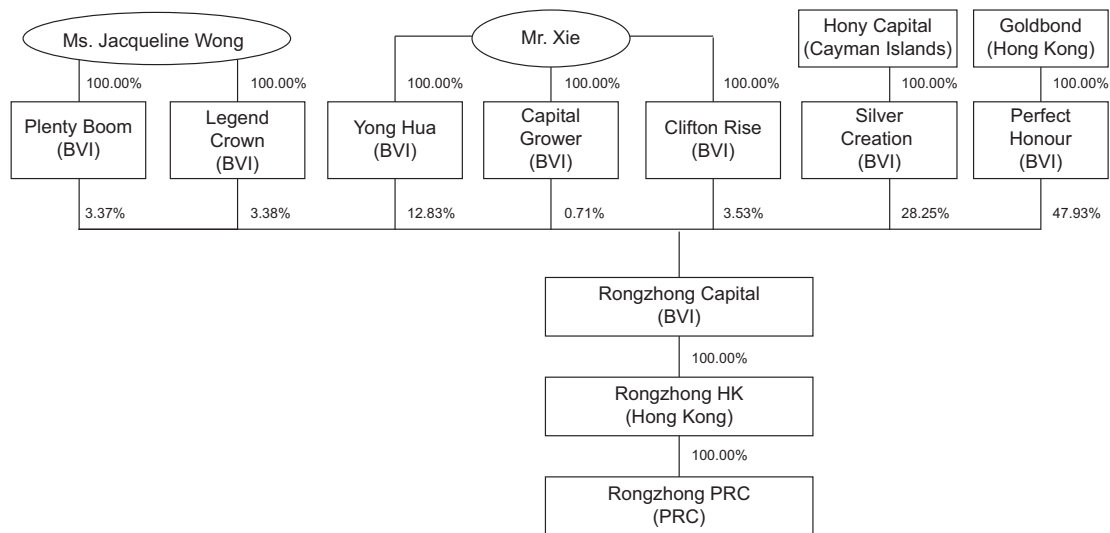
Pursuant to the Management Subscription Agreement, in the event that the Management Investors fail to invest in Clifton Rise in the manner stipulated therein, Mr. Xie agreed to take up such investment commitment so as to consummate the subscription of the shares in Rongzhong Capital by the Management Investors. The Management Investors were unable to fulfill their investment obligations under the Management Subscription Agreement due to their failure to complete the requisite foreign exchange registration for overseas investment before the completion date. Therefore, Mr. Xie took up the investment commitment and the entire share capital of Clifton Rise was transferred to Mr. Xie on June 6, 2013.

Immediately upon completion of the subscription, which took place on June 21, 2013, Rongzhong Capital was 47.93% owned by Goldbond (through Perfect Honour), 28.25% by Hony Capital (through Silver Creation), 17.07% by Mr. Xie (through Yong Hua, Clifton Rise and Capital Grower) and 6.75% by Ms. Jacqueline Wong (through Plenty Boom and Legend Crown). Rongzhong Capital has ceased to be a subsidiary of Goldbond following completion of the subscription.

For the corporate structure of Rongzhong Capital immediately upon completion of the subscription, please see the corporate structure chart in the paragraph headed “Group Structure Prior to Reorganization” below.

### GROUP STRUCTURE PRIOR TO REORGANIZATION

The corporate structure of our Group immediately prior to the Reorganization is set out below\*:



\* The percentages of the shareholding are rounded up to two decimal places.

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## HISTORY AND REORGANIZATION

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### REORGANIZATION

We reorganized our corporate structure in preparation for and in connection with the Listing. Following the Reorganization, our Company became the holding company of our Group. The steps of the Reorganization are set out below.

#### **Incorporation of our Company**

Our Company, incorporated in the Cayman Islands as an exempted company with limited liability on June 5, 2015. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 16, 2015 and becomes the ultimate holding company of our Group upon completion of the Reorganization. At incorporation, our Company had an authorized share capital of HK\$370,000.00 divided into 37,000,000 Shares.

On June 5, 2015, one fully paid Share was allotted and issued to Reid Services Limited at par value, which was then transferred to Plenty Boom at par value on the same day.

On December 18, 2015, the authorized share capital of our Company was increased by HK\$99,630,000.00 to HK\$100,000,000.00 divided into 10,000,000,000 Shares.

#### **Transfer of the shares in Rongzhong Capital to our Company**

On December 18, 2015, each of Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Plenty Boom, Legend Crown and Capital Grower (collectively as the “Parties”) (as vendors and warrantors) transferred all of their respective equity interest in Rongzhong Capital to our Company (as purchaser), and in consideration of which, our Company allotted and issued, and credited as fully paid at par value 50,055, 29,500, 13,402, 3,685, 3,525, 3,517 and 737 Shares to Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Legend Crown, Plenty Boom and Capital Grower, respectively pursuant to a sale and purchase agreement entered into, inter-alia, among the Parties and our Company. The said issue, allotment and transfer were properly and legally completed and settled.

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## HISTORY AND REORGANIZATION

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The shareholding structure of our Company after the allotment and issue of the said Shares to the Parties is as follows:

<b>Shareholder</b>	<b>No. of Shares</b>	<b>Percentage of shareholding*</b>
Perfect Honour	50,055 Shares	47.93%
Silver Creation	29,500 Shares	28.25%
Yong Hua	13,402 Shares	12.83%
Clifton Rise	3,685 Shares	3.53%
Legend Crown	3,525 Shares	3.38%
Plenty Boom	3,518 Shares	3.37%
Capital Grower	737 Shares	0.71%
<b>Total</b>	<b>104,422 Shares</b>	<b>100.00%</b>

\* The percentages of the shareholding are rounded up to two decimal places.

### INVESTMENTS

#### Overview

On August 24, 2011, Silver Creation and Rongzhong Capital entered into the Rongzhong Capital Subscription Agreement pursuant to which Rongzhong Capital agreed to issue, and Silver Creation agreed to subscribe for, in aggregate 29.50% of the enlarged issued share capital of Rongzhong Capital at a consideration of US\$20.0 million. The consideration was based on arm's length negotiation with reference to (i) the unaudited combined net assets value attributable to the owners of Rongzhong Capital of approximately HK\$30.1 million as at March 31, 2011; (ii) the increase in the combined net assets value of Rongzhong Capital by HK\$156.0 million upon capitalization of the Rongzhong Capital Shareholders' Loan; and (iii) the track record and future prospect of Rongzhong Capital, and it was irrevocably settled and received by Rongzhong Capital on October 26, 2011. On the same day, Silver Creation entered into a shareholders' agreement relating to Rongzhong Capital with Perfect Honour, Mr. Xie, Yong Hua, Plenty Boom, Legend Crown and Rongzhong Capital (the "Shareholders' Agreement") to govern their respective rights and obligations as shareholders of Rongzhong Capital.

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## HISTORY AND REORGANIZATION

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On May 2, 2013, the Management Subscription Agreement was entered into among, inter alia, Rongzhong Capital, Capital Grower (a company wholly-owned by Mr. Xie) and Clifton Rise (a company wholly-owned by the Management Investors and subsequently wholly-owned by Mr. Xie on June 6, 2013) pursuant to which Rongzhong Capital agreed to allot and issue, and Capital Grower and Clifton Rise agreed to subscribe for, a total of 4,422 new shares in Rongzhong Capital (being 4.24% of the enlarged issued share capital) at an aggregate consideration of US\$3.0 million. Since the consideration was based on arm's length negotiation with reference to (i) the subscription price per subscription share under the Rongzhong Capital Subscription Agreement; (ii) the unaudited consolidated net assets value of Rongzhong Capital of approximately HK\$410.0 million as at September 30, 2012; and (iii) the track record and future prospect of Rongzhong Capital, the share subscription of Capital Grower and Clifton Rise was not accounted for as employee share based compensation under HKFRS. Completion took place on June 21, 2013. On the same day, an amended and restated shareholders' agreement relating to Rongzhong Capital was entered into by the parties to the Shareholders Agreement with Clifton Rise and Capital Grower (the "Amended Shareholders' Agreement").

### Principal Terms of Investment by Silver Creation

The following table sets out the principal terms of the investment by Silver Creation:

Name of investor	Silver Creation
Date of investment	August 24, 2011
Type of investment	Subscription of 29.50% of the enlarged issued share capital of Rongzhong Capital
Amount of consideration paid	US\$20.0 million (equivalent to approximately HK\$155.0 million)
Payment date of consideration	October 26, 2011



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## HISTORY AND REORGANIZATION

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Basis of determination of consideration	The consideration was based on arm's length negotiation with reference to (i) the unaudited combined net assets value attributable to the owners of Rongzhong Capital of approximately HK\$30.1 million as at March 31, 2011; (ii) the increase in the combined net assets value of Rongzhong Capital by HK\$156.0 million upon capitalization of the Rongzhong Capital Shareholders' Loan; and (iii) the track record and future prospect of Rongzhong Capital.
Effective acquisition cost per Share <sup>(Note 1)</sup>	HK\$1.83
Discount to the Offer Price <sup>(Note 2)</sup>	20.43%
Use of proceeds from pre-IPO investment	The proceeds were fully utilized in October 2011 to increase the registered capital of Rongzhong PRC to further develop and expand our finance leasing business in the PRC.
Benefits to our Group	At the time of the investment, our Directors were of the view that our Company could benefit from the additional capital, the brand name and expertise in fund management that would be provided by Hony Capital.
Shareholding in our Company upon Listing	21.19%

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## HISTORY AND REORGANIZATION

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### Special rights

Silver Creation has been granted the following rights, each of which will be automatically terminated upon completion of the Global Offering:

- (i) Right of first refusal and tag along: If any shareholder of Rongzhong Capital (the “Selling Shareholder”) proposes to transfer any of its equity interest in Rongzhong Capital to any person (the “Third Party Purchaser”), Silver Creation shall have the right of first refusal to purchase the offered shares on the terms and conditions stated in the notice given by the Selling Shareholder on a pro-rata basis. If Silver Creation does not exercise its right of first refusal, it shall be entitled to require the Selling Shareholder to cause the Third Party Purchaser to purchase all its shares in Rongzhong Capital on the same terms and conditions as those offered to the Selling Shareholder.
- (ii) Information right: Silver Creation is entitled to receive certain financial statements and other information about Rongzhong Capital.
- (iii) Appointment right: Silver Creation is entitled to appoint (a) two directors to the board of Rongzhong Capital and (b) such number of directors to each of the board of Rongzhong Capital’s subsidiaries in proportion to its shareholding in Rongzhong Capital. If Rongzhong Capital resolves to form any committee, at least one director appointed by Silver Creation shall automatically become a member of such committee.

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## HISTORY AND REORGANIZATION

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- (iv) Liquidation preference: In the event of liquidation, winding-up or dissolution, Silver Creation shall be entitled to receive in preference to the other shareholders an amount equal to the sum of the consideration and any declared but unpaid dividends for each share in Rongzhong Capital minus any monies repaid by Silver Creation to Rongzhong Capital and the relevant entities in respect of any monetary compensation it obtained from claims made by it under the investment.
- (v) Put/call option:
- If the Listing does not take place before December 31, 2015, Silver Creation may, upon written request (the "Notice") which shall be given within 90 days after December 31, 2015, require Perfect Honour, Yong Hua, Plenty Boom and Legend Crown to elect either to purchase or procure Rongzhong Capital (the "Relevant Parties") to redeem all of its shares in Rongzhong Capital at a price equal to the consideration plus the higher of 12.00% of the consideration and the undistributed profits of Rongzhong Capital that are attributable to Silver Creation (the "First Put Option"); and
  - If an event of default as specified in the Amended Shareholders' Agreement takes place, Silver Creation may either require: (a) the Relevant Parties to procure Rongzhong Capital to redeem their shares on a pro-rata basis such that Silver Creation's shareholding will reach 50.10%; or (b) purchase all of its shares in Rongzhong Capital at a price equal to the sum of the consideration plus 20.00% interest per annum (compounded annually) on the consideration (calculated from October 26, 2011 and ending on the date of such purchase) minus all dividends distributed by Rongzhong Capital to Silver Creation (the "Second Put Option").

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## HISTORY AND REORGANIZATION

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- Perfect Honour, Mr. Xie and/or any of their affiliates shall not engage in any business that competes, either directly or indirectly, with the finance leasing business of Rongzhong Capital. If the non-competition undertaking is breached, Silver Creation may require Perfect Honour or Mr. Xie (whichever case may be) to purchase all of its shares at a price equal to the sum of the consideration plus 30.00% interest per annum (compounded annually) on the consideration (calculated from October 26, 2011 and ending on the date of such purchase) minus all dividends distributed or declared by Rongzhong Capital to Silver Creation (the “Third Put Option”).

Pursuant to a confirmation letter dated July 29, 2015 and a written confirmation dated September 8, 2015 issued by Silver Creation, Silver Creation had considered internally on June 1, 2015 and resolved on the same day to irrevocably waive and cancel all its rights and powers to exercise the Second Put Option and the Third Put Option without any consideration, agreement or compensation with effect from June 1, 2015 (the “Waiver”).

As confirmed by Howse Williams Bowers, our legal advisors in relation to Hong Kong laws, the Waiver, which is governed by Hong Kong laws, (i) is effective, irrevocable and enforceable under the laws of Hong Kong as it was given in accordance with the provisions of the Amended Shareholders’ Agreement without any conditions; and (ii) does not constitute an amendment to the terms and conditions of the Amended Shareholders’ Agreement nor a new agreement to the Amended Shareholders’ Agreement as it neither changes any rights, powers and obligations of Silver Creation nor any other parties to the Amended Shareholders’ Agreement.

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## HISTORY AND REORGANIZATION

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Pursuant to an undertaking letter dated January 11, 2016 issued by Silver Creation, Silver Creation has undertaken not to issue the Notice for the period from January 1, 2016 to January 31, 2016.

There is no new agreement and arrangement among the parties to the Amended Shareholders' Agreement in connection with the aforesaid matter.

- (vi) Unanimous consent for certain corporate actions: Unanimous consent from all directors of Rongzhong Capital is required for certain corporate actions involving the business, operations, finance, management, constitutions and capital structure of Rongzhong Capital.
- (vii) Lock-up: Silver Creation shall not transfer its shares in Rongzhong Capital before March 31, 2016 save for certain exceptions, namely right of first refusal, put/call option, permitted transfer or prior shareholders' consent.

Some of the above special rights, including the right of first refusal and tag along, information right and appointment right, are also applicable to other shareholders of Rongzhong Capital.

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## HISTORY AND REORGANIZATION

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### Principal Terms of Investment by Capital Grower and Clifton Rise

The following table sets out the principal terms of the investment by Capital Grower and Clifton Rise:

Name of investor	Capital Grower and Clifton Rise
Date of investment	May 2, 2013
Type of investment	Subscription of 4.24% of the enlarged issued share capital of Rongzhong Capital
Amount of consideration paid	US\$3.0 million (equivalent to approximately HK\$23.3 million)
Payment date of consideration	June 21, 2013
Basis of determination of consideration	The consideration was based on arm's length negotiation with reference to (i) the subscription price per subscription share under the Rongzhong Capital Subscription Agreement; (ii) the unaudited consolidated net assets value of Rongzhong Capital of approximately HK\$410.0 million as at September 30, 2012; and (iii) the track record and future prospect of Rongzhong Capital.
Effective acquisition cost per Share <sup>(Note 1)</sup>	HK\$1.83
Discount to the Offer Price <sup>(Note 2)</sup>	20.43%
Use of proceeds from pre-IPO investment	As the general working capital of Rongzhong Capital.
Benefits to our Group	To procure continuing dedication of the key management, namely Mr. Xie and the Management Investors, to the business development of Rongzhong PRC and further strengthen the capital base of Rongzhong PRC.

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## HISTORY AND REORGANIZATION

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Shareholding in our Company upon Listing 3.18%

Lock-up Capital Grower and Clifton Rise shall not transfer their shares in Rongzhong Capital (i) within 12 months from the completion of the Global Offering; and (ii) within 24 months from the completion of the Global Offering, which immediately after such transfer, will result in the Shares held either by Capital Grower or Clifton Rise falling below 40.00% of the Shares it respectively subscribed for under the Management Subscription Agreement. Such restriction will be automatically terminated upon completion of the Global Offering.

*Notes:*

- (1) Effective acquisition cost per share is prepared for illustration purpose only assuming that the Global Offering and the Capitalization Issue is completed, but without taking into account the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme.
- (2) Discount to the Offer Price is prepared for illustration purpose only assuming that the Offer Price is HK\$2.30 per Offer Share (being the mid-point of the Offer Price range between HK\$2.11 and HK\$2.48 per Offer Share).

### **Background of Silver Creation and Hony Capital**

Silver Creation is wholly-owned by Hony Capital as an investment vehicle. Hony Capital is an investment fund which is structured as an exempted limited partnership established in the Cayman Islands. Hony Capital is principally engaged in investments across a broad range of sectors including financial services, consumer industry, infrastructure, pharmaceuticals and franchising, as well as both light and heavy industries in the PRC.

Hony Capital is controlled by its sole general partner, Hony Capital Fund 2008 GP, L.P., which is in turn controlled by its sole general partner, Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Capital Management Limited, which is in turn is owned as to 20.00% by Legend Holdings Corporation (through its wholly-owned subsidiary, Right Lane Limited) and 80.00% by Mr. John Huan Zhao (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Corporation is ultimately owned as to 36.00% by the Chinese Academy of Sciences (whose interests in Legend Holdings Corporation are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.00% by Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership, 20.00% by China Oceanwide Holdings Group Co. Ltd., 8.90% by Beijing Lian Heng Yong Xin Investment Center Limited Partnership, 3.40% by Mr. Liu Chuanzhi, 2.40% by Mr. Zhu Linan, 1.80% by Mr. Ning Min, 1.50% by Mr. Huang Shaokang, 1.00% by Mr. Chen Shaopeng and 1.00% by Mr. Tang Xudong.

## HISTORY AND REORGANIZATION

### Background of Capital Grower and Clifton Rise

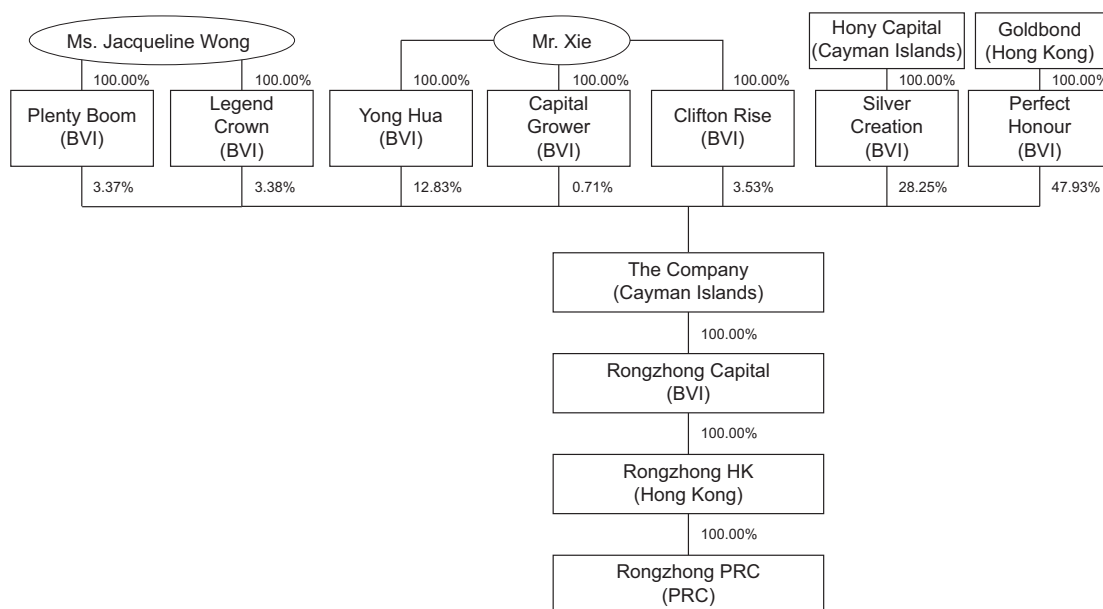
Both Capital Grower and Clifton Rise are investment holding companies and are wholly-owned by Mr. Xie.

### Sole Sponsor's Confirmation

The Sole Sponsor has reviewed the relevant information and documentation in relation to the investments by Hony Capital, Capital Grower and Clifton Rise. On this basis, the Sole Sponsor is of the view that such investment is in compliance with the Guidance Letters HKEx-GL29-12, HKEx-GL43-12, HKEx-GL44-12 issued by the Stock Exchange.

### GROUP STRUCTURE AFTER REORGANIZATION AND BEFORE LISTING

The corporate structure of our Group immediately after completion of the Reorganization but before completion of the Global Offering and Capitalization Issue is as follows\*:



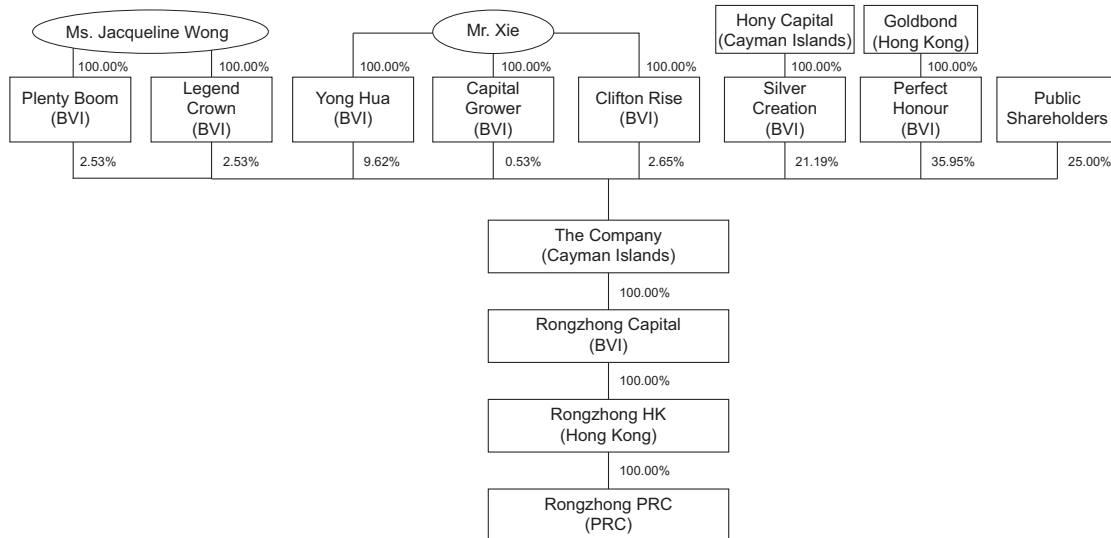
\* The percentages of the shareholding are rounded up to two decimal places.



# HISTORY AND REORGANIZATION

## GROUP STRUCTURE AFTER REORGANIZATION AND AFTER LISTING

The corporate structure of our Group immediately after the Reorganization, the Global Offering and the Capitalization Issue without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the Share Option Scheme will be as follows\*:



\* The percentages of the shareholding are rounded up to two decimal places.

## CIRCULAR NO. 75 AND CIRCULAR NO. 37

According to Circular No. 75 and the related regulations issued by SAFE, if a PRC domestic resident uses a special purpose vehicle, namely an overseas enterprise directly or indirectly controlled by the domestic resident for the purpose of overseas financing for the assets or interests held by him in a PRC domestic enterprise, to conduct return or direct investment in the PRC, the domestic resident shall bring the prescriptive materials to the local branch of SAFE to apply for registration.

Mr. Xie, one of the ultimate beneficial owners of the Company, is a resident of the PRC and is therefore subject to the requirements under Circular No. 75. Our PRC Legal Counsel has confirmed that all the necessary registration with the local branch of SAFE was completed by Mr. Xie on June 29, 2013 in accordance with the then relevant SAFE regulations.

Circular No. 37 took effect and replaced Circular No. 75 on July 4, 2014. For details of Circular No. 37, please see the paragraph headed “Regulatory Overview – Circular No. 75, Circular No. 37 and Circular No. 13”.

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## HISTORY AND REORGANIZATION

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As confirmed by our PRC Legal Counsel, given that Mr. Xie has completed the registration with local branch of SAFE in accordance with the then relevant SAFE regulations before the issuance of Circular No. 37, Circular No. 37 does not cause any material adverse effect to such registration. Accordingly, such registration continues to be valid. Moreover, no further actions are required of Mr. Xie under Circular No. 37 as at the Latest Practicable Date, save for the annual filings and updates of registered information for future changes, which are required to be done in accordance with the requirements under Circular No. 37.

### **M&A RULES**

On August 8, 2006, six PRC governmental and regulatory agencies, including MOFCOM and the CSRC, promulgated the Regulation on the Merger and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”) which became effective on September 8, 2006 and was revised on June 22, 2009. Pursuant to Article 11 of the M&A Rules, where a domestic individual person intends to take over his/her related domestic company in the name of an offshore company which he/she lawfully established or controls, the takeover shall be subject to the examination and approval of MOFCOM. Where a foreign investor purchases the equity interest of a domestic foreign-invested enterprise or subscribe for the increased capital of a domestic foreign-invested enterprise, it shall be subject to the current laws, administrative regulations on foreign-invested enterprises and the relevant provisions on alteration in investors’ equity interest of foreign-invested enterprise. As Rongzhong PRC was established as a foreign-invested enterprise, the M&A Rules do not apply to Rongzhong PRC.

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### OVERVIEW

We are a leading finance leasing company in Hubei Province with the longest operating history among Hubei-based finance leasing companies. According to Euromonitor International, as at December 31, 2014, we were ranked first with total assets worth RMB1.73 billion among finance leasing companies registered in Hubei Province. Since our establishment in 2008, we have focused and continue to focus on the financing needs of SMEs in Wuhan and other parts of Hubei Province and have 86 customers in different industries as at July 31, 2015. We are positioned to take advantage of the opportunities created by the PRC Government's plan to develop Middle China. As Wuhan and Hubei Province are the regional hub of Middle China, we believe a lot of focus and resources will be on the development and advancement of the businesses and industries located in Hubei Province. With our established reputation and years of experience working with SMEs in Hubei Province, we believe the future development of Middle China will provide us with many potential business opportunities.

Over the years we have developed knowledge and experience in meeting the financing needs of certain key industries in Hubei Province, including laser processing, plastics, industrial processing, textile and garments and hotel and leisure. SMEs in these key industries have had continuous financing needs unmet by traditional sources of financing. We expect that these industries will continue to have demand for finance leases. In addition, under the current economic environment, we believe the transportation (cars and aircraft), medical device and education device industries have growth potential and have been actively taking steps to enter into these industries.

We strive to diversify our financing sources and fund our business principally through bank borrowings from different PRC banks. These included a state-owned policy bank, state-owned commercial banks, national commercial banks and the head office of a regional commercial bank. Our total bank borrowing balance as at November 30, 2015, was HK\$761.7 million. As at March 31, 2013, 2014, 2015 and July 31, 2015, our largest bank accounted for 47.7%, 58.3%, 62.8% and 57.5% of our total bank borrowings, respectively. We maintain continuous contact with each of our lenders regarding the progress and development of our business and we believe our relationship with our lender base is strong. Several of these lenders have been working with us since 2008 and have seen our business grow and develop.

Despite the recent slow-down of the PRC economy in general, we have been able to continue to increase our revenues. We anticipated this slow-down and made the strategic decision to focus on developing our existing customers and making improvements to our risk management capabilities. In 2014, we employed a prudent and conservative strategy and did not actively pursue the expansion of our customer base. Nevertheless, we did continue to sign new finance leases contracts, including renewal of leases with our existing customers. As a result, we were able to record growth in our finance lease receivable portfolio and recorded a small increase in revenues from the year ended March 31, 2014 to the year ended March 31, 2015. Our finance lease

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receivable decreased from March 31, 2015 to July 31, 2015 primarily due to prolonged economic downturn in the PRC economy. Our revenues increased 14.5% to HK\$81.2 million for the four months end July 31, 2015 from HK\$70.9 million for the four months ended July 31, 2014. This is primarily due to the increase of our finance lease receivable compared to four months ended July 31, 2014 and the higher interest rate we charged to our new customers.

In the four months ended July 31, 2015, our increased scrutiny asset ratio increased from 9.5% as at March 31, 2015 to 11.2% as at July 31, 2015. The increase of our increased scrutiny ratio is partly due to the decrease of our finance lease receivable, our finance lease receivable decreased from HK\$1,938.2 million as at March 31, 2015 to HK\$1,821.3 million as at July 31, 2015. Our finance lease receivable decreased principally as a result of our prudent and conservative strategy commenced in 2014. During the four months period ended July 31, 2015, we continued prudent policy and undertook only four new finance leases. The increase in our scrutiny asset ratio is also partly due to short term liquidity problems faced by some of our customers which in turn was caused by multiple factors. These include (1) the tightened availability of bank financing which were otherwise available to some of our customers; (2) some of our customers' upstream customers, many of which are state owned enterprises, deferred settlement with them amidst a very stringent internal control requirements; and (3) some of our customers voluntarily reduced their operation scales during the prolonged economic downturn. We believe these are common internal and external factors happening in the general economy and faced by many of our existing and potential customers. We believe the short term liquidity shortage our customers faced will be gradually relieved when the general economic environment of China improves. Currently, we keep closely monitoring the underlying credit quality of our customers and would consider to provide support, through extension of their existing leases to some of these customers with good credit records and strong fundamentals. We usually require increased collateral on extended leases and enforce more strict monitoring measures.

For the three years ended March 31, 2015 and the four months ended July 31, 2015, our revenues were HK\$181.8 million, HK\$220.4 million, HK\$226.9 million and HK\$81.2 million, respectively, and our profits for the same periods were HK\$67.0 million, HK\$70.2 million, HK\$65.6 million and HK\$21.7 million, respectively. We believe that our decision to strategically slow down our pace of expansion and focus on existing customers and internal improvements were instrumental in mitigating this decline in profits for the year ended March 31, 2015 and the four months ended July 31, 2015. Our finance lease receivable were HK\$1,643.4 million, HK\$1,722.2 million, HK\$1,938.2 million and HK\$1,821.3 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively.

Our top five customers in terms of revenue for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, accounted for 36.5%, 40.0%, 42.3%, and 47% of our total revenue, respectively. Our largest customer by revenue for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, accounted for 22.0%, 18.0%, 18.4% and 17.5% of our total revenue, respectively.

### OUR COMPETITIVE STRENGTHS

**We are uniquely positioned to take advantage of the opportunities created by the Middle China Development Plan.**

In April 2015, the PRC government adopted *the Plan for the City Cluster along the Middle Reaches of the Yangtze River* (the “Middle China Development Plan”), which is an important and strategic measure for the greater economic development of the PRC. The Middle China Development Plan is intended to promote the economic development of Middle China and to stabilize long-term growth in the PRC. We are headquartered in Wuhan, the capital of Hubei Province. We are one of the major financial services providers in Hubei Province. Wuhan is the regional hub of Middle China that connects Middle China to the rest of the PRC. As a city of significant economic and strategic position, and the central city in the city cluster in Middle China, Wuhan is uniquely positioned to take advantage of the opportunities brought about by the Middle China Development Plan, and we believe Wuhan will serve an instrumental role in its implementation. With eight years of experience serving SMEs in Wuhan and Hubei Province, we believe we have developed unparalleled knowledge about the region’s economic growth patterns and economic policies. With this regional knowledge, experience and our well-developed network in Wuhan and Hubei Province, we are uniquely positioned to take advantage of the opportunities created by the Middle China Development Plan.

**We have focused experience working with SMEs.**

The PRC and Hubei Province governments have always been trying to find financing solutions for SMEs. Our founder, Mr. Xie, saw this as a tremendous opportunity to finance the growth and development of SMEs. With our innovative finance leasing products, we have grown and developed our business and industry reputation. In this process, we have built collaborative relationships with the Wuhan government as well as other local governments in Hubei Province. These relationships have enabled us to expand our business operation while supporting local economic development at the same time. As at July 31, 2015, we had 86 customers in different industries.

**We are a leader in the finance leasing industry in Hubei Province with an established reputation supported by a diversified customer base.**

We have been engaged in the finance leasing business in Hubei Province since 2008, and have achieved leading status in a series of major operational indicators for finance leasing companies in Hubei Province. Among non-bank finance leasing companies headquartered in the Hubei Province, we have the longest operating history. According to Euromonitor International, as at December 31, 2014, Rongzhong PRC was ranked first with total assets worth RMB1.73 billion among finance leasing companies registered in Hubei Province. The brand “Rongzhong Financial Leasing” is well known and well respected in the Hubei Province finance leasing market. Through continued

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sales and marketing efforts and developed industry knowledge, we have built a diversified customer base. Many of our customers operate in strong and developing industries in Hubei Province, namely laser processing, plastics, industrial processing, textile and garments and hotel and leisure.

**We have significant potential for growth and our development is supported by the availability of stable financing sources.**

The capital leverage of Rongzhong PRC is at a healthy level of four times of our registered capital, which we believe is significantly lower than other market participants. After Listing, we will increase our registered capital and be able to secure additional funding from the public markets and from new and existing bank lenders. The proceeds of Listing will be primarily used to expand our business operations. Currently we have business relationships with 5 different banks. These banks included a state-owned policy bank, state-owned commercial banks, national commercial banks and head office of regional commercial bank. Our total bank borrowing balance as at November 30, 2015 was HK\$761.7 million. Because of our strong capital strength, capability, and reputation, we maintain close collaborative relationships with these banks.

**We have strong risk management capabilities and have adopted measures and methods that further diversify and mitigate our risks.**

We have a three level risk management structure comprised of our risk management department, project review committee and risk management committee. We also carefully consider both macro and micro economic conditions before making strategic business decisions. Despite the recent slow-down of the PRC economy in general, we have been able to continue to increase our revenues. We anticipated this slow-down and made the strategic decision to focus on developing our existing customers and making improvements to our risk management capabilities. Since 2014, we employed a prudent and conservative strategy and did not actively pursue the expansion of our customer base. From April 1, 2015 to July 31, 2015, we continued our prudent policy and only undertook four new finance leases. Nevertheless, we did continue to grow our finance lease receivable by entering into additional leases and/or renewal of leases with our existing customers upon completion of their original leases. As a result we were able to maintain revenue growth from the year ended March 31, 2014 to the year ended March 31, 2015 and the four months ended July 31, 2015 to the corresponding period in 2014.

We continue to look for ways to further mitigate and diversify our risk. For example, we manage to build finance leasing platforms for potential customers of equipment manufacturers and banks. Through these platforms, we are able to share their customers as well as secure loans or guarantees from these equipment manufacturers and banks. Working with industrial parks, equipment manufacturers and banks have allowed us to further diversify and mitigate the risks associated with our finance leasing business. We also maintain a high caliber of business and risk control professionals including PRC registered valuers, accountants, lawyers and experienced risk review officers.

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## BUSINESS

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**We have a team of seasoned and dedicated senior management with proven execution capabilities, and extensive experience in debt collection.**

Our management team is comprised of a group of committed senior and experienced professionals. As the founder of our Group and our chairman, Mr. Xie has an extensive network and a strong reputation in Hubei Province and across the country. In 2007, he won a national award of “Pride of China – Top 10 Most Influential Figures in China” (fifth anniversary award) issued by accredited press and associations. He has also won a national award as one of the most influential figures in the financial service industry in 2010 issued by accredited press and associations. Mr. Li, as our chief executive officer, has over 20 years of experience with knowledge on futures, stock and financial advisory. Before joining us, Mr. Li served as assistant president of Ping An Bank Wuhan Branch, and credit approval division head of Shanghai Pudong Development Bank Wuhan Branch. Mr. Li has experience in bank operations and management as well as the development and marketing of financial products. Mr. Cai Hanming, as general manager of Rongzhong PRC since its incorporation, has served as division head of Credit Management Division of Bank of China Hubei Branch. He has extensive experience in project development, risk identification and management. Mr. Yao Feng, our chief risk officer, has about 20 years of experience in manufacturing, trading and financial industries. Mr. Yao is skilled in administrative management, internal control and risk management matters. In addition, other members in our senior management team also have many years of working experience in the finance industry. With eight years of experience running our business, our management, business teams and risk management team have gained extensive experience in debt collection and enhanced ability in dealing with various types of assets of diminished quality to ensure the quality of our finance lease receivable portfolio.

**We have operated our business under the guidance of strong corporate shareholders who have helped us establish high corporate governance standards.**

Our shareholders include Goldbond, a HK listed investment holding company and Hony Capital, a leading private equity firm in China. As the SME finance leasing is subject to less formal regulation in China, these shareholders have continually maintained the importance of establishing a strong set of corporate governance standards. We have relied upon the guidance of our controlling shareholders to follow conservative but steady growth strategies which has been key to our continued development.

### OUR STRATEGIES

#### **Continue to enhance our risk management capabilities.**

We will continue to improve our risk management capabilities. We also intend to proactively streamline our procedures to enhance our client selection process, credit assessment and approval procedures. In particular, we will put more attention on the early stages of and implement effective criteria for client selection. In addition, we intend to upgrade our information technology systems, to more closely monitor each of our client's general health and business developments. We also intend to enhance our risk conversion capabilities to deal with illiquid assets and defaulted loans. Finally, we will continue to expand our professional risk management team in order to effectively manage the risk associated with our expanded business operations.

#### **Strengthen our status as the leading finance leasing company in Hubei Province.**

We aim to strengthen our status as the leading finance leasing company in Hubei Province. We intend to continue our growth and expand our financial services significantly in the next several years. We will secure funding from the public market and our lenders and continue to focus on working with SMEs in Hubei Province. We also have plans to selectively expand our business into other cities in China with dynamics similar to Hubei Province.

#### **Expanding our client base in industries with growth potential.**

Historically, our clients have been engaged in many different industries. Over the years, we have developed more knowledge and experience in laser processing, plastics, industrial processing, textile and garments and hotel and leisure. Under the current economic and political environment, we believe the transportation (cars and aircraft), medical device and education device industries have growth potential and we have been actively taking steps to enter into these industries. Therefore, while we will not turn down any attractive opportunities, we will focus more on SMEs engaged in the above mentioned industries. In addition, we plan to expand our existing client base through providing services to established upstream and downstream business partners of our existing clients, such as their downstream and upstream companies. We also actively seek cooperation opportunities with equipment manufacturers and government supported industrial parks to reach to more potential clients.

#### **Continue to provide innovative finance leasing products and services.**

Innovation is always the driving factor behind our success. We intend to continue providing innovative finance leasing products to our customers, based on our unique knowledge of their specific needs and our close cooperation relationships with our lenders, equipment manufacturers and government regulators. We also closely monitor government policies and regulations on the finance leasing sector. As long as there is room for innovation/tailoring, we try to be the first to provide such products to our customers.



## BUSINESS

### BUSINESS OPERATIONS

We operate in Hubei Province through our headquarters in Wuhan. We primarily offer finance leasing and other value-added services. Our value-added services are offered to our finance leasing customers.

#### Finance Leasing

We categorize our finance leasing operations into two types: (i) sale-leaseback and (ii) direct finance leasing.

Revenue	2013		As at March 31,				As at July 31,			
	HK\$	%	2014	2015	2014	2015	2014	2015	2014	2015
			HK\$	%	HK\$	%	HK\$	%	HK\$	%
Sale-leaseback	133,642,324	73.5	191,921,062	87.1	209,886,380	92.5	64,409,581	90.8	77,271,131	95.1
Direct Finance										
Leasing	47,584,896	26.2	28,455,256	12.9	17,056,513	7.5	6,505,852	9.2	3,957,394	4.9 <sup>(2)</sup>
Others <sup>(1)</sup>	590,301	0.3	-	-	-	-	-	-	-	-
Total	<u>181,817,521</u>	<u>100</u>	<u>220,376,318</u>	<u>100</u>	<u>226,942,893</u>	<u>100</u>	<u>70,915,433</u>	<u>100</u>	<u>81,228,525</u>	<u>100</u>

*Notes:*

- (1) Other revenue was referral fee earned by referring our customers to banks for bank financing and/or other bank services in 2013. We ceased to refer customers to banks in 2014 and 2015 due to the tightening lending policy in granting loans to new customers during an economic slowdown in China. We do not expect to have such revenue in the future.
- (2) The decrease of the percentage of direct leasing in our total finance leasing operations is because during the prolonged economic downturn in China, many of our customers have decided not to purchase any new equipments from the manufacturers.

#### **Sale-leaseback**

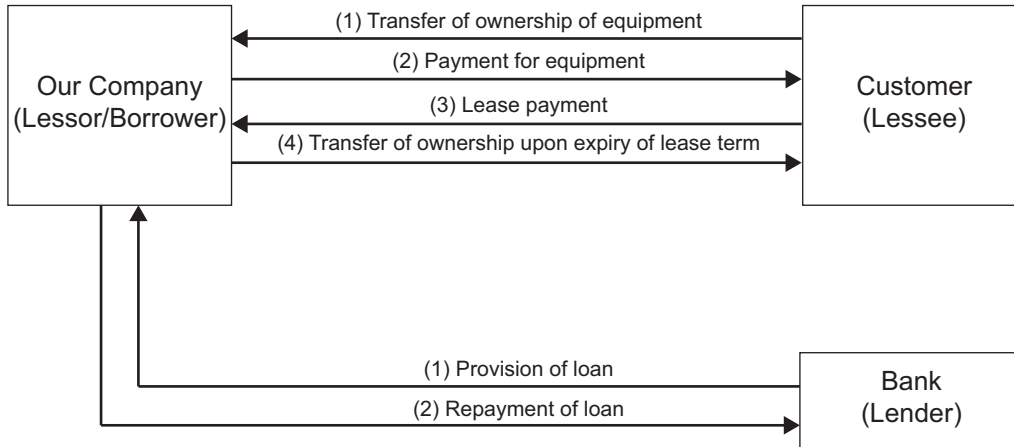
In a sale-leaseback, the lessee sells the existing assets to the lessor, and the lessor then leases the assets back to the lessee for its use. Usually in three years, or in some cases on longer terms, the lessee repays the purchase amount of the assets, interests and other fees to the lessor. At the end of the lease term, the ownership of the assets will be transferred to the lessee. In the whole process, the lessee remains in possession of the underlying assets. Sale-leaseback is primarily used by our customers who need working capital.

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## BUSINESS

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A typical sale-leaseback usually involves two parties, namely lessor and lessee. The relationship between the two parties is illustrated in the following diagram. We fund our sale-leaseback transaction primarily through bank borrowings.



### ***Direct Finance Leasing***

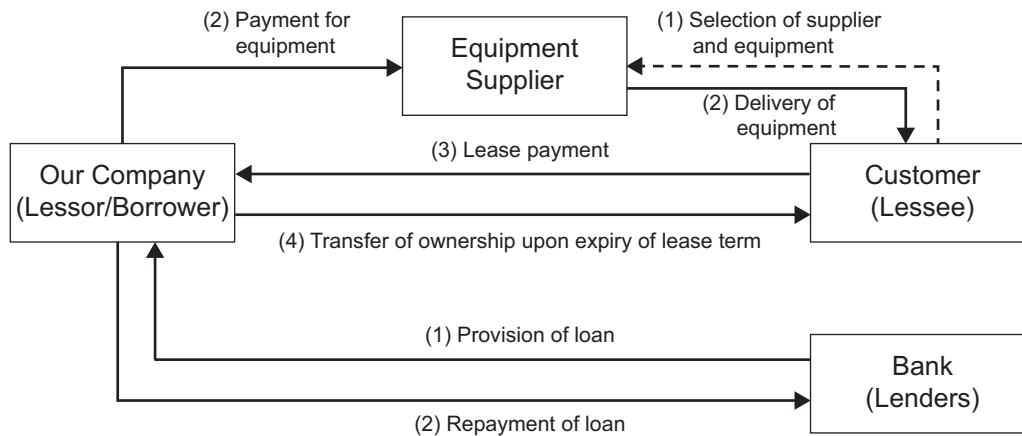
In direct finance leasing, we as the lessor, will purchase the assets under the lease agreement from the seller, pursuant to the instructions given by the lessee. The assets will be provided for the lessee's use. Usually in three years, or in some cases on longer terms, the lessee repays the purchase amount of the assets, interest and other fees to the lessor. At the end of the lease term, the ownership of the assets will be transferred to the lessee. Direct finance leasing is mainly used when our customers commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment.

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## BUSINESS

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A typical direct finance lease usually involves three parties, namely lessor, lessee and equipment suppliers. The relationship among the three parties are illustrated in the following diagram. We fund our finance leases primarily through bank borrowings.



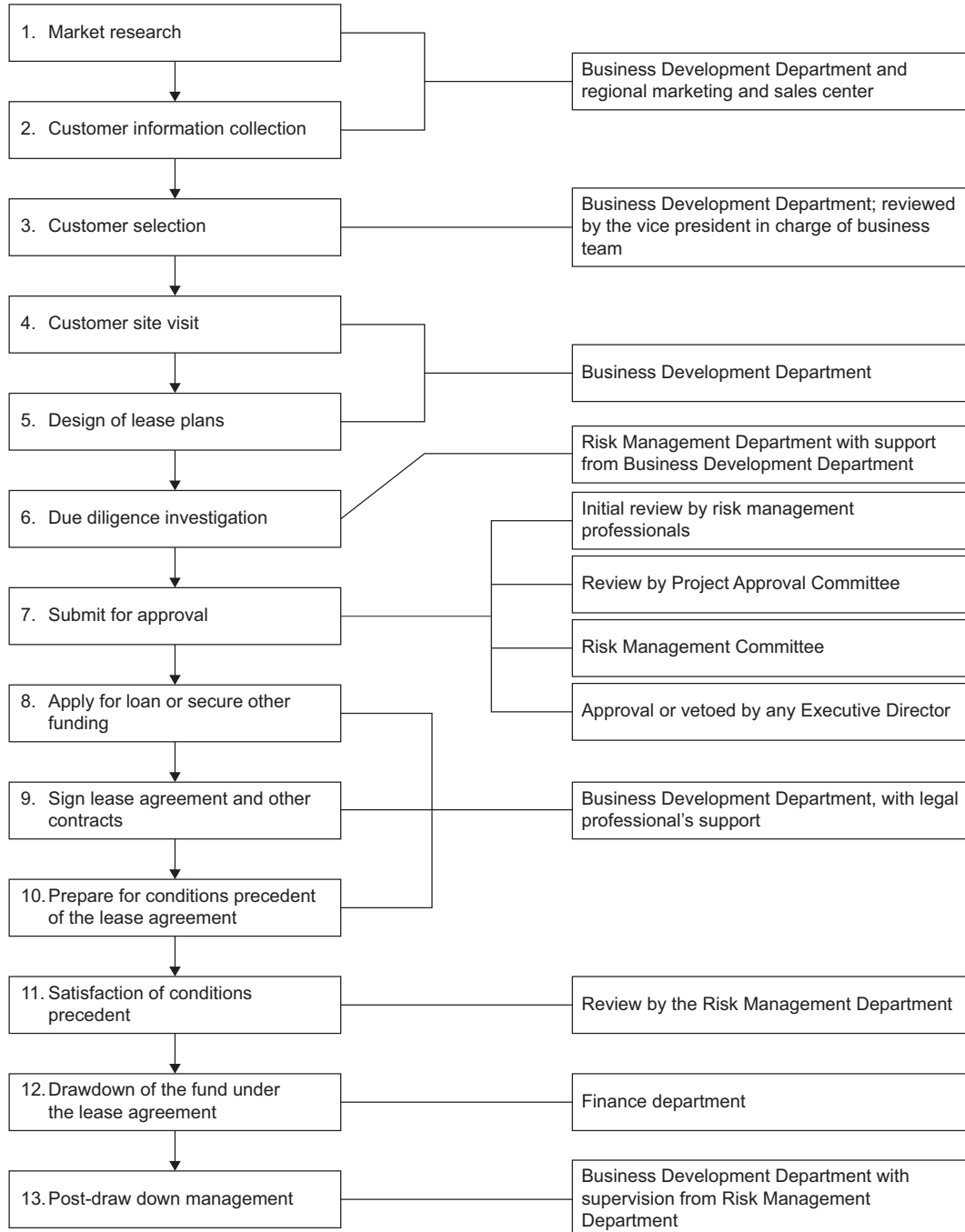
During the Track Record Period, the terms of our finance leases were generally two to three years.

We also work with equipment manufacturers in conducting direct finance leasing. Usually we (as the lessor) will enter into a commercial arrangement with customers (as the lessee) where the lessor purchases the leased asset from the equipment manufacturers (as the seller) according to the instructions of the lessee, and then leases it to the lessee in return for rental fees. At the end of the lease term, the ownership of the assets will be transferred to the lessee. In this model, the lessee in need of finance is a potential customer of the equipment manufacturers, and by providing finance leasing services, we are able to share the customers sourced from the equipment manufacturers. In return, the equipment manufacturers will typically provide us a guarantee for the performance of the customers under the leases.

# BUSINESS

## Operational Workflow

We have designed a systematic operational workflow applied to each of our finance leases. Under this workflow, various risk control measures and procedures are consistently applied to every lease, involving the active participation of our different departments. The chart below sets out the process workflow of our finance leasing business operations. See “Risk Management and Operation – Credit Risk Management and Operation”.



**Lease Agreement Key Terms Summary**

We have standard template for finance leases. We summarize the key terms of our finance leases below.

- *term*: usually two to three years;
- *equipment under lease*: lessee's operational equipment; detailed equipment list is listed as appendix in our finance lease;
- *title/ownership of equipment under lease*: title/ownership of equipment under lease will be transferred from lessee to lessor upon the commencement of the finance lease;
- *equipment delivery, inspection and valuation*: under direct finance leasing, the equipment will be delivered to the lessee; under sale-leaseback, the assets will remain in lessee's possession; we will inspect the equipment and ascertain valuation;
- *insurance*: full insurance coverage on assets under lease; insurance cost by the lessee;
- *interest, fees and payment schedule*: usually a floating rate above the PBOC benchmark interest rate with adjustment mechanism; payment of interest is usually monthly or quarterly; repayment of principal is usually the quarterly; deposit is required and advisory fees are collected based on the size of the lease; detailed repayment schedule is listed as appendix in our finance lease;
- *default provision*: If lessee fails to make two successive instalment repayments or fails to perform its obligation specified in the contract, we shall have the right to demand prompt payment in full or in part of the leases receivable;
- *dispute resolution*: through negotiation or litigation in a court with jurisdiction at lessor's domicile; and
- *termination*: after full settlement of all interest and principal payables or compensation settled.

## BUSINESS

### Leased Assets and Collateral

In most cases, we try to keep the net funding we provide to our customers below 80% of the net value of the assets under the finance lease agreements. In general, the industry practice is to have the title of the leased assets transferred to the lessor to secure the finance lease. We have also adopted such practice and during the Track Record Period, we obtained legal title to all the assets under our finance lease agreements and according to the terms of such agreements, we have the right to immediately and unilaterally dispose such assets if any customer defaulted on the related finance lease in accordance with such finance lease agreements. Moreover, in order to better manage our credit risk, we also require lessees (and related parties) to provide additional collateral. The additional collateral include: (i) joint and several guarantees from the finance leasing customer's legal representative, major shareholders, related-party companies and third party companies; (ii) machinery equipment and commercial and residential properties; and (iii) pledge of shares from the finance leasing customer's company, its parent and subsidiary companies and its related and associated companies. For customers whose ability to repay has been seriously affected by internal or external factors, and such factors are likely to last in the long term, we will usually request the customer to: (i) add guarantees from third parties with sufficient resources and ability to repay the principal and interest under the finance leasing agreement; and (ii) add more collateral. For details of our range of coverage ratio and types and value of additional collateral during the Track Record Period, please see tables below.

**Table 1a Coverage ratio range for newly signed leases**

	Year ended March 31,			Four months
	2013	2014	2015	ended July 31, 2015
Type of leased asset				
<i>Equipment and machinery (RMB million)</i>	0.52 – 250.26	1.20 – 38.80	0.63 – 108.96	7.15 – 121.21
<i>Transportation assets (RMB million)</i>	72.32	41.4	52.82	N/A
<i>Ship-building assets (RMB million)</i>	N/A	N/A	101.99	N/A
Range of finance lease receivable netting off deposit (RMB million)	0.47 – 130.00	1.08 – 30.00	0.57 – 100.00	5.00 – 70.00
Range of coverage ratio of individual lease <sup>(1)</sup>	1.03 – 4.81	1.11 – 5.24	1.09 – 2.93	0.36 <sup>(2)</sup> – 1.96
Aggregate total coverage ratio <sup>(1)</sup>	1.79	1.60	1.45	1.60
Range of coverage ratio including additional collateral obtained at the beginning of the leases	1.03 – 4.81	1.11 – 5.24	1.09 – 4.60	0.36 <sup>(2)</sup> – 3.67
Aggregate total coverage ratio including additional collateral obtained at the beginning of the leases	1.81	1.60	1.71	2.17

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*Notes:*

- (1) The coverage ratio is calculated as leased asset value at the beginning of the lease (book value) divided by the finance lease receivable (netting off deposit). The aggregate total coverage ratio is calculated as total leased asset value at the beginning of the lease (book value) divided by the finance lease receivable (netting off deposit). Collateral added subsequent to initial finance lease date has not been included when calculating coverage ratio in this table. In general the minimum coverage ratio by leased assets over any single finance lease receivable will not be lower than 1. We will usually ask our customers to provide different types of additional collateral as discussed in Table 2 below in order to better manage its credit risk.
- (2) This customer is in bankruptcy proceedings. Its outstanding finance lease receivable is approximately RMB20.5 million. The value of assets under this customer's lease is approximately RMB7.15 million, according to the latest valuation report, which is substantially less than its book value. Therefore, we obtained additional guarantee from an independent third party guarantee company in the amount of approximately RMB20 million. Apart from this customer, our coverage ratio of individual lease and coverage ratio including additional collateral as at July 31, 2015 is 1.5-1.96 and 1.5-3.67, respectively.

**Table 1b Coverage ratio range for outstanding finance lease receivable as at year/period end**

	2013	As at March 31, 2014	2015	As at July 31, 2015
Type of leased asset				
<i>Equipment and machinery (RMB million)<sup>(6)</sup></i>	0.49 – 205.26	0.60 – 225.79	0.60 – 178.87	0.57 – 174.47
<i>Transportation assets (RMB million)</i>	14.03 – 67.40	11.39 – 60.53	10.91 – 53.66	9.35 – 50.20
<i>Ship-building assets (RMB million)</i>	–	–	99.00	90.78
Range of finance lease receivable (netting off deposit) (RMB million) <sup>(1)</sup>	0.01 – 130.97	0.01 – 130.97	0.05 – 134.87	0.01 – 134.69
Range of coverage ratio of individual lease <sup>(2)</sup>	1.08 – 188.98	1.01 – 1,016.16 <sup>(3)</sup>	0.90 <sup>(4)</sup> – 37.75	0.36 <sup>(5)</sup> – 152.39
Aggregate total coverage ratio <sup>(2)</sup>	2.15	2.26	1.80	1.76
Range of coverage ratio including additional collateral	1.08 – 188.98	1.01 – 1,016.16	0.90 – 37.75	0.36 <sup>(7)</sup> – 152.39
Aggregate total coverage ratio including additional collateral <sup>(2)</sup>	2.17	2.28	2.11	2.79

*Notes:*

- (1) Some of the coverage ratios are negative since the outstanding finance lease receivable is less than the relevant deposit. We did not present such negative ratio in this table because in such cases the outstanding finance lease receivable are fully covered.
- (2) Coverage ratio is calculated as leased asset value divided by the outstanding finance lease receivable (netting off deposit). Aggregate total coverage ratio calculated as total leased asset value divided by the outstanding finance lease receivable (netting off deposit).

## BUSINESS

- (3) The finance lease receivable under this lease contract have almost been fully repaid and the outstanding amount is small. The value of the underlying leased assets does not decrease significantly. Therefore, its coverage ratio is very high.
- (4) There are five leases for the year ended March 31, 2015 for which the coverage ratios are between 0.9 and 1, of which three of them are above 0.97. Since four of the five leases are overdue for over 180 days, the third party asset appraisers that engaged by us or appointed by the court may take a conservative attitude in evaluating the underlying leased assets. We have obtained additional collateral from each of the five customers subsequently, including both tangible collateral such as additional assets and intangible collateral such as guarantee from third party independent guarantee company, with which our coverage ratios for the five leases are above 1.
- (5) This is the same customer as disclosed in note 2 in Table 1a. Apart from this customer, there are also four leases for the four months ended July 31, 2015 for which the coverage ratios are below 1. These four leases overlap with the five leases discussed in note 4. We have obtained additional collateral from each of them, with which our coverage ratios for the four leases are above 1.
- (6) For most of our finance lease receivable that are overdue more than 180 days, the value of the underlying leased assets is based on evaluations made by third party asset appraisers. For the rest of our finance lease receivable, the value of the underlying leased assets is made by our qualified assets appraiser. The third party independent appraisers and our own appraiser use similar approaches in evaluating the assets of the leased assets. For equipment and machinery assets, they usually use purchase price approach and for other operating assets such as business buildings, they usually use market value approach. However, the third party asset appraisers tend to use a more conservative attitude in evaluating the value of underlying assets for finance leases that are currently involved in legal proceedings.
- (7) If additional collateral are taken into calculation, there are only two leases whose coverage ratio is below 1 as at July 31, 2015. One is 0.36, which has sufficient coverage from a guarantee provided by a third party guarantee company. See Note 2 in Table 1a above. Another is 0.86 in the record but the actual coverage ratio is also above 1. This is because the relevant customer has two leases with us and has provided one package of sufficient additional collateral to fully cover the outstanding receivables under both leases. However, we could only apply such additional collateral to one of the two leases instead of splitting them in proportion to the two leases. Therefore, the coverage ratio for this lease is low. If taken the two leases for the same customer as a whole, their aggregate coverage ratio will be above 1.

**Table 2a Types of additional collateral for newly signed leases<sup>(1)</sup>**

	For the year ended March 31,			For the four months ended July 31,
	2013	2014 (RMB)	2015	2015
<b>Machinery and equipment</b>	16,376,263	n/a	n/a	n/a
<b>Commercial and residential property</b>	n/a	n/a	3,080,000	n/a
<b>Transportation assets</b>	n/a	n/a	110,059,200	80,000,000
<b>Total</b>	<u>16,376,263</u>	<u>n/a</u>	<u>113,139,200</u>	<u>80,000,000</u>

*Note:*

- (1) Additional collateral in Table 2a are collateral provided by our customers at the beginning of new finance lease agreements and only includes tangible assets. The value of pledged shares of our customers' companies and/or their related party companies are not included.



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**Table 2b Additional collateral obtained as at year/period end<sup>(1)</sup>**

	2013	As at March 31, 2014 (RMB)	2015	As at July 31, 2015
<b>Obtained in ordinary course of business</b>				
– Machinery and equipment	21,304,009	21,304,009	70,403,009	62,538,000
– Commercial and residential property	–	–	27,080,000	27,080,000
– Transportation assets	–	–	110,059,200	190,059,200
– Commercial acceptable bill	–	–	60,000,000	60,000,000
– Trade receivables	–	–	39,050,000	39,050,000
<b>sub-total</b>	<u>21,304,009</u>	<u>21,304,009</u>	<u>306,592,209</u>	<u>378,727,200</u>
<b>Obtained in legal proceedings</b>				
– Commercial and residential property	–	–	46,329,775	108,351,175
– Transportation assets	–	–	935,600	935,600
– Land use right	–	–	14,700,725	640,926,525
<b>sub-total<sup>(2)</sup></b>	<u>–</u>	<u>–</u>	<u>61,966,100</u>	<u>750,213,300</u>
<b>Total</b>	<u><u>21,304,009</u></u>	<u><u>21,304,009</u></u>	<u><u>368,558,309</u></u>	<u><u>1,128,940,500</u></u>

*Notes:*

- (1) This table includes additional collateral obtained from legal proceedings that have been settled as at each year/period end. Usually, the asset appraisers will use purchase price model in evaluating machinery, equipment and transportation assets and market price model in evaluating commercial and residential property and land use rights.
- (2) The value of additional collateral obtained from legal proceedings increased from RMB62.0 million (HK\$78.4 million) as at March 31, 2015 to RMB750.2 million (HK\$949.6 million) as at July 31, 2015. This significantly increase from March 31, 2015 to July 31, 2015 was primarily due to the increase of the additional collateral of land use right from RMB14.7 million (HK\$18.6 million) to RMB640.9 million (HK\$811.3 million). In particular, we have obtained additional collateral in the type of land use rights from 8 of the 17 pending legal proceedings, in which RMB616.4 million (HK\$780.2 million) was obtained from one customer. Our net exposure (netting off deposit) of finance lease receivable for this customer is RMB117.9 million (HK\$143.7 million) and our claim amount against this customer is RMB143 million (HK\$174.4 million). See “Business – Legal Proceedings – Lawsuits against our customers”. The value of additional collateral we obtained from this customer substantially exceeded our net exposure because in this way we will be well secured for the outstanding receivable under this lease and will have a strong bargaining power in negotiating settlement plans with this customer.

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## BUSINESS

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**Table 3 Number of leases secured by share pledge and/or guarantees from customers and their related parties**

For the year ended March 31,	Total number of transactions in the period (a) <sup>(1)</sup>	No. of case secured by share pledge and/or guarantees from the customers and their related parties (b)	Coverage ratio (b)/(a)
2013	155	151	97%
2014	138	135	98%
2015	123	123	100%
For the four months ended July 31, 2015	106	106	100%

*Note:*

(1) The numbers in the table above reflect multiple transactions with the same customer.

### **Advisory Services**

We provide advisory services (as a value added service) in conjunction with our finance leases. From our experience in arranging finance leases for our customers, we learned that our existing and prospective finance leasing customers usually need assistance or advisory services in relation to their financing options, cash management and operation of the leased assets. Therefore, we have developed advisory services for our existing and prospective leasing customers. Our advisory services are customized based on the specific needs and requirements of customers. We constantly and closely interact with our customers to determine the appropriate service content and scope to provide optimal solutions with a focus on how our services may add value to their business operations. We believe that our advisory services, which focuses on the customer experience and the customer's individual needs, are unique from our peers/competitors. Our comprehensive industry expertise accumulated during our provision of finance leases, advanced financial analysis and risk management capabilities, and our in depth understanding of customers' specific needs have enabled us to provide our customers with professional and customized advisory services, which has contributed to our revenue during the Track Record Period.

Although the advisory services are normally provided in conjunction with the provision of our leasing services to the same customer, the level of advisory services required by customers differ in accordance with their specific needs and sophistication, and hence the service component varies from customer to customer and are specifically agreed with each customer.

**PRICING POLICY**

Our leasing and advisory services include two types of income, namely interest income and fee income. Interest income consists entirely of income from finance leasing while fee income relates to income primarily from our value-added advisory services and management services accompanying our finance leasing business. From an accounting standpoint, both interest income and fee income are combined in our financial statements as our advisory services are not separated from our provision of finance leasing.

Our lease contracts are generally priced at a floating interest rate, which fluctuates at a preset margin above the PBOC benchmark interest rates, thereby allowing us to transfer a portion of the impact of interest rate fluctuations to our customers. The preset margin is a commercial term in the lease contract which we negotiate on a case-by-case basis with the individual customer based on its asset quality, financial condition and industry. Based on this floating mechanism, the interest rates we charge our customers for most of our lease contracts can be adjusted with the fluctuation of the PBOC benchmark interest rate. For these reasons, the interest rates that we charge on our lease contracts vary depending on our commercial arrangements with the individual customer, and we generally do not set a defined range for interest rates charged to our leasing customers. Our business is affected by interest rates, including both the interest rates charged to our finance leasing customers and the rate of interest we pay on our bank borrowings. An increase in interest rates could adversely affect our ability to obtain bank borrowings at favorable terms, our ability to maximize our interest income and our ability to originate new leases while a decrease of interests rate may results in the decrease of our net interest margin and net interest spread. We always try to match the interest rates charged to our customers and those we pay on our bank borrowings. We usually achieve this goal by negotiating with our customers on management fees and advisory fees we charged in providing finance lease services and relevant advisory services. Such management fees and advisory fees will be negotiated before we enter into any finance lease agreement with the customers on a case-by-case basis and will not vary according to the changes of the interest rates we pay on our bank borrowings. To mitigate any risk from the mismatch on interest rates, we try our best endeavour to use the floating mechanism described above to transfer the risk and try to obtain additional funding to ensure adequate liquidity. As advised by the Directors, the recent decrease of interest rates in the PRC may not have any material impact on the demand of our finance leasing services from our customers since most of our customers may not be able to obtain additional fundings from banks or get finance from other sources.

We use the same pricing policy for all of our customers . We seek to optimize our internal rate of return taking into consideration our customer's background, our cost of finance and our negotiating leverage. We have produced discounts to our customers in the laser industry as they are of good reputation, have strong cash flows and the equipment manufacturers are willing to provide performance guarantees. Other than this, we do not have any special pricing policies for any customer. As a result, our profit margins do not vary significantly for transactions under the sale-leaseback and the direct leasing models.

## BUSINESS

The fees that we charge for the provision of our advisory services and for the management of the finance lease transactions vary, according to the actual services provided to individual customers in the respective target industries and are agreed with each customer on a case-by-case basis. Our fees are determined primarily based on: (i) the nature of our advisory and management services; (ii) the importance of the advisory and management services to the customer; (iii) our relationship with the customer; and (iv) the importance of the customer to our overall business. Therefore, we do not have a fixed fee rate for charging our customers in relation to advisory and management services. As at the Latest Practicable Date, there are no PRC rules regulating such fee rates (including fee caps). During the Track Record Period, our advisory fees were usually in the range of 2% to 5% of the total amount of the relevant finance lease.

Currently there are no regulatory restrictions relating to the maximum or minimum interest rates or service fees charged by us to our customers under the relevant PRC laws and regulations. As advised by our PRC legal advisor, our practice of adjusting the interest rates that we charge our customers with reference to PBOC benchmark interest rates and individualized services fees has complied with the relevant PRC laws and regulations as at the Latest Practicable Date.

### CUSTOMER INDUSTRY ANALYSIS

The following table sets forth the contribution of each industry category to our total revenue (before sales related taxes) for the years indicated:

	Year ended March 31,						Four months ended July 31,			
	2013		2014		2015		2014		2015	
	HK\$	%	HK\$	%	HK\$	%	<i>(unaudited)</i>			
	HK\$	%	HK\$	%	HK\$	%	HK\$	%	HK\$	%
Laser processing <sup>(1)</sup>	26,921,168	14.1	13,248,752	5.6	9,367,648	3.9	2,844,065	3.8	2,445,966	2.7
Plastics <sup>(2)</sup>	17,894,745	9.4	32,587,376	13.8	24,894,785	10.3	9,169,226	12.1	8,438,158	9.2
Industrial processing <sup>(3)</sup>	49,994,169	26.2	91,571,288	38.8	99,793,066	41.5	31,174,503	41.3	39,898,320	43.7
Textile and garment <sup>(4)</sup>	18,377,304	9.6	18,501,670	7.8	10,567,911	4.4	4,684,166	6.2	2,567,502	2.8
Hotel and leisure <sup>(5)</sup>	41,932,224	22.0	42,444,132	18.0	62,843,074	26.1	16,102,574	21.3	24,542,698	26.8
Others <sup>(6)</sup>	35,527,985	18.7	37,829,389	16.0	33,226,509	13.8	11,541,907	15.3	13,439,157	14.8
<b>Sub-total</b>	<u>190,647,595</u>	100.0	<u>236,182,607</u>	100.0	<u>240,692,993</u>	100.0	<u>75,516,441</u>	100.0	<u>91,331,801</u>	100.0
Sales related taxes	<u>(8,830,074)</u>		<u>(15,806,289)</u>		<u>(13,750,100)</u>		<u>(4,601,008)</u>		<u>(10,103,276)</u>	
Revenue after sales related tax	<u>181,817,521</u>		<u>220,376,318</u>		<u>226,942,893</u>		<u>70,915,433</u>		<u>81,228,525</u>	

*Notes:*

Main type of assets

(1) Computer controlled laser cutting and production equipment.

(2) Plastic good production equipment.

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## BUSINESS

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- (3) Industrial processing equipment.
- (4) Textile and garment production equipment.
- (5) Hotel operation equipment (e.g. central air-conditioning, elevators, video-conference devices, electricity generators, water supply and lighting systems).
- (6) Manufacturing and production equipment for machinery, electricity power, auto parts and agricultural production.

For a discussion of trends during the Track Record Period, See “Financial Information – Description of Line Items in the Combined Income Statement – Revenue”.

### **Laser processing**

The laser processing industry was our first target industry. We have developed strong industry expertise in the laser-processing industry and are able to customize our services and enhance our sales and marketing capabilities primarily through the following:

- (i) the establishment of our business network in close proximity to our customers’ operations throughout Hubei Province;
- (ii) the maintenance of close and regular contact with our customers to create platforms for market information exchange among industry players; and
- (iii) leveraging our established relationships with laser processing industry equipment manufacturers in order to source suitable equipment to better serve our customers and enhance our competitiveness.

For our laser processing leasing customers, we provide both direct finance leasing and sale-leaseback services. Direct finance leasing is used to finance the purchase of new laser processing equipment and sale-leasebacks are more frequently adopted by our customers to satisfy their operational financing needs. We provide both finance leasing and financial advisory services to our customers in the laser processing industry.

### **Plastics**

In the Yangtze River economic zone there are a cluster of companies in the petroleum and chemical industry. Plastics is considered as a downstream business in the petroleum and chemical industry. We started to provide our finance leasing services to the plastics industry in 2009, and it remains one of our significant target industries.

Our services to customers in the plastics industry include (i) finance leasing services, including direct finance lease and sale-leaseback, depending on the customer’s actual needs; (ii) financial advisory services, including financial advice on working capital management and cash flow management, as the customer’s actual financial condition requires.

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### **Industrial Processing**

We started to provide our finance leasing services to the industrial processing industry in 2008, and it was our largest target industry during the Track Period Record amounting to 41.5% and 43.7% of our total revenue for the year ended March 31, 2015 and the four months ended July 31, 2015, respectively. We provide industrial processing equipment leasing services for various manufacturing companies in Hubei Province, including shipbuilding, auto parts, aluminum products and heavy machinery.

We provide customers in the industrial processing industry with financial advisory services, such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and operational status as well as finance policy training for education institutions.

We provide the following advisory services to our customers in the machinery industry: (i) management consulting, such as assisting customers in negotiations with their suppliers; (ii) market information exchange and policy trends analysis; (iii) industry competition analysis based on our accumulated industry expertise and market information; and (iv) financial consulting services, such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and operational status.

### **Textile and Garment**

We started to provide our finance leasing services to the textile and garment industry in 2008. We provide diversified services to our textile and garment customers, which mainly include finance leasing services and value-added advisory services.

We provide our textile and garment customers with financial advisory services, such as working capital and cash flow management consulting based on an analysis of the customer's financial statements and guidance to how to obtain finance.

### **Hotel and Leisure**

We have one customer engaged in the hotel industry and one customer engaged in the leisure industry. Our hotel industry customer is our largest customer by revenue contributing 22.0%, 18.0%, 18.4% and 17.5% of our total revenue as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. We commenced our relationship with our hotel industry customer in December 2011. Our leisure industry customer contributed 7.7% and 9.3% of our total revenue as at March 31, 2015 and July 31, 2015, respectively. We commenced our relationship with our leisure industry customer in June 2014. See "Risk Factors – Risks Relating to Our Business – Our high customer concentration may subject us to fluctuations or declines in revenue".

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### ASSET QUALITY

#### Asset Quality Classification

We measure and monitor the asset quality of our leases receivable portfolio by the length of time for which leases receivable have been overdue. As at March 31, 2013, 2014, 2015 and July 31, 2015, our overdue leases receivable are as follows:

Overdue Days	2013		As at March 31, 2014		2015		As at July 31, 2015	
	Amount (HK\$), except percentages	%	Amount (HK\$), except percentages	%	Amount (HK\$), except percentages	%	Amount (HK\$), except percentages	%
Normal Scrutiny								
– Less than one month	5,743	0.0	19,392,791	25.6	1,611,885	0.4	19,577,409	7.8
– More than one month but less than three months	164,197,531	100.0	40,498,835	53.5	198,956,740	51.8	26,625,397	10.6
Subtotal	164,203,274		59,891,626		200,568,625		46,202,806	
Increased Scrutiny								
– More than three months but less than one year	–	–	15,873,682	20.9	29,681,619	7.7	77,028,979	30.7
– More than one year	–	–	–	–	154,077,297	40.1	127,489,396	50.9
Subtotal	–		15,873,682		183,758,916		204,518,375	
Total	164,203,274	100.0	75,765,308	100.0	384,327,541	100.0	250,721,181	100.0
– Increased Scrutiny Assets ratio	nil		0.9%		9.5%		11.2%	

*Note:*

- (1) The substantial increase in our Increased Scrutiny Assets is mainly due to slowdown in economic growth of the PRC in 2013 and continued slowdown in economic growth in 2014. As at March 31, 2015, we have a total of Actual Overdue Receivable of HK\$384.3 million, comprising overdue finance lease receivable of HK\$219.6 million (which are not subject to individual impairment) and HK\$164.7 million (which are subject to individual impairment). As at November 30, 2015, HK\$253.3 million of the HK\$384.3 million has been recovered by us, representing an approximately 65.9% recovery rate.

As at July 31, 2015, we have a total of Actual Overdue Receivable of HK\$250.7 million, comprising overdue finance lease receivable of HK\$66.7 million (which are not subject to individual impairment) and HK\$184.0 million (which are subject to individual impairment). As at November 30, 2015, HK\$81.8 million of the HK\$250.7 million has been recovered by us, representing an approximately 32.6% recovery rate. See “Financial Information – Significant factors affecting our results of operations – Asset quality and provisioning policy”.

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We characterise all our finance leases that are overdue as scrutiny assets. There are two levels of scrutiny. Finance lease receivable that is overdue 90 days and less, we characterise as Normal Scrutiny Asset. Those finance leases that are overdue more than 90 days, we characterise as Increased Scrutiny Assets.

We monitor our scrutiny assets closely and dispose of the assets underlying a lease and record a write-off if we determine there is little likelihood of continued payment. Our Normal Scrutiny Assets were HK\$164.2 million, HK\$59.9 million, HK\$200.6 million and HK\$46.2 million as at March 31, 2013, 2014, 2015 and July 31, 2015. Our increased scrutiny assets ratios (which is defined as the percentage of Increased Scrutiny Assets to our finance lease receivable) were nil, 0.9%, 9.5% and 11.2% while our Increased Scrutiny Assets were nil, HK\$15.9 million, HK\$183.8 million and HK\$204.5 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. The increase of our increased scrutiny assets is primarily due to short term liquidity problems faced by some of our customers which were caused by the prolonged economic downturn and other factors. The further increase of our increased scrutiny ratio as at July 31, 2015 is also partly due to the decrease of our finance lease receivable during this period. The decrease of our finance lease receivable as at July 31, 2015 is principally as a result of our prudent and conservative strategy in selecting new customers commenced in 2014. In the months following our financial year end, we managed to recover a total of 65.9% of our Actual Overdue Receivable at financial year end, as at November 30, 2015. As at July 31, 2015, we have a total of Actual Overdue Receivable of HK\$250.7 million, comprising overdue finance lease receivable of HK\$66.7 million (which are not subject to individual impairment) and HK\$184.0 million (which are subject to individual impairment). As at November 30, 2015, HK\$81.8 million of the HK\$250.7 million has been recovered by us, representing an approximately 32.6% recovery rate. Please see below tables for the movement and recovery status of our scrutiny assets during the Track Record Period. For detailed discussion on the explanation of the Increased Scrutiny Assets and subsequent settlement, please see “Financial Information – Significant Factors Affecting Our Results of Operations – Asset quality and provisioning policy”.



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### Scrutiny Assets Movements

	As at March 31, 2013 HK\$	As at March 31, 2014 HK\$	As at March 31, 2015 HK\$	As at July 31, 2015 HK\$
<u>Normal Scrutiny</u>				
<u>Assets</u>				
At the opening of the year/period	–	164,203,274	59,891,626	200,568,625
Exchange adjustments	–	4,157,045	–	–
Transfer to Increased Scrutiny Assets	–	–	(33,585,136)	(14,288,466)
Transfer from Increased Scrutiny Assets	–	–	–	15,931,381
Newly incurred <sup>(1)</sup>	164,203,274	59,891,626	199,423,074	36,428,872
Recovered	–	(168,360,319)	(25,160,939)	(192,437,606)
	<u>164,203,274</u>	<u>59,891,626</u>	<u>200,568,625</u>	<u>46,202,806</u>
At the closing of the year/period	<u>164,203,274</u>	<u>59,891,626</u>	<u>200,568,625</u>	<u>46,202,806</u>
<u>Increased Scrutiny</u>				
<u>Assets</u>				
At the opening of the year/period	–	–	15,873,682	183,758,916
Transfer to Normal Scrutiny Assets <sup>(3)</sup>	–	–	–	(15,931,381)
Transfer from Normal Scrutiny Assets	–	–	33,585,136	14,288,466
Newly incurred	–	15,873,682	134,300,098	67,690,129
Recovered	–	–	–	(45,287,755)
	<u>–</u>	<u>15,873,682</u>	<u>183,758,916</u>	<u>204,518,375</u>
At the closing of the year/period	<u>–</u>	<u>15,873,682</u>	<u>183,758,916</u>	<u>204,518,375</u>
<b>Actual Overdue Receivable<sup>(2)</sup></b>	<b><u>164,203,274</u></b>	<b><u>75,765,308</u></b>	<b><u>384,327,541</u></b>	<b><u>250,721,181</u></b>

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	<b>As at March 31, 2013 HK\$</b>	<b>As at March 31, 2014 HK\$</b>	<b>As at March 31, 2015 HK\$</b>	<b>As at July 31, 2015 HK\$</b>
Actual Overdue Receivable subject to legal proceedings	–	–	118,506,439	87,942,026
Leased asset value of the finance leases subject to legal proceedings	–	–	234,724,370	394,458,888
Coverage ratio <sup>(5)</sup>	N/A	N/A	0.97-6.79	0.63-5.61
Additional collateral before legal proceedings	N/A	N/A	4,618,987	4,618,987
Additional collateral obtained in legal proceedings	N/A	N/A	78,438,101	943,894,937
Actual overdue receivable not subject to legal proceedings	164,203,274	75,765,308	265,821,102	162,779,155
Coverage ratio <sup>(5)</sup>	2.18-16.6	1.01-40.19	0.9-37.75	0.36-152.39
<b>Impairment provisions for finance lease receivable<sup>(4)</sup></b>	<b>–</b>	<b>20,935,766</b>	<b>35,603,241</b>	<b>38,006,803</b>

*Notes:*

- (1) Newly incurred, recovered and transfer to/from Increased/Normal Scrutiny Assets shown in this table represent the amount as at each year/period end.
- (2) Actual Overdue Receivable equal to the sum of Increased Scrutiny Assets and Normal Scrutiny Asset.
- (3) Increased Scrutiny Assets may be reclassified as Normal Scrutiny Assets if the customers partly paid the outstanding amount and the remaining outstanding amount is overdue 90 days or less.
- (4) We have not written off any finance lease receivable during the Track Record Period.
- (5) Coverage ratio is calculated as leased asset value divided by the outstanding finance lease receivable (netting off deposit). Additional collateral has not been included when calculating the coverage ratio.

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As shown in above table, during the Track Record Period there are certain leases with coverage ratios below 1. Most of these leases are all overdue for over 180 days and the customers are involved in legal proceedings with us currently. Therefore, the third party asset appraisers that engaged by us or appointed by the court may take a conservative attitude in evaluating the underlying leased assets. For most of these customers we have obtained additional collateral to increase our coverage ratio. The main types of additional collateral include bank deposit, real estate, machinery and equipment, industrial raw materials and end products, land use rights and mining rights. Some of the additional collateral may not be quantified and some have other more senior right holders. With these additional collateral, we are confident that we will be able to recover these outstanding leases receivable.

### Scrutiny assets recovery rate

The table below show the amount of our Actual Overdue Receivable at the end of a certain year/period and their recovery rates at the end of the subsequent years/periods during the Track Record Period (except for the last period which show recovery rates as at November 30, 2015). Recovery rates are calculated by dividing the amount of actual recovered amount of scrutiny assets during each year/period by the amount of the Actual Overdue Receivable at the opening of the year/period, thus, showing the recovery status of the scrutiny asset for at subsequent years/periods.

	Amount (HK\$)	As at March 31, 2014	As at March 31, 2015	As at July 31, 2015	As at November 30, 2015	Recovery rate
<b>Normal Scrutiny Assets</b>						
March 31, 2013	164,203,274	100%	N/A	N/A	N/A	N/A
March 31, 2014	59,891,626	N/A	36.2%	42.8%	42.8%	42.8%
March 31, 2015	200,568,625	N/A	N/A	48.8%	49.0%	49.0%
July 31, 2015	46,202,806	N/A	N/A	N/A	N/A	14.6%
<b>Increased Scrutiny Assets</b>						
March 31, 2013	N/A	N/A	N/A	N/A	N/A	N/A
March 31, 2014	15,873,682	N/A	0.0%	9.1%	9.1%	9.1%
March 31, 2015	183,758,916	N/A	N/A	16.0%	16.9%	16.9%
July 31, 2015	204,518,375	N/A	N/A	N/A	N/A	18.0%
<b>Actual Overdue Receivable</b>						
March 31, 2013	164,203,274	100.0%	N/A	N/A	N/A	N/A
March 31, 2014	75,765,308	N/A	36.2%	51.9%	51.9%	51.9%
March 31, 2015	384,327,541	N/A	N/A	64.8%	65.9%	65.9%
July 31, 2015	250,721,181	N/A	N/A	N/A	N/A	32.6%

Notes:

- (1) Actual Overdue Receivable equals to the sum of Normal Scrutiny Assets and Increased Scrutiny Assets.

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- (2) Recovery rate is calculated by Normal Scrutiny Assets/Increased Scrutiny Assets over the Actual Overdue Receivable.
- (3) In our overdue lease recovery experience, it is more efficient and practical if we can work out a new repayment plan with these overdue customers rather than simply disposing the seized assets or demanding immediate accelerated repayment. Therefore, based on our credit assessment and internal approval procedures, we may make extensions to some of the overdue customers. We also take into account factors such as our relationship with the relevant customer in the past, the business prospects of the relevant customer, its ability to continue servicing debts. In some cases, we may use legal proceedings to put pressure on them. These recovery methods may take longer time to be effective. However, we are confident that we will be able to recover substantially all of our Normal Scrutiny Assets and Increased Scrutiny Assets in the future.

### **Provisions for Leases Receivable**

We assess our leases receivable for impairment, determine a level of allowance for impairment losses, and recognize any related provisions made in a year. Our impairment provision on receivable amounted to nil, HK\$20.9 million, HK\$35.6 million and HK\$38.0 million representing nil, 1.2%, 1.8% and 2.1% of our net finance lease receivable as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. Provisions for receivables that have been our scrutiny assets are made based on our assessment of the recoverability of such assets. The identification of scrutiny assets requires our management's judgment and estimates. See "Financial Information – Significant Factors Affecting Our Results of Operations – Asset quality and provisioning policy".

Because our finance leasing operations is not regulated by the CBRC, we are not required to provide general provisions as the commercial banks and other financial institutions under the supervision of the CBRC generally are. Instead, our provisioning policies are based on relevant or applicable accounting standards and guidelines.

As we continued to expand the scale of our operations and also in the wake of the global financial crisis, we believed that we needed to take measures to better protect ourselves against systemic risk and move toward international standards and practices.

### **Continued Improvements in Asset Quality Classification**

There are no PRC laws, regulations or rules which require non-bank finance leasing companies to classify the asset quality of their leases receivable and we consider our available historic data are not sufficient for us to form a reliable model for our historical provision. However, we intend to voluntarily put in place a five-category asset quality classification system which is modeled after the statutory requirements relating to asset quality classification promulgated by the CBRC for finance leasing companies and other financial institutions subject to its regulation. Although we do not have sufficient historical data to support the calculations under the five-category classification system, we have already started to collect data required by the calculation method for provisions under the system. Once sufficient historical data is collected (expected by March 31, 2017), we will adopt such method for calculation our provisions. We cannot ascertain the potential financial impact of adopting this five-category classification system, however

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we do strongly believe this will improve our ability to monitor our asset portfolio which will have a significant benefit to our business. The proposed criteria for the five-category asset quality classification are as follows.

**Pass.** There is no reason to doubt that the loan principal and interest will not be paid by the lessee in full and/or on a timely basis. There is no reason whatsoever to suspect that the leases receivable will be impaired. If lease payments have always been repaid in full on a timely manner, the leases receivable under these leases should be classified as pass.

**Special Mention.** Even though the lessee has been able to pay the lease payments in a timely manner, there are still factors that could adversely affect its ability to pay, such as if lease payments have been overdue and the financial position of the lessee has worsened or its net cash flow has become negative. Under these circumstances, the lease payable period may be adjusted but there are no expected losses on leases receivable because the lessee still has ability and source of fund to repay the leases receivable in full. As long as payment overdue occurs, leases receivable for these leases should be classified as special mention or lower.

**Substandard.** The lessee's ability to pay is in obvious question as it is unable to make its payments in full with its operating revenues, and we are likely to incur losses notwithstanding the enforcement of any lease assets, guarantees or collateral underlying the lease agreement. We take into account other factors, for example, if lease payments have been overdue for over 90 days, then the leases receivable for these leases should be classified as substandard or lower.

**Doubtful.** The lessee's operations are partially or completely suspended, and its ability to pay is in absolute question as it is unable to make lease payments in full and/or on a timely basis with its operating revenues. Under these circumstance, we are likely to incur significant losses notwithstanding the enforcement of any lease assets, guarantees or collateral underlying these lease agreements. We take into account other factors, for example, if lease payments have been overdue for more than 180 days, the leases receivable for this lease shall be classified as doubtful or lower.

**Loss.** After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. We take into account other factors, for example, if lease payments have been overdue for more than two years, the leases receivable for these leases shall be classified as a loss.

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### CUSTOMERS

The table below sets forth the number of customers as at each of the dates indicated:

	As at March 31,			As at
	2013	2014	2015	July 31, 2015
Number of customers	<u>131</u>	<u>114</u>	<u>98</u>	<u>86</u>

Our main customer base consists of SMEs in Hubei Province with good financial conditions in those industries that are not prohibited or restricted by government policies. As at July 31, 2015, we had 86 customers across different industries. We have established comprehensive systems adopting certain criteria for our customer selection process, including three years of proven profits, a stable cash flow record and strong profitability potential, clean title of assets and collateral and previous loan records with banks.

Our top five customers contributed in 36.5%, 40.0%, 42.3% and 47.0% of our revenue for the year ended March 31, 2013, 2014, 2015 and for the four months ended July 31, 2015, respectively. As at the Latest Practicable Date, none of our Shareholders and Directors or any of their respective associates had any interest in any of our top five customers.

#### **Our largest customer**

##### ***Background***

Our largest customer by revenue for the three years ended March 31, 2015 and the four months ended July 31, 2015 is in the hotel and leisure industry. In March 2011, the ultimate controlling shareholder, a reputable businessman in the Hubei Province real estate industry acquired the 100% equity in this customer for RMB110 million. In the subsequent years, this shareholder planned to carry out renovation and upgrading projects that required substantial funding. Since this shareholder may not be able to obtain bank loans for these projects in a timely manner due to some title defects discussed in this section, this shareholder came to us for funding. With our funding, this customer became a hot spring themed, multi-function hospitality service provider occupying 5,000 acres of land in Hubei Province. Its primary business operations include a hotel and restaurant, hot spring theme park, facilities for business and commercial events. According to its latest unaudited financial statements, its total asset, revenue and net profit (net of finance cost) is approximately RMB239 million, RMB186 million and RMB4.6 million, as at December 31, 2014, respectively. As at the Latest Practicable Date, this customer still had financing needs for ongoing renovation and upgrading projects and for the purchase of equipment and may require our finance lease services in the future.

***Our lease relationship***

This customer has been our largest customer by revenue for each of the periods during the Track Record Period. It contributed 22.0%, 18.0%, 18.4% and 17.5% of our revenue for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015, respectively. We signed a three year master framework facility agreement with this customer on December 27, 2011. Under this master framework facility agreement, we agreed to provide a maximum aggregate amount of RMB100 million funding through finance leases for a period of three years, during which the customer can request multiple finance lease fundings from us on a revolving basis. Each of the drawdowns, or extensions, were subject to a separate agreement. The customer also agreed not to enter into finance leases with any other finance lease service provider during the same period. The first lease, which was signed on December 30, 2011, was in the total amount of RMB100 million in two tranches, of which RMB30 million was retained as deposit. The initial term of this lease, as proposed by the customer and agreed by us, was 9 months.

The leased assets comprised equipment assets and operation assets. Equipment assets included hotel operation equipment such as elevators, video and audio devices, electricity generating devices, water processing equipment, air-conditioners, televisions, refrigerators and washing machines (the "Equipment Assets"). Operation assets included 16 standard resort villas, four business class resort villas, three hotel buildings with apartment rooms and restaurants, and one conference room on the customer's premises (the "Operation Assets"). At the time of the original lease in 2011, the book value of the Equipment Assets and Operation Assets was approximately RMB41.8 million and approximately RMB131.4 million, amounting to 24.1% and 75.9% of the total book value of the leased assets, respectively. We understood that there were title defects on the Operation Assets that may limit their transferability to third party purchasers. As advised by our PRC counsel, we are of the view that despite the title defects, these Operation Assets had marketable value and we are entitled to exercise our rights to dispose of these Operation Assets according to the finance lease agreement without significant administrative burdens.

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Below is a breakdown of the types of assets and liquidity, together with their appraised value, as at 8 January 2015.

Type of Assets	Value (RMB)	Liquidity
<b>Operation Assets</b>		
Villas	13,622,635	Moderate
Operation buildings	87,162,068	Moderate
<b>Subtotal</b>	<u>100,784,703</u>	
<b>Equipment Assets</b>		
Electronic and office equipment <sup>(1)</sup>	17,502,322	High
Machinery and operating devices <sup>(2)</sup>	2,170,810	Moderate
Elevators	750,586	Moderate
<b>Subtotal</b>	<u>20,423,718</u>	
<b>Total:</b>	<u><u>121,208,421</u></u>	

*Notes:*

- (1) Electronic and office equipment mainly include air-conditions, computers, digital controlled phone switching system, washing and drying machines, refrigerators, video and audio devices, etc.
- (2) Machinery and operating devices mainly include coal boiler, generator sets, heat-exchange pump, other water and oil pump, wind machine, waste water drainage system, etc.

Both the Operation Assets and the Equipment Assets are essential for the business operation of this hotel and resorts. We believe that we may not have significant difficulty in selling these assets in the market. First, we believe the Operation Assets, which mainly include hotel rooms, conference rooms and office buildings, are essential to the function of this tourist site with hot spring natural resource. We believe there are third party buyers in the market who are interested in taking over and operating this tourist site. If so, these buyers will certainly be willing to purchase these Operation Assets. However, there is no guarantee that we can find readily buyers when we initiate the sale. Therefore, we consider that the liquidity of the Operation Assets is moderate.

Similarly, for the elevators and the machinery and operating devices, we can also sell them as a whole to the buyers who are willing to purchase the Operation Assets because the elevators and the machinery and operating devices, many of which are already integral parts of the hotel rooms and operation buildings, are also essential for the smooth operation of this tourist site. Therefore, we consider that the liquidity of the elevators and the machinery and operating devices is moderate.



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For the electronic and office equipment, these assets are not industry specific and we believe they are readily transferable. In addition to selling them as a whole to the buyers who are willing to purchase the Operation Assets, we can also have the option of selling them piece by piece in the market if necessary. Therefore, we believe the liquidity of the electronic and office equipment is high.

Based on the valuation as at January 8, 2015 appraised by a qualified appraiser in the PRC employed by the Company, the market value for the Equipment Assets was approximately RMB20.4 million and the market value of the Operation Assets was approximately RMB100.8 million. The total value of leased assets under this finance lease agreement will be approximately RMB121.2 million, representing approximately 173.1% coverage ratio of the underlying RMB70 million net finance lease receivable. In addition, we have the shares from a related company of this customer pledged to us whose net asset value is about RMB2.15 billion and the shareholder's personal guarantee as additional security. This additional collateral further mitigates our credit risk under our lease with our largest customer.

### ***Customer's performance***

Based on terms of the master framework facility agreement and our credit evaluation as detailed below, we granted this customer three extensions since the completion of its initial term in September 30, 2012, the first two times by two months each from September 30, 2012 to January 31, 2013, the third time by two years from January 31, 2013 to January 31, 2015. The duration for both these extensions were requested by the customer. Since January 31, 2015, at the request of this customer we further negotiated a new agreement with this customer and in the meantime granted a grace period to this customer by approximately four months from January 31, 2015 to May 12, 2015. The customer paid all principal and interest under the first lease and the three extensions in full by May 12, 2015. Below is the table with details for the first agreement, each of the extensions and the new agreement.

	Term <sup>(1)</sup>	Start Date	End Date	Interest-Full Payment Date	Principal-Full Payment Date	Interest Rate	Advisory and Management Fees <sup>(5)</sup>
First Agreement	9 months	December 30, 2011	September 30, 2012	September 29, 2012	N/A	9.84%	38.16%
First Extension	2 months	September 30, 2012	November 30, 2012	November 30, 2012	N/A	9.84%	38.16%
Second Extension	2 months	November 30, 2012	January 31, 2013	March 21, 2013	N/A	9.84%	38.16%
Third Extension	24 months	January 31, 2013	January 31, 2015	February 12, 2015	May 12, 2015	9.84%	38.16%
New Agreement <sup>(3)</sup>	12 months	May 13, 2015	May 12, 2016	N/A	N/A	18%	30%

**Notes:**

(1) The total lease amount is RMB100 million (including RMB30 million as deposit).

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- (2) The terms under the initial lease and the first and second extensions are not in full years because of this customer's specific requests out of its actual finance needs. Since they were made during the three year period set out in the master framework facility agreement, we agreed to such terms given that they were made based on our internal renew and approval procedures. In the new agreement signed on May 13, 2015, since the three year period set out in the master framework facility agreement has expired, we set the term for this new lease for one full year.
- (3) The signing date of the new agreement was March 12, 2015 and effective date was May 13, 2015.
- (4) The reason the average effective interest rate for our largest customer is higher than the other customers is primarily because we charged a higher interest rate, advisory fee and management fee for this customer. This higher effective interest rate is a negotiated result on fair commercial terms and is in compliance with relevant PRC laws and regulations. Our largest customer is willing to accept this effective interest rate because it understand the difficulties and burdensome in obtaining bank loans or small loan financing and has limited source to finance its hotel expansion projects. Also, we have devoted substantial resources in maintaining good business relationship through providing sound finance advisory and management services and assist this customer to meet its financing needs.
- (5) There is no restriction on the advisory and management fees for finance lease business under the relevant PRC laws and regulations.

This customer has serviced its payment obligations in accordance to the payment schedule from the beginning of the initial finance lease to the end of the third extension on January 30, 2015. During this period, it has made 37 interest payments and only one overdue payment was recorded for over one month. This overdue payment was in January 31, 2013 for about 50 days because it was at the end of a lease term and the customer was negotiating terms for the next extension with us. During the extension negotiation period, we typically will allow the customer to hold the payment until we reach an agreement on the terms of the extension. We will ask the customer to resume the payment of interest if the agreement has been reached, otherwise, we will ask the customer to pay all the interest and principal together. In this case, we managed to reach an agreement on the extension with this customer after negotiations in about two months and the customer started making interest payment again after the agreement has been reached.

### ***The new agreement on May 13, 2015***

On January 31, 2015, the third extension term ended and this customer started negotiating a new agreement with us. Since the three year master framework facility agreement we entered into with this customer on December 27, 2011 had expired, we negotiated with the customer to sign a new finance lease agreement. During our negotiations, this customer proposed two options that either we allow a four month grace period from January 2015 to May 2015 for the customer to make full payment of all outstanding interest and principal, or to make a full payment immediately but will not sign any new lease agreement with us. The reason that this customer was requesting a grace period is because at that time this customer was experiencing lower levels of liquidity when operating expenses were allocated close to the Chinese Lunar New Year. Considering the customer's good interest payment record, the satisfactory extension factors (see next paragraph for details) and our ongoing business relationship, we agreed to grant a four-month grace period as requested by this customer from January

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31, 2015 to May 2015 without signing any written extension agreement with this customer. We have recorded this lease as overdue during the grace period and as normal during the three extension terms. In return of the four-month grace period, this customer agreed to sign a new one year lease from May 13, 2015 to May 12, 2016 on substantially the same terms with us. We charged the same level of interest and fees during this four-month grace period as we did throughout the first and the three extended leases with this customer. All the principal and interest during the first and the three extended leases have been paid in full by May 12, 2015. The interest for the four month grace period has been paid in full by July 9, 2015.

### ***Our credit and risk management***

We have been willing to extend this customer's lease three times because in particular: (i) it is willing to deposit a significant percentage of finance lease proceeds as interest free deposit (RMB30 million out of RMB100 million); (ii) the valuation of its assets under lease is RMB173.2 million and RMB121.2 million, at the time of the original lease in 2011 and as at January 19, 2015, respectively, both substantially exceeded the amount of the net finance lease receivable (RMB70 million); (iii) its operating cash flow has been stable and strong; (iv) it has provided us with sufficient share pledge as security; (v) the net asset value of the related company whose shares have been pledged to us is about RMB2.15 billion, based on the related company's 2014 audited financial statements; (vi) its ultimate controlling shareholder, who is a reputable businessman in the real estate industry in Hubei Province has provided a personal guarantee; (vii) the overall financial strength, asset volume and business operations of the group owned by the above-mentioned ultimate controlling shareholder, based on thorough due diligent work; and (viii) the absolute magnitude of the finance lease. In determining whether or not to make any extension or grace period to this customer, our Business Development Department officers, senior management team and Chief Risk Management Officer held numerous discussions and reviewed supporting documents regarding the above mentioned factors, including but not limited to business and financial due diligence reports, the customer's payment slips and bank receipts, audited financial statements of the customer and the related company, the ultimate controlling shareholder's other business operation records and bank credit status. After reviewing these documents and conducting thorough discussions, our Project Approval Committee and Risk Management Committee voted separately to approve all three extensions, the grace period and the new agreement. Our Executive Directors also reviewed the case and supported the Risk Management Committee's decision without exercising their veto rights. In view of the significance of the principal involved, we have monitoring this customer's business and financial performance very closely and carefully, primarily including: (i) monthly review of the customer's management accounts; (ii) on-site visits and inspections of the customer's business operation at least once a month; (iii) frequent communications with the customer's management on any issues identified during the above reviews and inspections; (iv) bi-weekly discussion meeting organized by the Risk Management Department and attended by our senior management members; (v) following on the specific factors behind individual customer's extension request and

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report any determination or improvement of such factors; (vi) preparing informal briefings at least once a month and monitoring reports every half year on any issues or concerns that would reasonably lead to material negative impact on the customer's repayment abilities; and (vii) conducting senior management (including members of Risk Management Department) meetings in respect of such issues or concerns and making decisions on whether to take any additional enforcement measures.

### **Our second to fifth largest customers**

Our second largest customer by revenue for the year ended March 31, 2015 was engaged in the leisure industry. We signed our first lease with this customer on June 25, 2014. This customer had first overdue payment on January 25, 2015. We have filed lawsuits against this customer and made a claim of approximately HK\$174.4 million of the overdue finance lease receivable. This case was put to trial on October 16, 2015 and we are negotiating settlement with this customer after the trial. The value of the assets under this lease is approximately HK\$132.9 million. We have also obtained certain land use rights from this customer as additional collateral. As at the Latest Practicable Date, we have obtained a court order supporting all of our claims against this customer.

Our third largest customer by revenue for the year ended March 31, 2015 was engaged in the heavy metallurgical machinery manufacturing business. We signed our first lease with this customer commenced on July 13, 2012. For the years ended March 31, 2013 and 2014, this customer was our second largest customer by revenue.

Our fourth largest customer by revenue for the year ended March 31, 2015 was engaged in the mechanical equipment manufacturing industry. We signed our first lease with this customer on February 25, 2013. For the year ended March 31, 2014, this customer was also our fourth largest customer by revenue.

Our fifth largest customer by revenue for the year ended March 31, 2015 was engaged in the agricultural products industry. We signed our first lease with this customer on April 28, 2012. For the year ended March 31, 2014, this customer was also our fifth largest customer by revenue.

Apart from our largest customer, we have not made more than one extensions to any of our second to fifth largest customers during the Track Record Period.

None of our Directors, their close associates or any shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) hold any interest in our top five customers.

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### LENDERS

We relied substantially on interest-bearing bank loans to operate our business. We have established strong working relationships with the branches of national and local commercial banks, as well as policy bank in Hubei Province. Please see below a table of the details of our top five banks for years ended March 31, 2013, 2014 and 2015.

Bank	Date of first Cooperation	Years of Relationship
China CITIC Bank	November 29, 2012	3
China Everbright Bank Co., Ltd.	December 30, 2010	5
Hankou Bank	September 1, 2010	5
Bank 4	October 21, 2009	6
Bank 5	June 23, 2009	6
Bank 6	November 25, 2014	1

*Notes:*

1. Bank 4 is a national policy bank.
2. Bank 5 is a state-owned commercial bank in China.
3. Bank 6 is a regional commercial bank headquartered in Wuhan Specialized in serving the agriculture industry and SMEs.

We are able to effectively match our funding with our asset growth on an ongoing basis through regular review, adjustment and structuring of our funding sources and instruments in view of the changes in our internal and external business environments. We conduct regular capital planning, reporting and forecasting through our established and stringent capital budgeting system, and thereafter formulate appropriate funding plans which aim to mitigate our exposure to liquidity and interest rate risks. We manage our liquidity risks by regularly monitoring the relative maturities between our assets and liabilities and taking the necessary steps to maintain an appropriate and prudent balance of long-term and short-term funding sources. We manage our interest rate exposure arising from our interest payments on our loans and financing obligations by regularly assessing potential changes in interest rates and further strengthening research capabilities to forecast interest rate fluctuations and trends by formulating regular tracking and reporting systems.

As at November 30, 2015, our total bank borrowing balance was HK\$761.7 million, of which approximately HK\$555.6 million was from our banking facilities of RMB850 million. We will sign separate loan agreement(s) with the lender(s) if we plan to use the unutilized banking facilities.

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Our financing agreements with our lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- a transfer of material operating assets (e.g. 20% of the total assets) without obtaining the lender's prior approval;
- material changes to our shareholding structure, including but not limited to merger or consolidation with another company, division, restructuring or a change of controlling shareholder (e.g. Perfect Honour ceases to be the controlling shareholder of the Company);
- seeking additional financing from third parties for the underlying asset without the lender's prior approval; and
- deterioration of the borrower's credit worthiness and financial performance.

As at the Latest Practicable Date, none of our lenders have claimed default against us under any of the provisions in the financing agreements during the Track Record Period and we have not breached any of the provisions in such a way that could result in any event of default.

### **SALES AND MARKETING**

We conduct sales and marketing principally through our offices in Wuhan by leveraging the industry expertise and local knowledge of our business development team. Our business development team contacts existing and potential customers throughout Hubei Province regularly to understand their requests and financing needs, and to establish close relationships with them. As at the Latest Practicable Date, we have a total of 23 employees in our Business Development Department.

We also have close relationships with our lending banks and have worked alongside them to source potential customers. In addition, we have also engaged in cooperative discussions with equipment manufacturers and industrial parks to assist some of the SMEs in close contact with them to co-develop customer relationships. We also worked with local governments in different cities in Hubei Province in support of their economic development plans. In addition, we promote customer awareness of our brands and services by advertising through a variety of media channels. These activities have enabled us to increase awareness of our brands, and to maintain a stable customer base and achieve effective market penetration to potential customers.

**COMPETITION**

The opening up of the finance leasing industry in China has resulted in increased competition. Our competitors are mainly bank-affiliated leasing companies, leasing arms or subsidiaries companies of equipment suppliers (those owned by a manufacturer or a dealer for the purposes of offering alternative financing options to the parent company's customers) and independent leasing companies which operate on a similar scale with a similar target customer base to ours. Bank-affiliated leasing companies typically focus on leasing to large state-owned enterprises and have a customer base largely built on the bank's existing network. Leasing arms or subsidiaries companies of equipment suppliers typically focus on supporting their equipment sales and plan their business expansions in line with their equipment sale demand. Independent leasing companies utilise diversified capital sources and provide services to a relatively broader customer base characterised by greater flexibility, independence and discretion.

According to Euromonitor International, as at December 31, 2014, according to statistics from the Department of Commerce of Hubei Province, there was a total of 9 finance leasing companies registered in Hubei that are permitted to carry on finance leasing businesses by the Department. We were ranked first with total assets worth RMB1.73 billion among finance leasing companies registered in Hubei Province, which accounted for 29.8% of total assets by the end of 2014. We were ranked as eighth in terms of registered capital with US\$41.0 million. See "Industry Overview". The finance leasing industry has high entry barriers, which include operational qualifications, initial starting capital, strong and sustainable capital funding capabilities, professional and industrialized risk management and sales and marketing strengths. Our ability to compete against these competitors is, to a significant extent, dependent on our ability to distinguish our services from those of our competitors through the following factors:

- provision of integrated, customized and supplemental value-added services that are competitive in terms of quality and effectiveness;
- extensive market coverage in Hubei Province by leveraging sales and marketing capabilities;
- focus on SMEs in strategic industries;
- specific industry focus and professional expertise;
- diversified capital sourcing capabilities;
- systematic risk management measures; and
- strong brand reputation and established customer relationships.

In response to the competitive environment, we intend to continue to implement our strategies to differentiate us from our competitors and to enable us to compete effectively in the finance leasing industry.

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### INFORMATION TECHNOLOGY

Our information technology (“IT”) systems are integral to many aspects of our business operations, including transaction processing, quality control, risk management, customer services and financial management. We have adopted a number of IT systems, including the Kingdee K/3 financial information processing system and Kingdee OA system, to improve the efficiency and quality of our services and to further strengthen our risk and financial management capabilities.

We have formulated and implemented a series of internal rules to regulate information system governance, information safety strategies, anti-virus protection and internet controls.

### INSURANCE

As at July 31, 2015, we did not maintain any credit insurance, business interruption insurance, third-party liability insurance or any other insurance policies, except for the mandatory social insurance for our employees.

As at the Latest Practicable Date, we have not experienced any business interruptions which had a material adverse effect on our business. Based on industry practice in China, our experience in running our businesses, the availability of insurance products in China and advice received from insurance agents, our Directors are of the view that we have sufficient insurance coverage for our current operations.

### INTELLECTUAL PROPERTY

We conduct our business under the brand of “Rongzhong”. As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

#### Trademarks

As at the Latest Practicable Date, the following trademarks which are material to our business have been licensed to our Group by Rongzhong Group and Wuhan Rongzhong Internet Technology Company Limited (“Rongzhong Internet”), a PRC company wholly-owned by Mr. Xie pursuant to the Trademarks Licence Agreement:

No. of Trademark	Type/Class	Registered Owner	Place of Registration	Registration No.	Expiry Date
1. 	35, 36	Rongzhong Group	Hong Kong	300394074	March 28, 2025
2. RONGZHONG	35, 36	Rongzhong Group	Hong Kong	300394083	March 28, 2025



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No. of Trademark	Type/Class	Registered Owner	Place of Registration	Registration No.	Expiry Date
3. 融众	35, 36	Rongzhong Group	Hong Kong	300394065	March 28, 2025
4. 融眾	35, 36	Rongzhong Group	Hong Kong	300394092	March 28, 2025
5. 融众	35, 36	Rongzhong Group	Hong Kong	301861380	March 16, 2021
6. 	36	Rongzhong Internet	PRC	3496729	April 27, 2025
7. 	35	Rongzhong Internet	PRC	1952260	December 13, 2022
8. 融众	36	Rongzhong Internet	PRC	3496728	March 6, 2025
9. 融众	35	Rongzhong Internet	PRC	1952523	December 13, 2022

Please also refer to the section headed “Connected Transactions” for details of the Trademark Licence Agreements.

### Domain Name

As at the Latest Practicable Date, our Group has registered the following domain names which are material to our business.

Domain Name	Registered Owner	Register Date	Expiry Date
<i>chinarzfh.com</i>	Rongzhong PRC	July 22, 2015	July 22, 2016
<i>rongzhongleasing.cn</i>	Rongzhong PRC	February 21, 2013	February 21, 2017
<i>rongzhongleasing.com</i>	Rongzhong PRC	February 21, 2013	February 21, 2017
<i>rongzhongleasing.net</i>	Rongzhong PRC	February 21, 2013	February 21, 2017

We do not license any of our intellectual property rights to any third parties.

Our Directors confirm that we are not involved in any proceedings in respect to, and we have not received notice of any claims of infringement of, any intellectual property rights that may be threatened or pending, in which we may be involved whether as claimant or respondent.

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### EMPLOYEES

As at Latest Practicable Date, we had 44 full-time employees. The following tables show the breakdown of our full-time employees by functions.

Function	Number of Employees
Business Development	23
Risk management	5
HR, Treasury and Finance	6
Senior Management	4
Administration Staff	5
IT	1
	<hr/>
Total	<u>44</u>

For the years ended March 31, 2013, 2014 and 2015 and four months ended July 31, 2015, we incurred staff costs of HK\$2.4 million, HK\$3.0 million, HK\$4.5 million and HK\$2.8 million, respectively, representing approximately 1.3%, 1.3%, 2.0% and 3.5% of our total revenue for those periods.

### Training and Development

We place great emphasis on the training and development of our employees. We have developed a series of training programs with individualized emphasis and focus based on our accumulated industry experience over the years since we entered the financial leasing market. New employees are required to attend induction training courses to ensure that they are equipped with the necessary skills to perform their duties. We also invest in continuing education and training programs for our management staff and employees that will enhance their professional skills and knowledge. These training programs include finance leasing operation, marketing and sales, and introduction to bank notes.

### Employee Relations and Benefits

We have not experienced any strikes or significant labor disputes which have materially affected our operations, and we consider our relations with our employees to be good.

In accordance with applicable PRC regulations, we have made contributions to social insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance) and housing funds for our employees. As at the Latest Practicable Date, we had complied with all statutory social insurance obligations applicable to us under PRC laws in all material aspects.

**PROPERTIES****Leased Properties**

As at the Latest Practicable Date, we did not have any owned properties and we leased two properties in Wuhan and Chengsha, the PRC with an aggregate gross floor area of approximately 1,298.1 sq.m. for our office use.

Our headquarters is located in Wuhan, Hubei Province, the PRC. On December 31, 2015, Rongzhong PRC and three subsidiaries of Rongzhong Group, as tenants, entered into a tenancy agreement (“Tenancy Agreement”) with the lessor which is an Independent Third Party to lease an office (the “Office”) for an aggregate gross floor area of 2,576.2 sq.m. for a term commencing on January 1, 2016 and expiring on December 31, 2016 at a monthly rental (the “Monthly Rental”) of RMB371,401.01 (including management fee).

On December 31, 2015, Rongzhong PRC and the three subsidiaries of Rongzhong Group entered into an agreement which stipulated that each party shall bear its rental, management fee and deposit in proportion to the areas of the Office that it respectively occupies. A gross floor area of 1,288.1 sq.m., which represents approximately 50.00% of the total gross floor area of the Office, belongs to the exclusive use of Rongzhong PRC. Rongzhong PRC shall bear a monthly rental of RMB185,700.5 (including management fee) and RMB582,863.51 deposit fee for rental, management fee and electricity fee, with the rest of the Monthly Rental to be borne by the three subsidiaries of Rongzhong Group. According to the agreement, the three subsidiaries of Rongzhong Group are not permitted to use the area without the written consent of Rongzhong PRC.

As at the Latest Practicable Date, the lessors of our leased buildings have obtained valid building ownership certificates and provided us with the same evidence that they have requisite titles or rights to lease these building to us. We are currently in the process of applying for registration of the Tenancy Agreement with the relevant real estate administration authority of the PRC. Our PRC legal adviser is of the view that there is no impediment of such registration. Furthermore, we have not registered the lease agreement of the office in Chengsha with the relevant real estate administration authority in accordance with the relevant PRC laws and regulations. Our PRC legal adviser is of the view that the failure to register these leases is an immaterial non-compliance and will not affect the legality, validity or enforceability of such lease.

We also leased an office in Hong Kong from an Independent Third Party with a gross floor area of approximately 1,284 sq.ft. for a term commencing on May 2, 2015 and expiring on May 1, 2017 at a monthly rental of HK\$59,064.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies Ordinance Notice (Exemption of Companies and Prospectuses from Compliance with Provisions), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies Ordinance (Winding Up and Miscellaneous Provisions) in relation to paragraph 34(2) of Part II of the Third Schedule to the Companies Ordinance (Winding Up and Miscellaneous Provisions), which requires a valuation report with respect to all our interests in lands or buildings, because as at March 31, 2015, the carrying amount of our property interest was less than 15% of our combined total assets.

**LEGAL PROCEEDINGS****Lawsuit against a customer's debtor**

As at the Latest Practicable Date, we had one outstanding legal proceeding against a customer's debtor in the PRC. This case is not included in the 19 legal proceedings that are directly against our customers (see below). The legal proceeding against one of our customer's debtor involves a bank's acceptance bill in the amount of RMB10 million. This was additional collateral we obtained from our customer. The overdue finance lease receivable for this customer was restructured in April 2015. We have obtained favorable order from the court in support of our claims on October 27, 2015.

**Lawsuits against our customers**

We are involved, from time to time, in legal proceedings arising in the ordinary course of business. These legal proceedings generally involve claims initiated by us to recover lease payments from our customers. We routinely utilize legal proceedings to put pressure on our customers to work out a repayment schedule with us or as a means to identify additional assets that may be used as collateral to secure the outstanding finance lease. As at November 30, 2015, we had a total of 19 outstanding legal proceedings against our lessees and their guarantors, one of which is a criminal proceeding. The total outstanding finance lease receivable under dispute in relation to the 19 outstanding legal proceedings amounted to approximately HK\$409.3 million as at November 30, 2015. We have made a HK\$13.5 million individual impairment allowance and HK\$1.1 million collective impairment allowance for the finance lease receivable subject to the 19 outstanding legal proceedings as at November 30, 2015.

We have successfully obtained legal titles to all the leased assets under these 19 proceedings according to the finance lease agreements and have applied for the court's freezing orders on all the additional collateral we have seized from these customers. We have seized the additional collateral in respect of 15 out of the 19 legal proceedings in the amount of approximately HK\$1,045.5 million. For the remaining four legal proceedings, two have been approved by the court for seizure of additional collateral, one has sufficient coverage from underlying leased asset and one is a criminal proceeding in which the prosecutors are working on identifying the defendant's assets. These protective measures prevent the defendants from transferring their assets and ensure that the defendants will have sufficient assets and collateral to satisfy our claims in case we succeed in such litigation. We believe we have solid grounds to succeed on all the outstanding litigation and believe we will be able to recover a substantial portion of the claimed amount. Therefore, we believe such impairment allowance was made under the Company's standard provisioning policy and was adequate to cover the finance lease receivable subject to legal proceedings. Therefore, we do not anticipate any significant material adverse change to our results of operations if any of these legal proceedings are decided against us. For details of 19 lawsuits against our customers, please see the outstanding litigation table below.

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For all the civil legal proceedings against our customer (except in the criminal proceeding case no. 19), plaintiff is Rongzhong PRC and all the claims involve overdue finance lease principal and interest, which are summarised below (data as at November 30, 2015):

(HK\$)	Civil legal proceedings											
Case no.	Litigation progress as at November 30, 2015	Lease commencement date	First overdue date	Overdue portion finance lease receivable	Total finance lease receivable	Individual impairment (as at September 30, 2015)	Collective impairment (as at September 30, 2015)	Net finance lease receivable	Net exposure (netting off deposit)	Claim amount <sup>(1)</sup> (excluding late fee)	Value of leased assets	Additional collateral
Case 1	assets preserved, pending court opening	March 12, 2013	September 12, 2014	5,200,296	5,200,296	(135,424)	-	5,064,872	3,371,028	3,352,339	6,521,707	-
Case 2	assets preserved, pending judgement	January 5, 2012	January 5, 2014	15,883,902	15,883,902	(1,154,515)	-	14,729,388	8,566,829	8,566,829	31,438,780	5,847,439
Case 3	assets preserved, pending court opening	July 20, 2012	October 20, 2013	5,284,177	5,284,177	(527,789)	-	4,756,388	2,845,152	2,845,152	9,323,433	42,535,854
Case 4	assets preserved, pending judgement	July 13, 2011	November 13, 2014	745,298	3,395,361	(57,635)	-	3,337,726	956,337	914,634	19,483,171	3,460,976
Case 5	assets preserved, pending judgement	July 26, 2012	August 26, 2014	574,208	8,070,233	-	(112,795)	7,957,438	3,801,940	4,239,282	14,346,455	25,325,000
Case 6	assets preserved, pending judgement	December 21, 2012	April 21, 2014	79,626	15,381,239	-	(214,173)	15,167,066	11,712,947	12,309,529	33,134,146	-
Case 7	assets preserved, trial on October 12, 2015; negotiation for settlement	December 5, 2013	February 5, 2015	73,983	8,643,084	-	(111,255)	8,531,829	6,204,060	6,953,490	8,554,810	11,341,463
Case 8	assets preserved, negotiation for settlement	March 15, 2012	December 15, 2014	4,140,610	18,332,050	-	(236,621)	18,095,430	9,795,465	11,712,683	39,627,196	10,365,854
Case 9	assets preserved, trial on October 16, 2015; pending judgement	March 5, 2013	December 5, 2014	28,252,033	143,741,209	(3,749,928)	-	139,991,281	143,741,209	174,390,244	132,878,049	751,690,000
Case 10	assets preserved, pending court opening	December 19, 2011	September 19, 2014	7,994,390	7,994,390	(176,868)	-	7,817,522	2,506,585	2,506,585	20,121,951	43,001,707
Case 11	asset preserved on July 23, 2015; pending court opening	August 5, 2013	August 5, 2014	142,520	19,054,911	-	(254,983)	18,799,928	14,542,716	16,546,039	25,689,512	13,414,634
Case 12	asset preserved on July 23, 2015; pending court opening	January 16, 2014	August 16, 2014	16,145,332	23,430,031	(1,770,701)	-	21,659,329	18,551,982	18,519,274	37,609,756	8,829,268
Case 13	case filed; asset preserved order obtained; pending court opening	June 28, 2010	June 22, 2013	5,443,913	14,565,321	(896,877)	-	13,668,444	8,467,760	8,521,898	24,756,098	55,583,232
Case 14	case filed; asset preserved order obtained	January 11, 2013	January 1, 2015	9,793,252	28,095,320	(362,495)	-	27,732,825	21,987,759	22,328,721	31,878,049	64,939,024
Case 15	case filed	February 13, 2015	March 1, 2015	8,164,644	59,726,914	(1,352,149)	-	58,374,765	47,531,792	51,502,298	91,548,780	-
Case 16 <sup>(4)</sup>	case filed; asset preserved order obtained	July 12, 2013	January 1, 2014	926,765	3,791,391	-	(46,402)	3,744,988	3,791,391	4,210,849	26,542,286	11,182,927
Case 17	case filed	November 16, 2012	February 16, 2015	594,502	6,586,466	-	(85,185)	6,501,281	2,318,173	2,460,300	14,128,123	-
Case 18	case filed	December 19, 2012	October 19, 2014	2,685,324	4,874,410	(125,491)	-	4,748,918	3,898,800	3,917,535	7,073,171	-
<b>Criminal legal proceeding</b>												
Case 19 <sup>(2)</sup>	case filed	January 7, 2013	May 1, 2014	10,525,655	16,662,778	(3,188,272)	-	13,474,506	13,004,241	8,708,333	19,535,007	-
<b>Total</b>				<b>122,650,410</b>	<b>409,313,483</b>	<b>(13,488,144)</b>	<b>(1,063,414)</b>	<b>394,751,924</b>	<b>327,606,166</b>	<b>364,507,214</b>	<b>584,190,490</b>	<b>1,045,517,378</b>

*Notes:*

- (1) Claim amounts against customer 12 is slightly less than the respective amounts for their net exposures because we do not include accrued interests during the legal proceeding period.
- (2) This case is a criminal proceeding initiated by the local Public Security Bureau. We defrauded by this customer. During our routine after-lease supervision and inspection, we found that the invoices for the leased assets provided by this customer were fake. We filed the case to the local Public Security Bureau on June 16, 2015. The case is now in the process of criminal investigation by the local Public Security Bureau. Claim amount against this customer is substantially less than the amount of its net exposure because in criminal cases the amount we can claim is limited to our net loss of principal under the lease agreement. We have made a HK\$3.19 million impairment provision for this lease based on our conservative estimation of total recoverable amount from the assets under lease and other types of collateral we obtained from this customer. The value of the assets under lease is evaluated by a third party asset appraiser in March 2015.
- (3) Case 5 and Case 6 are against the same customer for two separate leases. Since the two leases have different guarantors, we filed the cases separately. Case 14 and 15 are also against the same customer for two separate leases. Since the two leases have different guarantors, we filed the cases separately.
- (4) As at November 30, 2015, we have granted extensions to the underlying leases in 10 of the 19 cases. In cases 4, 13, 14, 16 and 17, the extensions were made before the commencement of the legal proceedings (first scenario). In cases 5, 6, 7, 8 and 11, the extensions were made after the commencement of the legal proceedings (second scenario). In both scenarios, we decided not to accelerate repayment schedule and make the extensions because:
  - (1) our intention for filing these cases is to put pressure on our customers through legal proceedings and to work out a new repayment schedule with them. We usually achieve such objectives and seize the leased assets or additional collateral; and
  - (2) based on our credit assessments, we consider the possibility of recovering our leases or the possible recoverable amount from such lease to be higher through a new repayment schedule when compared with a disposal of leased assets or demanding for immediate repayment. In arriving at such conclusion, we took into account factors such as our relationship with the relevant customer in the past, the business prospects of the relevant customer, its ability to continue servicing debts, liquidity of relevant leased assets or collateral, timing and cost of further legal proceedings for disposing of such assets etc.

In our experience, it is more efficient and practical if we can work out a new repayment plan with the customers rather than simply dispose of the seized assets. After we made extensions, we will take steps to close such cases gradually. In the event if the customer does not follow the new repayment plan, we have the right to open the case again.

### **Lawsuits involving the Group**

As at March 31, 2013, 2014, 2015 and July 31, 2015, we have not involved in any legal proceedings in which we served as defendant.

### **MISCELLANEOUS**

Mr. Xie and the Rongzhong Capital Investment Group Limited (融眾資本投資集團有限公司) are currently involved in a contractual dispute under a share transfer agreement with independent third parties. Mr. Xie was a guarantor of the buyers (as defendants) under such agreement while the Rongzhong Capital Holdings Limited was not a party to such agreement.

The Hubei Province Higher People's Court has ruled twice in favor of Mr. Xie in 2009 and 2014. This case is now pending final review of the Supreme People's Court of China which conducted its first hearing on October 13, 2015.

Between the years of the legal proceedings, there were allegations against Mr. Xie's reputation, integrity and background on various on-line and off-line media.

Our Directors and the Sole Sponsor have conducted a thorough due diligence exercise on this litigation and the allegations in relation to Mr. Xie's reputation, integrity and background. Having done so, our Directors and the Sole Sponsor take the view that such litigation has no material impact on our Group, and there is no evidence or ground on any of the allegations which would affect Mr. Xie's suitability and fitness to act as a director of our Group.

In arriving at such view, the Sole Sponsor and the Directors have taken into consideration of the following:

- (1) there is no evidence that the litigation involved any act of dishonesty, fraud or suggested any issue of integrity on the part of Mr. Xie which would affect his suitability as a Director;
- (2) although the allegations were relating the reputation, integrity and character of Mr. Xie and may have included some elements of dishonesty or fraudulence therein, based on the due diligence conducted by the Sole Sponsor and the Directors, none of those allegations were supported by any strong grounds or evidence; further, the judge at the Hubei Province Higher People's Court has also mentioned in his judgment that those allegations were unfounded;
- (3) the litigation was a civil claim and a legal opinion has been obtained from Mr. Xie's defense lawyers that the only impact of such litigation on Mr. Xie will be financial impact which the Sole Sponsor and our Directors are of the view that it will have minimal effect on us;

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## BUSINESS

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- (4) Mr. Xie has not received any notice or correspondence from the relevant regulatory authorities in connection with any investigation by any judicial, regulatory or governmental authority in relation to the matters arisen from the litigation and the allegations; and
- (5) Mr. Xie has served as an executive director of Goldbond between 2007 and 2012 without any non-compliance incident or any reprimand from the Stock Exchange, the SFC or any relevant regulatory authority; the Sole Sponsor believes the fact that he was a director of a Hong Kong listed company, although no conclusive, has demonstrated that he should have therefore possessed the requisite care, diligence, character, integrity to act a director of a listed company.

Further, the Sole Sponsor and our Directors considered that Mr. Xie has over 14 years of experience in the financial market in the PRC with extensive business connections. His business experience and networks are important, and beneficial, to the long-term development of our Group.

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

### APPROVALS AND NON-COMPLIANCE

#### Licenses and Permits

The licenses and permits required for our operations in the PRC primarily include foreign invested company establishment approval (stating the business scope of the company as financial leasing), medical business operation permit, enterprise business license, foreign exchange registration certificate, social insurance registration certificate, issued by the local branches of MOFCOM, local branches of food and drug administration, SAIC, and other government agencies.

During the Track Record Period and up to the Latest Practicable Date: (i) we had obtained all required licenses, approvals and permits from the relevant government authorities that are required for our business operations, and such licenses, approvals and permits remained in full effect; (ii) no circumstances existed that would render the revocation or cancellation of any required license, approval or permit, and we did not experience any material difficulty in obtaining or renewing any required license, approval or permit; and (iii) we were not admonished or penalised by the relevant government authorities for any material non-compliance in connection with our business operation.

Based on the legal opinions from our PRC Legal Counsel and taking into account of our on-going compliance with the relevant regulatory requirements, our Directors are of the view that there is no legal impediment to renew any licenses, approvals, registrations and permits that are required for our business operations with the relevant authorities.



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## BUSINESS

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### **Non-compliance**

During the Track Record Period and up to the Latest Practicable Date, we were not in non-compliance with the applicable laws, rules and regulations, which in the opinion of our Directors, is likely to have a material adverse impact on our business, prospects, financial condition or results of operations.

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## RISK MANAGEMENT AND OPERATION

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### RISK MANAGEMENT SYSTEM OVERVIEW

As a finance leasing company, we face a variety of risks, including credit risk, operational risk, legal and compliance risk, and liquidity risk. We recognise the importance of an effective risk management system for identifying, managing and mitigating these risks and our shareholders have put a significant emphasis on risk management. We have developed a risk management system tailored to the characteristics of our business operations, with a focus on managing the risks through comprehensive customer due diligence, independent information review and multi-level approval process. We also strive to maintain a diversified portfolio with a primary focus on five strategic industries. We believe this enhances our risk management capability in that our overall portfolio risk would be less subject to the cyclicity of a single industry. Meanwhile, we continue to monitor and review the operation and performance of our risk management system, and improve it from time to time to adapt to the changes in market conditions and regulatory environment as well as our product offering.

In particular, based on our extensive experience in serving SMEs, we have developed our credit evaluation system to assist us in determining the creditworthiness of our customers. Our credit review process focuses on evaluating a borrower's ability and willingness to pay its financial obligations. It primarily involves the following essential aspects, namely capital strength, market competitiveness, business operation and prospects, financial condition, lease assets quality, use of proceeds, in helping us finalize our judgment on the borrower's creditworthiness. See "– Credit Risk Management – Customer Due Diligence" below for details. In addition, we believe that, for our customers particularly SMEs, stability and continuity of business operations and the ability and willingness to honor repayment obligations as they fall due, are closely related to the commitment and attitude of their owners and management team. Therefore, our credit evaluation system also emphasizes on assessing a borrower's owners and management team and on their operating experience, credit record and financial stability. Our credit evaluation system enables us to effectively conduct our business based on the creditworthiness of our customers, as well as on the quality of the lease assets and collateral.

While credit risks, including customer defaults and lease impairment, are inherent to our business, we believe our long-term business success and sustainability are dependent on our ability to effectively manage our credit risks at a reasonable and tolerable level relative to our business scale and profitability, amid a constantly changing external credit, regulatory and economic environment. In consideration of the foregoing, we continue to strive for a balance between an acceptable and manageable credit risk level and an efficient use of available funds to expand our business and improve returns for our Shareholders.

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## RISK MANAGEMENT AND OPERATION

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### RISK MANAGEMENT SYSTEM FRAMEWORK

The organizational structure of our risk management system is illustrated below:

#### Risk Management System Chart



Board of Directors: Our Board of Directors is ultimately responsible for our overall risk management and performs its risk management function by giving guidance and authorization to our Risk Management Committee. Their experience in the financial industry and knowledge in the local business community have helped us build up a pragmatic and effective risk control and management capability.

Risk Management Committee: Our Risk Management Committee is the highest decision-making body in respect of risk management, subject to the guidance and authorization of our Board of Directors. Its primary duties are to formulate and monitor the implementation of our major risk management policies and systems, ensure necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks and conduct regular review on the risk management reports submitted by senior management. It is in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB100 million and other risk-related issues during our operations that may have a material impact on our business. It also reviews and decides on whether to make extension of finance leases above RMB100 million to our customers. The Risk Management Committee directly reports to the Board.

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## RISK MANAGEMENT AND OPERATION

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Our Risk Management Committee will be comprised of our Chairman and Independent Non-executive Directors upon Listing. As at the Latest Practicable Date, it had the following three members:

<b>Name</b>	<b>Title</b>	<b>Experience</b>
Mr. Xie Xiaoqing	Chairman, Executive Director	founder of the Group, over 14 years in the investment and finance industry
Mr. Li Fan	Chief executive officer, Executive Director	over 20 years of experience in the banking and finance industries
Mr. Yao Feng*	Deputy general manager and chief risk officer	20 years of experience in manufacturing, trading and financial industries; skilled in administrative management, internal control and risk management matters

\* Mr. Yao Feng is an observing member in the Risk Management Committee without any voting rights.

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## RISK MANAGEMENT AND OPERATION

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Project Approval Committee: Our Project Approval Committee is comprised of our senior management team and other professionals with special knowledge on finance leasing operations and risk management. Its primary duties are to review the feasibility, risk prevention and mitigation measures of finance leasing projects smaller than RMB100 million. It also reviews and decides on whether to make extension of finance leases below RMB100 million to our customers (for projects above RMB100 million). The Project Approval Committee is also in charge of reviewing the risks identified during inspections and investigations conducted after the signing of lease agreements. In such circumstances, it will formulate reaction plans such as increase of guarantee, extension of lease, enterprises reorganization and assets disposal. Currently, it has the following four members:

<b>Name</b>	<b>Title</b>	<b>Experience</b>
Mr. Li Fan	Chief executive officer, Executive Director	over 20 years of experience in the banking and finance industries
Mr. Cai Hanming	General manager of Rongzhong PRC	over 20 years of experience in bank project development, risk identification and management
Mr. Yao Feng	Deputy General Manager and chief risk officer	20 years of experience in manufacturing, trading and financial industries; skilled in administrative management, internal control and risk management matters
Ms. Nie Liu	Deputy General Manager	experienced in finance lease project review and execution

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## RISK MANAGEMENT AND OPERATION

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Risk Management Department: The Risk Management Department is comprised of professionals in the areas of finance, credit review, accounting, asset valuation and law. The Risk Management Department is in charge of conducting investigations on the creditworthiness of our customers. On the basis of the due diligence reports prepared by our business team, members in our Risk Management Department will further look into each customer's financial data and actual operating conditions in order to draw the conclusion as to whether a customer is able to repay installments and fees under the lease agreement solely out of its continuous and stable operational income. The Risk Management Department also monitors the negative factors that will have an impact on a customer's ability to pay the lease installments and fees, and at the same time, ensure the guarantees and collateral are always sufficient and enforceable. It also carries out routine performance, supervision and inspections after the signing of the lease agreement, conducts studies on macroeconomic environment, competitive landscape and government industrial policy trends in order to make sure that we and our Risk Management Committee have information on a timely basis to make informed decisions with respect to each finance lease. As at the Latest Practicable Date, we have five employees in the Risk Management Department.

Business Development Department: The Business Development Department is responsible for developing, examining and supervising our finance leases, as well as providing training and guidance to business development personnel. Our business development officers are responsible for overseeing the entire process of the finance leases they are assigned to, from initial customer identification and due diligence, negotiation and execution of finance leasing agreements, to after-lease monitor, supervision and enforcement. As at the Latest Practicable Date, we have 23 employees in the Business Development Department.

For detailed analysis on our project review and approval process, please see below "– Credit Risk Management and Operation – Review and Approval Processes".

### CREDIT RISK MANAGEMENT AND OPERATION

Credit risk is the principal risk that we face. Credit risk arises from a customer's inability or unwillingness to make timely payments under our finance leases. We have developed a credit risk management system we believe is suitable for SMEs. The flowchart below illustrates the key processes of our credit risk management system.

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## RISK MANAGEMENT AND OPERATION

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### Credit Risk Management Process

Risk Management measures to be taken in different stage of a finance lease project	Department and personnel involved	Duties and functions
Customer due diligence	<ul style="list-style-type: none"> <li>– Business Development Department</li> </ul>	<ul style="list-style-type: none"> <li>• initial customer contact; explore financing needs</li> <li>• conduct due diligence on customers' background, credit worthiness and independent status</li> <li>• prepare due diligence report</li> </ul>
Projects review and approval process (for new contracts and renewal contracts )	<ul style="list-style-type: none"> <li>– Business Development Department</li> <li>– Risk Management Department</li> <li>– Project Approval Committee</li> <li>– Risk Management Committee</li> <li>– Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>• risk management officers conduct on-site investigation</li> <li>• asset valuator conducts valuation on assets under lease</li> <li>• chief risk officer leads internal discussion and issues risk review report</li> <li>• Project Approval Committee reviews and approves by voting (for projects under RMB100 million)</li> <li>• Risk Management Committee reviews and approves by vote (for projects above RMB100 million)</li> <li>• veto rights to reject the project (by any Executive Director)</li> </ul>

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## RISK MANAGEMENT AND OPERATION

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<b>Risk Management measures to be taken in different stage of a finance lease project</b>	<b>Department and personnel involved</b>	<b>Duties and functions</b>
Signing and closing	<ul style="list-style-type: none"> <li>– Business Development Department</li> </ul>	<ul style="list-style-type: none"> <li>• negotiate and sign finance lease agreement and guarantee agreement</li> <li>• complete title transfer registration</li> <li>• arrange funding and drawdown</li> </ul>
Portfolio management	<ul style="list-style-type: none"> <li>– Business Development Department</li> <li>– Risk Management Department</li> </ul>	<ul style="list-style-type: none"> <li>• continuous monitor on customer's financial condition and operation</li> <li>• timely report once any negative sign is identified</li> </ul>
Risk management and enforcement measures	<ul style="list-style-type: none"> <li>– Risk Management Department</li> <li>– Risk Management Committee</li> <li>– Executive Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Committee decides the risk mitigation and enforcement measures</li> <li>• Project Approval Committee (for projects under RMB100 million) and Risk Management Committee (for projects above RMB100 million) approves loan extension plan to overdue customers</li> <li>• enforce risk mitigation and debt collection measures such as claim against guarantee, disposal of assets, debt restructure and winding-up of the lessee's company</li> </ul>



### Customer Due Diligence

The credit management workflow begins with customer acceptance. Our business development officers in the Business Development Department study the needs for finance leasing products and services in local markets, as well as gather potential customer information. Our business development officers also answer enquiries from potential customers, assess the customer's financial needs and planned use of the financing, introduce our products and services, and establish the initial relationship with potential customers. Wherever relevant, we take into consideration the prevailing general conditions in which our customers operate, such as the national and local laws and regulations governing a customer's business, industry performance and macro-economic conditions. With such information, our Business Development Department will conduct a preliminary customer selection. The decision will be made by a vice president in charge of the Business Development Department. Generally, we do not accept applications from customers that operate in the "restricted" or "forbidden" industries as stipulated in national and local guidance of industry categories.

The Business Development Department will follow up with our potential customers once their applications have been selected. We will conduct more detailed research into the background and creditworthiness of our potential customers. Our due diligence investigation primarily focuses on our potential customers': (i) basic personal and corporate information, including its controlling persons' and affiliates' basic information; (ii) financial status, such as debt-to-income ratio, debt-to-asset ratio, liquidity ratio, with particular focus on assets and wealth accumulation, including controlling persons' family wealth; (iii) quality, valuation and title of the lease assets; (iv) credit history, especially whether it has obtained any bank loans and availability of collateral such as guarantees, share pledges and real estate pledges from related parties or independent third parties; (v) operation history and management's quality and stableness; (vi) purpose and feasibility of the financing; (vii) market competitiveness and future development prospects relationships; and (viii) whether the potential customer is an independent party to our Group and our Directors. During our business operations, we have developed specific and detailed guidance of the due diligence and review procedures, which include the key aspects and the necessary verification focuses to help our business development and risk management officers to conduct their due diligence more effectively. Our due diligence procedures include the following key steps:

- Dual investigation: We usually assign two groups of professionals to conduct investigation on our potential customers, one from the Business Development Department that initiated the project and the other from the Risk Management Department.
- On-site inspection: In order to gain first-hand information and verify the authenticity of the information provided, our business and risk management professionals will conduct on-site visits to inspect the business operations of our potential customers and assets under the finance lease. Before officially

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## RISK MANAGEMENT AND OPERATION

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commencing the on-site inspection, our business development officers will require our potential customers to provide supporting documents such as corporate documents, latest financial reports and receipts for lease assets for the preparation of the inspection.

- Interviews: We conduct interviews with our potential customers to make a comprehensive assessment of the customer's experience, personality and integrity, which will be used as one of the bases of our credit evaluation. We sometimes also interview their major clients, suppliers, upstream and downstream counterparties and banks with which they have business.
- Use of "soft information": We use "soft information" obtained in the due diligence process to help assess the creditworthiness of our potential customers and verify the information provided by them. Such "soft information" may include feedback from the customer's upstream and downstream counterparties and other independent third parties on its business and credit reputation, and the controlling persons' expertise and experience in the industries. We consider such "soft information" a useful tool as it provides a more comprehensive appraisal of our potential customers and their controlling persons.
- Due diligence on guarantors: Apart from the assets under lease, we usually require additional collateral, such as guarantee provided by the potential customers' controlling persons, spouse and family members of such controlling persons, senior management and affiliates. Review of these guarantors' creditworthiness is also included in our due diligence on potential customers' creditworthiness. For example, in our review of the controlling persons and the senior management, we focus on their experiences, family wealth (primarily including real estate and cars, with the relevant certificates for verification), personal credit history, information obtained through internet searches and peer reference (if applicable). In our review of our potential customers' affiliates, we focus on their operation history, business scales, and assets and liabilities. Review results of these guarantors form part of the basis of our credit decisions for our potential customers.
- Asset appraisal: We regularly communicate with equipment supplier in our assessment of the quality and value of the assets under the finance lease. We also appoint independent asset appraisal agency to substantiate our assessment of the value of such asset under the finance lease and any other additional collateral for most of our Increased Scrutiny Asset. We have engaged two independent asset appraisal agencies in Hubei Province as our appraisers. The two independent asset appraisal agencies we used are duly qualified in the PRC with asset appraisal business permits issued by government regulators. One of them (License Number 42060003) was founded in 2006 with 13 qualified asset appraisers. The other (License Number 42020178), was founded in 2007 with 12 qualified asset appraisers. Both of them are ranked "AAA" in Hubei Province with the professional capacity to determine the value of general and specific assets.

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## RISK MANAGEMENT AND OPERATION

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- Utilize financial modeling: To understand the fundamental credit standing and cash flow available to service the relevant lease payment on the target lessee. This would offer a higher degree of certainty in accessing the liquidity of such lessee.

### **Review and Approval Processes**

In the due diligence stage, both our Business Development Department and Risk Management Department will have a separate and independent opportunity to assess our potential customers' qualifications.

After our Business Development Department and Risk Management Department have collected sufficient customer information from their due diligence exercise and agreed on the design of a finance lease plan, a report will be submitted for approval by higher level committees and senior management. We use the same approval procedures for new contracts and renewed contracts. If a finance lease is less than RMB100 million, it will be submitted for approval by our Project Approval Committee. Our Project Approval Committee will review the reports prepared by business development and risk management officers and discuss the issues and risks identified during the due diligence stage. During the credit meetings, the Project Approval Committee members may propose to amend the finance lease plan that has been made by the business development officers. For example, a potential customer may be required to provide additional guarantee or collateral if the Project Approval Committee has creditworthiness concerns. The Project Approval Committee members will cast votes on the finance lease plan based on their individual evaluation of the eligibility and quality of the potential customer. A finance lease plan will be approved if a majority of the Project Approval Committee members vote to approve it. Subsequently, either our general manager, Mr. Cai Hanming, or our Executive Director, Mr. Li Fan, will sign the project approval form if they have no objection to the voting results. Finally, the project will be presented to our Board of Directors. Any Executive Directors will have ultimate veto right against any finance lease project.

If a finance lease is larger than RMB100 million, it will be submitted for approval to the Project Approval Committee and then to the Risk Management Committee. The Project Approval Committee decision-making procedure is the same as discussed above. The Risk Management Committee, which is led by our chairman, will conduct further review on the feasibility of the finance lease plan, the assets and collateral under the lease, the repayment sources, the risk prevention and mitigation measures, as presented by our chief risk officer, in order to enable the Risk Management Committee to make an informed decision on whether to approve this plan. The Risk Management Committee will also cast vote on a majority basis to approve the plan of which our chief risk officer will preside as an observer and does not have any voting right. Similarly, any Executive Directors will have the ultimate veto right against any finance lease.

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## RISK MANAGEMENT AND OPERATION

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Based on the review results, we may: (i) approve a finance lease application; (ii) amend the finance lease plan as appropriate; or (iii) decline a finance lease application. Typical reasons to decline a finance lease application include the following:

- financial data not consistent with industry average data, or not supported by due diligence results;
- financing purpose not verified or too risky;
- negative information about the potential customer and/or existing customer for renewal contracts, its production and market competitiveness;
- unsatisfactory sources of funding for repayments;
- difficulty in enforcing our rights on the lease assets and collateral; and
- background check of the controlling person or the guarantor not in line with our expectations.

### **Signing and Closing**

Once we have approved a finance lease, our business development officers who initiated the project will take the lead in participating in agreement negotiations and reviewing legal documents. These legal documents include, as the case may be, finance leasing agreement, sale and purchase agreement for the assets under the finance lease, guarantee, pledge and mortgage agreements. We have a standard template for each type of these agreements. These finance lease agreements must be individually reviewed and approved by us and our retained legal counsels before they are signed. See paragraph “Business – Leasing Agreement Key Terms Summary” of this prospectus for a summary of the terms of finance leasing agreement.

After the lease agreement is signed, the Business Development Department, the Risk Management Department, and the Finance Planning Department will work together to prepare project documents that will be used to apply for loans from banks or from other sources of financing. In the case of installment payments for the underlying assets, we will ensure the installment is carried out pursuant to the purchase agreement. At this stage, we will also carry out a series of risk management measures on the assets and other collateral, such as registration of pledge, mortgage, account blocking and other measures, in order to make sure that we have sufficient legal protection over such assets and collateral.

In case financing is obtained from banks, upon receiving our internal approval, we will send project related materials to our cooperating bank for approval and, once approved, we shall proceed with the signing process. We will also register our security interest in the lease assets and collateral (if any) with the relevant government authorities before upon signing and closing of finance leasing agreements. Once these steps are completed, our customer is able to drawdown the financing we have provided.

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## RISK MANAGEMENT AND OPERATION

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### Portfolio Management

Our Business Development Department and our Risk Management Department are principally responsible for portfolio management through timely collection of lease payments, monitoring of finance lease status and preparation of regular customer reports. They also monitor closely the development of the strategic industries that our Group is focusing to keep track on any significant cyclical movement on those industries.

Our management would also closely liaise with our principal bankers to keep the Group abreast about the general liquidity environment in the credit market.

We usually assign one business development officer to each of our customers who will conduct after-lease monitoring and supervision. Our after-lease monitoring and supervision activities include:

- telephone interview with the customer's controlling person, shareholders and the chief financial officer on a monthly basis;
- review the customer's monthly financial statements and monthly major business activities report;
- check finance leasing payment schedule, with the customer's chief financial officer; in case there are overdue payments, send payment notice to the customer in time;
- conduct on-site inspections once every fiscal quarter for customers who have no overdue payments;
- conduct on-site inspections as soon as possible after a customer has overdue payments. Such inspections shall cover the following key aspects:
  - whether the assets under the finance lease and collateral (if any) pledged to us have been kept in good condition without substantial decrease of value;
  - whether the operational and financial conditions of the customer remain normal;
  - whether the customer maintains adequate financial capacity and has the ability to generate stable revenue and profit;
  - whether the customer faces deteriorating market conditions such as increased raw material prices, increased competition and decreased product prices;
  - whether the customer has made material investment or disposal of material assets;

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## RISK MANAGEMENT AND OPERATION

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- whether there is any court order or government enforcement actions on the customer’s assets or those that have a negative impact on the customer’s business operation or reputation; and
- whether there is any material change of control in the customer’s shareholders, controlling person or other guarantors.

### **Risk Management and Enforcement Measures**

When we find any “negative signals”, such as overdue payments or any of the above issues that may have a material impact on the customer’s ability to make payment, we will conduct certain risk management procedures in order to mitigate potential losses.

### **Finance lease extension approval and management**

As part of our ordinary course of business and in line with industry practice, we have from time to time extended our finance leases for existing customers when they are expired or upon the requests of such customers. We have two types of extensions, namely extension of lease term and change of principal and/or interest repayment schedule within the same lease term. In some cases, our customers made such requests after the relevant assets are being scrutinized by us. Before we decide whether to grant a customer any extension, we will conduct stringent due diligence and determine whether an extension is the optimal option for mitigating risks according to the customer’s credit record and financial condition. When deciding whether or not to extend a finance lease, we consider the following factors: (i) whether the customer maintained a good credit record; (ii) whether the customer punctually paid its finance lease payments and used its finance lease proceeds as stated in the finance lease agreement; (iii) whether the customer’s cash flow from business operation is able to cover its finance lease receivable balance; (iv) whether there is material negative impact on the customer’s business operation and major financial performance indicators; (v) whether there is material negative change of the customer’s senior management team, major shareholders, corporate governance structure and market conditions; and (vi) whether there is material deterioration of the value of the leased assets. In June 2015, we applied a more strict policy on making finance leasing agreement extensions and granting new finance lease agreements with existing customers. Under the current policy: (i) we normally will not extend to any customer who failed to pay two consecutive lease installments or delayed in payment for an aggregate of five lease installments; (ii) we did not increase funding to customers who have been late in paying lease installments; (iii) we did not increase funding to customers who fail to pay lease installments after being granted an extension or after a restructuring of its initial finance lease arrangement; (iv) we did not enter into new finance lease agreement with a customer who has no financial capacity or willingness to make payment on lease principal and interest, or who has been in legal proceedings with us because of such payment. The decision to grant extension will be approved by Project Approval Committee for project below RMB100 million

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## RISK MANAGEMENT AND OPERATION

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(Executive Director has veto rights to reject the extension), and will be reviewed and recommended by our Project Approval Committee and then approved by Risk Management Committee for projects above RMB100 million. During the extension negotiation period, we usually allow a customer to hold the payment until we reach an agreement on the terms of the extension. We will ask the customer to resume the payment of interest if the agreement has been reached, otherwise, we will ask the customer to pay all the interest and principal together. During the Track Record Period and for the period up to November 30, 2015, we have extended a total of 5, 1, 27, 9 and 24 cases for a total of outstanding finance lease receivable amount of RMB138.6 million, RMB14 million, RMB177.8 million RMB267.3 million RMB161.7 million respectively. Please see below tables for the extensions we have made to our customers during the Track Record Period and the four months ended November 30, 2015.

## RISK MANAGEMENT AND OPERATION

	Year ended March 31,		Four months ended	Four Months ended
	2013	2014	July 31, 2015	November 30, 2015
Number of Extension	5 <sup>(1)</sup>	1	27	24
Number of Customers:	3	1	23 <sup>(2)</sup> , <sup>(6)</sup>	20 <sup>(5)</sup>
– Accumulated times of extension			7 <sup>(3)</sup> , <sup>(4)</sup>	
Once	2	1	22	4
Twice	–	–	1	3
Three times	1 <sup>(7)</sup>	–	–	–
Outstanding amount of finance lease receivable extended (before netting off deposit) at extension date (RMB million)	138.6	14	177.8	267.3
Asset classification:				
Non-overdue	5	1	21	–
Normal Scrutiny	–	–	4	5
Increased Scrutiny	–	–	2	4
Aggregate value of assets under lease and additional collateral:				
Value of assets under lease at extension date (RMB million)	233.8	13.9	209.8	258.3
Additional collateral obtained in ordinary course of business (RMB million)	–	–	2.9	182.6
Additional assets seized in legal proceedings (RMB million)	–	–	2.8	34.9
Subtotal (RMB million)	233.8	13.9	215.5	475.8
Range of period of extension (month)	2-24	12	4-17	3-22
			11.0	213.0
			6-12	6-12



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## RISK MANAGEMENT AND OPERATION

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*Notes:*

- (1) Please note the five extensions in 2013 include the three extensions we made to our largest customers as at the extension agreement signing date. Outstanding amount of finance lease receivable for this customer is RMB100 million. For details please see “Business – Customers – Our largest customer”. In the year ended March 31, 2013, we have also made one extension to another customer whose original lease is in the amount of RMB33 million. The original lease was from July 13, 2012 to January 13, 2013 and the extension was from January 13, 2013 to January 13, 2015. Upon the completion of the extension period, we have made a five-month grace period to this customer at the customer’s request. We charged the same interest rate during this grace period to this customer. This customer made full payment of all principal and interest on June 15, 2015. Except our largest customer and this customer, we have not made any grace period to any other customers.
- (2) Among the 23 customers as at March 31, 2015 and the 20 customers as at November 30, 2015, 14 of these customers are in the laser processing industry. We provided direct leasing to these 14 customers through cooperation with a reputable laser processing equipment manufacturer in China, who provided performance guarantee to us. The lease terms of the 14 customers have been extended by 12 months during the year ended March 31, 2015. These 14 customers had no overdue payments as at March 31, 2015.
- (3) Among the 7 customers as at July 31, 2015, one customer had two separate extended leases with us and one customer extended its lease twice. All the other customers had only one extended lease with us. Therefore, the total number of extensions is 9.
- (4) During the Track Record Period, apart from our largest customer, there are three leases that had been extended more than once (each two times).
- (5) Among the 20 customers, one customer had three separate extended leases with us and one customer had two separate extended leases with us. Therefore, the total number of extensions is 24.
- (6) Among the 23 customers, three customers had two extended leases with us and one customer had one lease extended twice during this period.
- (7) This customer is our largest customer for the year ended March 31, 2015 and four months ended July 31, 2015. For details, please see “Business – Customers – Our largest customer”.

There is a general increasing trend of extended leases during and subsequent to the Track Record Period. We believe this relates to the general economic slowdown and the short term liquidity issue faced by some of our customers. Over half of these extensions relate to our customers in the laser processing industry. They are downstream customers of a reputable laser processing equipment manufacturer who provide guarantees to all these customers. While we evaluate all these extension applications based on individual customers’ own merits, we also take into account the high credit worthiness of this laser processing equipment manufacturer. The remaining extensions relates mainly to short term liquidity issues caused by unexpected unavailability of commercial bank loans and/or a slower payments by downstream customers, many of which are state owned enterprises amidst a more stringent internal control requirements within the SOE system. Some of our extended leases are involved in legal proceedings currently. See “Business – Legal Proceedings”.

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## RISK MANAGEMENT AND OPERATION

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Usually we do not make more than three extensions for any customer under one finance lease agreement. After we made an extension to a customer, we will use heightened scrutiny in monitoring the business and financial performance of such customer. See “Business – Customers – Our largest customer”. Our enforcement measures will also be more strict if we discover any signal for any further overdue payments. For example, besides the normal request for additional collateral, we will have our business manager visit the customer more frequently, usually not less than two months, to continually monitor the business operation and financial performance of the customer and negotiate mitigation plans. At the same time, we will consider disposal of the leased assets and the collateral and filing of lawsuits against the customer and/or its guarantor(s). These special treatment will last until the customer make full payment throughout the extended lease term.

For customers whose repayment ability has been seriously affected by internal or external factors, and such factors are likely to last in the long term, we will usually request the customer to: (i) add third party guarantee with sufficient resources and ability to repay the principal and interests under the finance leasing agreement; and (ii) add additional collateral with sufficient value. If the two requests can be met to our satisfaction, we will consider granting extension to such customers. The decision to grant extension will be made by our Risk Management Committee. If the two requests cannot be met or if the additional guarantee and collateral cannot cover the customer’s entire obligations under the lease agreement, we will carry out further risk mitigation and enforcement actions, including but not limited to:

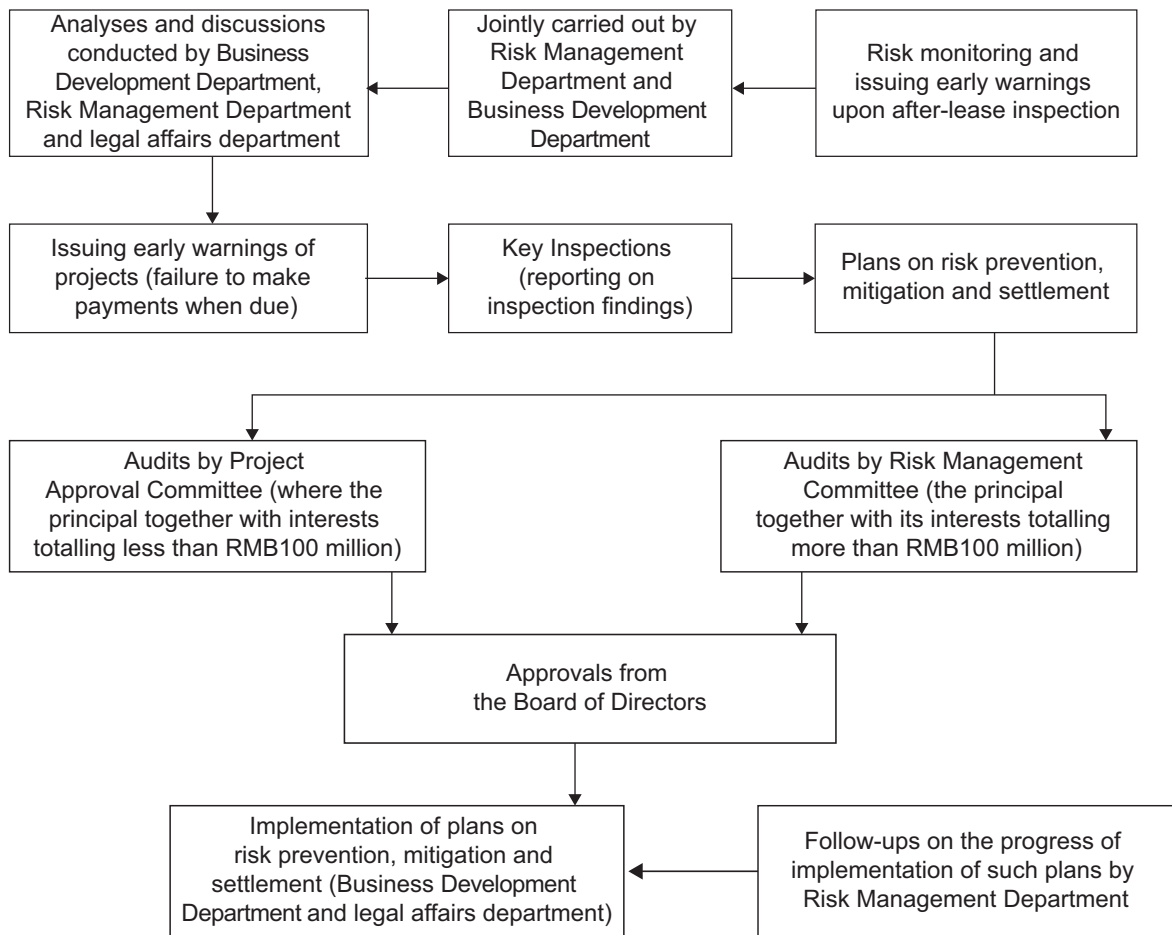
- claim against the existing guarantors;
- disposal of assets under finance lease through sales or auction;
- acceleration of repayment under the lease agreement;
- enforce our rights under the finance leases through lawsuit or arbitration;
- apply for court orders seizing the customer’s and guarantor’s assets and properties, (including but not limited to real property, vehicles and other personal property, and securities), and blocking their bank accounts;
- perform debt restructurings such as debt-to-equity conversion; and
- initiate winding-up or liquidation process against the customer as permitted by law.

## RISK MANAGEMENT AND OPERATION

In particular, we consider the following factors when deciding whether or not to pursue legal actions: (i) the credit record of the customer, including the period of overdue payments; (ii) our relationship with the customer, including its willingness to repay the overdue payments; (iii) the current status and the prospects of the customer's financial condition, including its ability to provide a concrete plan of repayment; and (iv) the difficulty of repossessing the assets underlying our finance leases and realizing their value.

Please see below chart for our risk mitigation and enforcement workflow.

### Procedures for Risk Mitigation and Settlement



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## RISK MANAGEMENT AND OPERATION

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We prepare our financial statements in accordance with HKFRS and assess our provisions based on finance lease receivable that have become overdue on an individual basis and assess our provisions on finance lease receivable that have not been individually impaired on a collective basis. Based on such assessments, we set aside provisions for impairment losses for assets which are finance lease receivable. The amount of these provisions is determined on the basis of our internal provisioning procedures and guidelines upon consideration of factors such as the nature and characteristics of our industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies and the value of the assets underlying the leases and the value of the collateral or guarantees. See “Financial Information – Significant Factors Affecting Our Results of Operations – Asset quality and provisioning policy”.

### **Key Characteristics of Our Credit Risk Management System**

In summary, our credit risk management system has the following characteristics:

- we conduct thorough due diligence for customer selection independently by both the Business Development Department and Risk Management Department. Our due diligence covers not only the customer but also its industry, clients, business counterparties, shareholders, controlling persons and guarantors;
- we value a customer’s willingness to service debt and ability to generate stable and sustainable revenue as the most important factors in approving finance leases;
- we pay particular attention on the reliability of individual and corporate guarantors. We maintain a portfolio of diversified collateral provided by the shareholders, controlling persons, affiliates of a customer or from third parties guarantors. These collateral includes equities, receivables, real estate and personal properties;
- we carefully evaluate the value and liquidity of the assets under the finance lease and ensure the outstanding payment during a lease term will be sufficiently covered by the appraisal value of the assets under the finance lease;
- we have a multi-layer review and approval system that enable us to thoroughly discuss the potential issues and risks associated with each one of our finance lease plans and to make decisions on a consensus basis;
- we pay close attention to after-lease inspections and act promptly once “negative signals” are identified; and
- we have diversified risk mitigation measures which enable us to select the optimal risk mitigation option.

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## RISK MANAGEMENT AND OPERATION

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### OPERATIONAL RISK MANAGEMENT

Operational risk is the risk resulting from inadequate or failed internal controls and systems, human errors or external events. We consider operational risk to be one of the risks in our business and believe that this inherent risk can be controlled or mitigated through adequate and comprehensive operational policies and procedures. We have adopted the following measures:

1. maintaining a comprehensive corporate governance structure with clearly defined duties of the Board of Directors and senior management;
2. maintaining a risk management system to ensure the independence of different departments and committees in performing their risk management duties;
3. maintaining a business operation management division responsible for developing, examining and supervising the workflow of various business operations and providing necessary training and business guidance to business development personnel;
4. maintaining and continuously improving our operational procedures and internal control system, and utilizing our IT system to monitor and control the performance of each procedure. In particular, we have adopted and have strictly implemented measures to prevent and detect potential employee frauds, such as the two-person investigation, segregation of business team and risk management team, multiple approval layers, on-site visits and inspections, and interviews conducted by our high-level managers with the owner or management of the customers;
5. seeking proper damages and pursuing legal proceedings (if necessary) if any misconduct by an employee is found; and
6. providing training and ethical education to all employees in order to bring their awareness and ethical level against fraud and other crimes.

### LIQUIDITY RISK MANAGEMENT

We monitor our liquidity risk on a daily basis. In order to ensure the stability of our finance leasing business, we aim to match our assets and liabilities so as to maintain sufficient levels of liquidity to enable us to meet the payment obligations to our lenders as such obligations come due.

Liquidity risk management requires us to constantly monitor and analyze our assets and liabilities. Our principal assets are finance lease receivable and our principal liabilities are bank borrowings. When we undertake a new finance lease or renew and existing finance lease, an important part of the analysis is whether we will be able to

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## RISK MANAGEMENT AND OPERATION

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obtain bank borrowings in both the magnitude and at a cost that matches each new or existing finance lease. As our relationship with our existing banks has been strong, we have historically been able to secure sufficient bank borrowings to finance our business. We have also established good working relationships with several banks to ensure the stability of our funding and will actively look for opportunities to diversify our financing channels. See “Financial Information – Liquidity and Capital Resources – Liquidity”.

We have kept our assets and liabilities at reasonable levels through the Track Record Period by closely monitoring the scale, term and pricing of both our finance lease receivable and our bank borrowings. We closely monitored our debt-to-asset ratio at a level below 80%. In addition, we focused on matching each of our finance leases (generally with terms of two to three years) with bank borrowings that had the same or similar two to three year terms. Furthermore, we adopted a comprehensive pricing policy during the Track Record Period that took into account a number of different factors that we determined relevant to effectively calculate the total cost of each finance lease. We adopted such a policy in order to make sure we had the potential for each finance lease to be profitable.

We have also issued our Measures for Liquidity Risk Management. Under these measures, we have started to monitor a number of liquidity risk indicators such as the debt-to-asset ratio (as discussed above), liquidity ratio, liquidity gap ratio, interest rate guarantee ratio and loan term mismatch ratio. When we determine our optimal ratio levels, we principally consider the regulatory requirements for the bank-affiliated finance lease companies and non-bank finance lease companies and current industry practices. We have also clearly separated the liquidity risk management functions for our different departments and committees so that each key responsibility is carried out by a distinctly different set of people. Our Risk Management Committee is responsible for determining the liquidity risk management policies and the liquidity risk indicators. Our management team formulates and implements these policies. Our Finance Planning Department is responsible for the daily monitoring of the liquidity risk indicators and conducting specific liquidity management measures and adjustments on an as-needed basis.

We also regularly run liquidity risk stress tests and formulate contingency plans according to the test results. If any liquidity risk indicators or our stress test results reveal areas of concern, we will report it to the management team in a timely manner and take mitigation measures within a specified timeframe. If any finance leases become overdue, we may take the below measures to mitigate the potential liquidity risk: (i) ensure payments from other finance lease receivable are not affected; (ii) work with our banks to potentially adjust the schedule for payments to avoid payment term mismatch; (iii) extend lease terms for qualified customers or restructure the lease together with the banks that provide funding to us for such leases if necessary; (iv) lower the usage of our equity capital by reducing unnecessary expenditures; (v) dispose the leased assets or collateral to ensure adequate liquidity; and (vi) obtain additional funding.

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## RISK MANAGEMENT AND OPERATION

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As a result of our liquidity risk management efforts, we have been in full compliance with our payment obligations under our bank borrowings. Based on the above information, the Directors and the Sponsor are of the view that our liquidity risk management policies and procedures have been, during the Track Record Period, and are expected to be in the future, effective.

### LEGAL AND COMPLIANCE RISK MANAGEMENT

Our business is subject to regulation and supervision by national, provincial and local government authorities with regard to our finance lease operations, capital structure, pricing and provisioning policy, which are subject to constant changes. See “Regulatory Overview”. If we do not respond to these changes in a timely manner or are found to be not in compliance with applicable laws and regulations, we may incur significant penalties and losses. We have maintained close communications with the corresponding authorities at local and provincial level, which are responsible for operational compliance review and implementation of regulatory policies.

When planning a new finance lease service or product, we will review the relevant development plan thoroughly, including obtaining advice on the legal and regulatory requirements applicable to such new service or product, as well as the relevant restrictions. We may also consider consulting external legal advisors on the legal compliance aspects of offering such new service or product. Such information will be included in the new service or product proposal for the senior management’s consideration and approval. If a new service or product is approved, we will introduce such business or product as planned.

During the Track Record Period, we have not been challenged for any non-compliance incidents by any governmental authorities. In addition, we have strengthened our legal and compliance risk management by:

- reviewing our management accounts on a monthly basis to monitor the key financial indicators of our operations, in particular asset portfolio and net assets;
- establishing risk-monitoring thresholds in our system in accordance with the relevant legal and regulatory requirements, to monitor, supervise, identify and report the irregularities and non-compliance incidents in our operations;
- providing legal updates, including updates on the interpretation of applicable laws and regulations by relevant regulatory authorities to the legal personnel of our risk management system on a regular basis and as necessary; and
- reiterating the importance of adhering to our operational protocols and procedures to all our employees and, in particular, our new employees, to ensure effective implementation of our operational protocols and procedures.

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## DIRECTORS AND SENIOR MANAGEMENT

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### DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors consists of eight Directors, comprising two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The following table sets out certain information concerning our Directors and senior management:

Name	Age	Date of joining our Group	Position	Date of Appointment as Director/ senior management	Role and Responsibilities	Relationship amongst Directors and senior management
<i>Director</i>						
Mr. XIE Xiaoqing (謝小青)	55	March 7, 2006	Executive Director and Chairman	June 23, 2015	Our Group's development, strategic planning, positioning and overall operational management	N/A
Mr. LI Fan (李凡)	53	November 9, 2011	Executive Director and Chief Executive Officer	June 5, 2015	Our Group's development, strategic planning, positioning and overall operational management	N/A
Mr. SUN Changyu (孫昌宇)	45	October 15, 2015	Non-executive Director	October 15, 2015	Advising on strategic development and corporate governance	N/A
Mr. DING Chung Keung Vincent (丁仲強)	46	March 7, 2006	Non-executive Director	June 23, 2015	Advising on strategic development and corporate governance	N/A
Ms. WONG, Jacqueline Yue Yee (黃悅怡)	29	June 23, 2015	Non-executive Director	June 23, 2015	Advising on strategic development and corporate governance	N/A



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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of joining our Group	Position	Date of Appointment as Director/ senior management	Role and Responsibilities	Relationship amongst Directors and senior management
Mr. NIE Yong (聶勇)	53	December 18, 2015	Independent Non-executive Director	December 18, 2015	Supervising and providing independent judgment to our Board	N/A
Mr. DUAN Chang Feng (段昌峰)	63	December 18, 2015	Independent Non-executive Director	December 18, 2015	Supervising and providing independent judgment to our Board	N/A
Ms. ZOU Lin (鄒林)	52	December 18, 2015	Independent Non-executive Director	December 18, 2015	Supervising and providing independent judgment to our Board	N/A
<i>Senior Management</i>						
Mr. CAI Hanming (蔡漢明)	53	May 5, 2008	Director and General Manager of Rongzhong PRC	November 10, 2009	Responsible for the day-to-day management of Rongzhong PRC	N/A
Ms. CUI Haiying (崔海英)	40	October 27, 2014	Financial Controller of Rongzhong PRC	October 27, 2014	Overseeing the financial matters of Rongzhong PRC	N/A
Ms. NIE Liu (聶柳)	30	July 7, 2009	Deputy General Manager of Rongzhong PRC	November 11, 2014	Overseeing the human resources, integrated management and administration functions of Rongzhong PRC	N/A

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## DIRECTORS AND SENIOR MANAGEMENT

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Name	Age	Date of joining our Group	Position	Date of Appointment as Director/ senior management	Role and Responsibilities	Relationship amongst Directors and senior management
Mr. YAO Feng (姚峰)	41	May 18, 2010	Deputy General Manager of Rongzhong PRC and Chief Risk Officer	May 18, 2010	Supervising certain divisions of the sales development department and overseeing risk management and assets preservation of Rongzhong PRC	N/A
Mr. CAO Yi (曹毅)	34	February 26, 2015	Deputy General Manager of Rongzhong PRC	February 26, 2015	Establishing and overseeing the aviation department of Rongzhong PRC	N/A

### Executive Directors

Mr. **XIE Xiaoqing** (謝小青), aged 55, is the founder of our Group. He was appointed as an Executive Director and the chairman of our Company on June 23, 2015 and is primarily responsible for our Group's development, strategic planning, positioning and overall operational management. Mr. Xie was an executive director of Goldbond from April 2007 to December 2012. Mr. Xie is currently a director of Rongzhong Capital, Rongzhong HK and Rongzhong PRC. He is also a director of Rongzhong Group and most of its subsidiaries. His duties and responsibilities in Rongzhong Group are primarily to preside over and participate in board meetings and provide strategic advice and guidance on the business and operations of Rongzhong Group. Mr. Xie shall not be involved in the day-to-day management of Rongzhong Group after Listing.

Mr. Xie has over 14 years of experience in investment and finance industry. Mr. Xie graduated from Guangming Chinese Medicine University 光明中醫函授大學 in June 1989 and obtained the qualification of senior operator from Hubei Labour Department in May 2000. He is a representative of the 11th and 12th Hubei Provincial People's Congress, the chairman of the Wuhan Pawn Association, an arbitrator of the Wuhan Arbitration Commission, a member of the board of directors of Wuhan University and the head of the Beijing Success Cultural Exchange Centre (Central China area).

Prior to founding our Group in May 2008, Mr. Xie worked as the head in the Wuhan factory of Kaiyue Crafts and Toy Company Limited from 1995 to 2001. In 2001, Mr. Xie founded the Rongzhong Companies in the PRC to engage in the provision of loan guarantee services for personal consumption loans with his own financial resources.

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## DIRECTORS AND SENIOR MANAGEMENT

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Save as above disclosed, Mr. Xie has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Currently, Mr. Xie is involved in a litigation arising from a contractual dispute and there were a number of allegations in different media attacking the reputation, integrity and background of Mr. Xie. Please refer to the paragraph headed “Business – Miscellaneous” in this prospectus on details of such litigation and allegations and the view of the Sole Sponsor and our Directors on whether Mr. Xie is suitable to act as a Director pursuant to Rules 3.08 and 3.09 of the Listing Rules.

Mr. **Li Fan** (李凡), aged 53, was appointed as a Director on June 5, 2015 and the chief executive officer of our Company on June 19, 2015 and re-designated as an Executive Director on June 23, 2015. He is primarily responsible for our Group’s development, strategic planning, positioning and overall operational management.

Mr. Li has over 20 years of experience in banking and finance industries. He was an undergraduate in biology in the University of Science of Technology of China in April 1985; and graduated from Wuhan University in September 1987 with a bachelor’s degree in economics management; and from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in June 1990 with a master degree in industrial economics.

From May 1992 to April 2000, Mr. Li worked for Bank of China first as the credit division’s deputy chief (Wuhan branch) and later as the risk management department’s credit specialist (Hubei branch). From April 2000 to September 2002, Mr. Li joined China Dongfang Asset Management Company (Wuhan Office) as an assistant manager. From September 2002 to August 2009, Mr. Li worked for Shanghai Pudong Development Bank (Wuhan branch) and assumed senior management positions, mainly responsible for overseeing the risk management department and approval for the credit business of branches. From October 2009 to June 2011, Mr. Li worked for Shenzhen Development Bank (now known as Ping An Bank) (Wuhan branch) as an assistant president, mainly responsible for managing and operating the banking company business and the retail business. In November 2011, Mr. Li was appointed as the president of Rongzhong Group. As part of his job duties, Mr. Li was also responsible for overseeing the finance leasing business of Rongzhong PRC. Since his appointment, Mr. Li has been heavily involved in managing the day-to-day operations of Rongzhong PRC. Mr. Li resigned from Rongzhong Group on September 1, 2014 and was appointed as the president of Rongzhong PRC on the same day. Mr. Li has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Non-Executive Directors

Mr. **SUN Changyu** (孫昌宇), aged 45, was appointed as a Non-executive Director on October 15, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group.

Mr. Sun has over 15 years of experience in financial industry. He graduated from Tsinghua University with a bachelor degree in modern applied physics in July 1993 and subsequently obtained his master of business administration degree and his doctor of philosophy degree in industrial economics from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in June 1998 and June 2004 respectively.

Mr. Sun worked for China Construction Bank Hainan Branch as an assistant to the general manager in the technology department from August 1993 to August 2001. From August 2005 to November 2011, Mr. Sun worked firstly as a senior manager in the Renminbi investment management section and then as a senior manager in the project management section of the investment management department of China Life Insurance Company Limited (a company listed on the Stock Exchange with stock code 2628). Mr. Sun is currently the director in the modern service industry department of Hony Capital and has been a supervisor of the Bank of Chengdu Co., Ltd. since September 2013. He has been the non-executive director of Holly Futures Co., Ltd. (a company listed on the Stock Exchange with stock code 3678) since November 2015.

Save as above disclosed, Mr. Sun has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. **DING Chung Keung Vincent** (丁仲強), aged 46, was appointed as a Non-executive Director on June 23, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group. Mr. Ding is currently a director of Rongzhong Capital, Rongzhong HK and Rongzhong PRC. He is also a director of Rongzhong Group and certain of its subsidiaries.

Mr. Ding has more than 20 years of experience in investment, audit and finance industries. He graduated from The Chinese University of Hong Kong in May 1991 with a bachelor degree in business administration. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Ding was the managing director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) (a company listed on the Stock Exchange with stock code 199) from January 2003 to December 2003, an executive director of Capital Estate Limited (a company listed on the Stock Exchange with stock code 193) from July 2002 to November 2003 and an independent non-executive director of 21 Holdings

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## DIRECTORS AND SENIOR MANAGEMENT

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Limited (a company listed on the Stock Exchange with stock code 1003) from September 2011 to March 2014. He has been the chief executive officer and the executive director of Goldbond (a company listed on the Stock Exchange with stock code 172) since April 2010 and June 2005 respectively.

Save as above disclosed, Mr. Ding has not held any directorship in any public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. **WONG, Jacqueline Yue Yee** (黃悦怡), aged 29, was appointed as a Non-executive Director on June 23, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group.

Ms. Jacqueline Wong graduated from the University of Southern California in May 2007 with a bachelor degree of arts in political science. She has been an executive director of Wah Link Investments Limited which is principally engaged in property investment since April 2014. Ms. Jacqueline Wong's role in Wah Link Investments Limited involves acquiring, managing and maintaining residential and commercial real estate projects in Asia and in the United States.

Ms. Jacqueline Wong has not held any directorship in any public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

### Independent Non-executive Directors

Mr. **NIE Yong** (聶勇), aged 53, was appointed as an Independent Non-executive Director on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Nie has over 18 years of experience in audit and finance. He completed the associate degree programme in industrial accounting from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in July 1993 and a bachelor degree in monetary banking from Southwestern University of Finance and Economics in July 1998.

From November 1980 to January 1989, Mr. Nie was a soldier with the Wuhan Military. From August 1989 to August 2007, Mr. Nie worked for the Wuhan Office of the China National Audit Office (the "CNAO Wuhan Office") first as an officer and rose to the rank of senior officer in 1994. In December 1995, Mr. Nie was qualified as a statistician by the Middle-Level Qualification Committee of Statistic Profession of Hubei Province. During his service with the CNAO Wuhan Office, Mr. Nie had led and participated in auditing (which involved, among others, reviewing and analyzing the audited financial information and preparing audit reports) many state-owned entities and government departments. Mr. Nie has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. **DUAN Chang Feng** (段昌峰), aged 63, was appointed as an Independent Non-executive Director on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Duan has 20 years of experience in banking and finance industries. From December 1992 to July 2012, he worked for China Merchants Bank first as the deputy general manager of the administration department (head office) and later as the president of several branches and sub-branches. Mr. Duan has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. **ZOU Lin** (鄒林), aged 52, was appointed as an Independent Non-executive Director on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Ms. Zou is a qualified PRC lawyer. Ms. Zou obtained her master degree in civil law from China University of Political Science and Law in November 1999. She is also an arbitrator of Wuhan Arbitration Committee and a qualified tax agent. From October 1982 to June 1990, Ms. Zou worked for the Wuchang Branch of Wuhan Bureau of Public Security. From June 1990 to August 1994, Ms. Zou worked for the Department of Justice in Hubei Province. Since September 2000, Ms. Zou has been working in Hubei Pengzhan Law Office as a lawyer. Ms. Zou has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Save as disclosed above, there is no other information in respect of our Directors that is discloseable pursuant to Rules 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of our Shareholders.

### Senior Management

Mr. **CAI Hanming** (蔡漢明), aged 53, joined Rongzhong PRC on May 5, 2008 and was appointed as a director and general manager of Rongzhong PRC on November 10, 2009. He is mainly responsible for day-to-day management of Rongzhong PRC.

Mr. Cai has over 20 years of experience in finance and banking industries. Mr. Cai graduated from Hankou campus of Wuhan Teachers College in July 1983 majoring in physics; and obtained a bachelor degree in management engineering from Wuhan Vehicle Industrial University (now known as Wuhan University of Technology) in November 1999 and a master degree in management from Wuhan University of Technology in April 2001. Mr. Cai has also obtained the qualification of senior economist from Professional Title Reform Leading Group Office of Hubei Province in August 2005.

From July 1987 to March 2007, Mr. Cai worked for Bank of China (Hubei branch) and assumed senior management positions such as the head of corporate business department and manager of Qingshan sub-branch, mainly responsible for overseeing the business operations of the bank and credit management department. From April 2007 to March 2008, Mr. Cai worked as the business department's general manager for

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## DIRECTORS AND SENIOR MANAGEMENT

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Pudong Development Bank (Wuhan branch), mainly responsible for overseeing the business operations of the bank. Mr. Cai has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. **CUI Haiying** (崔海英), aged 40, joined Rongzhong PRC as the financial controller of Rongzhong PRC on October 27, 2014. She is mainly responsible for overseeing the financial matters of Rongzhong PRC.

Ms. Cui has over 10 years of experience in financial and accounting industry. She completed the associate degree program in economics and a bachelor degree in accounting from Zhongnan University of Economics and Law in June 1999 and December 2012, respectively. Ms. Cui is an associate member of the Chinese Institute of Certified Public Accountants and is also an Intermediate Accountant and a registered tax agent in the PRC.

Ms. Cui worked for Hubei Yonghe Certified Public Accountants Firm Ltd. as an audit project manager in the audit department from March 2003 to March 2007. She was the financial controller in the finance department of Wuhan Guoce Technology Development Ltd. from March 2007 to September 2007. Prior to joining our Group, Ms. Cui has been an associate director in the financial cost department of Celebrities Investment Group Co. Ltd. since October 2007.

Ms. Cui has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Ms. **NIE Liu** (聶柳), aged 30, joined Rongzhong PRC as a customer manager on July 7, 2009 and was promoted to the positions of deputy general manager and secretary of Rongzhong PRC on November 11, 2014. She is mainly responsible for overseeing the human resources, integrated management and administration functions of Rongzhong PRC.

Ms. Nie obtained a bachelor's degree in mass media from Huazhong University of Science and Technology in June 2007.

Ms. Nie has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

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## DIRECTORS AND SENIOR MANAGEMENT

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Mr. **YAO Feng** (姚峰), aged 41, joined Rongzhong PRC as a deputy general manager on May 18, 2010 and was appointed as the chief risk officer of Rongzhong PRC on November 1, 2015. He is mainly responsible for overseeing our risk management as well as supervising certain divisions of our sales development department and asset preservation.

Mr. Yao graduated from Central China Normal University in June 1995 majoring in economics management and in June 1997 majoring in computer technology and application. He obtained the qualification of senior operator from Hubei Labour and Social Security Department in August 2004.

From 1996 to 1997, he worked as an administrative management officer for Zhongxing Electric Appliances Factory and from 1998 to 1999 as a manager assistant for Wuhan Xinhongfeng Trading Co., Ltd.. Subsequently, he worked in the sales department of Zhangjiang Securities Co., Ltd. for two years. In 2002, he joined Rongzhong Group as a manager and in May 2010, he was made a deputy general manager of Rongzhong Group and Rongzhong PRC, which at that time was still an indirectly wholly-owned subsidiary of Rongzhong Group. Mr. Yao has been primarily responsible for managing certain divisions of the sales development department of Rongzhong PRC and assisting the chief risk officer with risk management since joining Rongzhong PRC. Mr. Yao has ceased to be a deputy general manager of Rongzhong Group since November 24, 2014.

Mr. Yao has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. **CAO Yi** (曹毅), aged 34, joined Rongzhong PRC on March 1, 2015 as a deputy general manager and the general manager of the aviation business department. He is primarily responsible for establishing and overseeing the aviation business department of our Group.

Mr. Cao obtained a commercial pilot (aeroplane) licence from the Civil Aviation Safety Authority Australia on October 23, 2003 and completed the Executive Master in Business Administration Programme Seminar with the Research Institute of Tsinghua University in Shenzhen on November 26, 2008. Mr. Cao also obtained a master degree in administrative management from Hubei University in June 2012.

Prior to joining our Group, Mr. Cao joined SF Airline as the head of the aircraft trading office from December 2006 to July 2013. From August 2013 to June 2014, Mr. Cao worked for Minsheng Financial Leasing Co., Ltd. as a senior vice president in the commercial flights business centre of the aviation finance leasing department. Mr. Cao has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.



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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPANY SECRETARY

Mr. **WONG Tsz Lun** (黃梓麟), aged 31, was appointed as the company secretary of our Company on October 19, 2015. Mr. Wong is also our financial controller and is primarily responsible for overseeing our Group's financial matters and company secretarial affairs.

Mr. Wong obtained a bachelor degree in accounting from La Trobe University of Melbourne in Australia in May 2006 and has been a member of the Hong Kong Institute of Certified Public Accountants since January 2011.

Mr. Wong has about eight years of experience in finance and accounting. Prior to joining our Group in October 2015, he worked for Deloitte Touche Tohmatsu from January 2007 to August 2014. Mr. Wong started as an associate in the audit department of Deloitte Touche Tohmatsu and rose to the role of senior in October 2008. He was further promoted to the role of manager in January 2013 and to the role of business development manager in December 2013. From September 2014 to October 2015, Mr. Wong was the financial controller of Dragonway Group Holdings Limited.

### MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since the principal business and operations of our Group are located in the PRC, members of our senior management are and will therefore be expected to continue to be based in the PRC. None of our Executive Directors are ordinarily based in Hong Kong. Our Company has applied to the Stock Exchange for a waiver from strict compliance with the requirement under Rule 8.12 of the Listing Rules. For details of the waiver, please see the paragraph headed "Waivers and Exemptions from Strict Compliance with the Listing Rules – Management Presence in Hong Kong".

### BOARD COMMITTEES

#### Audit Committee

We have established an audit committee pursuant to a resolution of our Directors passed on December 18, 2015 in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal controls.

The audit committee currently consists of two Non-executive Directors and three Independent Non-executive Directors. The members of the audit committee are currently Mr. Ding Chung Keung Vincent, Mr. Sun Changyu, Mr. Nie Yong, Mr. Duan Chang Feng and Ms. Zou Lin and the chairman is Mr. Nie Yong.

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## DIRECTORS AND SENIOR MANAGEMENT

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### **Remuneration Committee**

We have established a remuneration committee pursuant to a resolution of our Directors passed on December 18, 2015 in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the remuneration committee are to make recommendations to the Board on our Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

The remuneration committee currently consists of Mr. Nie Yong, Mr. Duan Chang Feng, Ms. Zou Lin, Mr. Ding Chung Keung Vincent and Mr. Sun Changyu. It is currently chaired by Mr. Duan Chang Feng, an Independent Non-executive Director.

### **Nomination Committee**

We have established a nomination committee pursuant to a resolution of our Directors passed on December 18, 2015 in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive officer.

The nomination committee currently consists of Mr. Xie Xiaoqing, Mr. Sun Changyu, Ms. Zou Lin, Mr. Nie Yong and Mr. Duan Chang Feng and is currently chaired by our chairman Mr. Xie Xiaoqing.

### **Risk Management Committee**

We have established a risk management committee pursuant to a resolution of our Directors passed on December 18, 2015 with written terms of reference to replace our existing risk management committee. The primary duties of the risk management committee are to formulate and monitor the implementation of our major risk management policies and systems, ensure necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks and conduct regular review on the risk management reports submitted by the senior management. It is also in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB100.0 million and other risk-related issues during our operations that may have a material impact on our business.

The risk management committee currently consists of Mr. Xie Xiaoqing, Mr. Li Fan, Mr. Nie Yong, Mr. Duan Chang Feng, Ms. Zou Lin and is currently chaired by Mr. Xie Xiaoqing. Mr. Yao Feng currently presides in the risk management committee as an observer responsible for presenting and providing advice to the committee members on the finance leasing projects but does not have any voting right in the committee.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

We have appointed Alliance Capital as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will provide advice to us when consulted by us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) if a transaction which might be a notifiable or connected transaction is contemplated, including share issue and share repurchase;
- (c) if we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) if the Stock Exchange makes an inquiry to us regarding unusual movements in the price or trading volume of our Shares.

The term of this appointment shall commence on the Listing Date and is expected to end on the date on which we distribute our annual report in respect of the financial results for the first full financial year commencing after the Listing Date.

### SHARE OPTION SCHEME

The Share Option Scheme was adopted pursuant to the written resolutions of the Shareholders of our Company passed on December 18, 2015. The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broad basis of participation, will enable us to reward our employees, our Directors and other selected participants for their contributions to us. This will be in accordance with Chapter 17 of the Listing Rules and other relevant rules and regulations. Further details of the Share Option Scheme are set out in the paragraph headed “Statutory and General Information – Share Option Scheme” in Appendix IV to this prospectus.

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## DIRECTORS AND SENIOR MANAGEMENT

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### REMUNERATION AND COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate remuneration (including fees, salaries, contributions to pensions schemes, expenses, allowances and performance-based or discretionary bonuses) paid to our Directors for the three years ended March 31, 2015 and the four months ended July 31, 2015 were approximately HK\$281,944.00, HK\$756,392.00, HK\$866,907.00 and HK\$693,611.00, respectively.

The aggregate remuneration (including fees, salaries, contributions to pensions schemes, expenses, allowances and performance based or discretionary bonuses) paid to our Company's five highest paid individuals for the three years ended March 31, 2015 and the four months ended July 31, 2015 were approximately HK\$1.3 million, HK\$1.5 million, HK\$2.6 million and HK\$1.1 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. Apart from the compensation paid to one of the five highest-paid individuals in December 2014 in the amount of RMB98,411.00, no compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended March 31, 2015 and the four months ended July 31, 2015 by any of the members of our Group to any of our Directors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors for the year ending March 31, 2016 to be approximately HK\$3.2 million.

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## SUBSTANTIAL SHAREHOLDERS

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So far as is known to our Directors, immediately following the completion of the Global Offering and the Capitalization Issue (but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Company:

Name	Nature of interest	Number of Shares or underlying Shares held as at the date of this prospectus	Approximate percentage of issued Shares as at the date of this prospectus <i>(Note 6)</i>	Number of Shares or underlying Shares held after the Global Offering and the Capitalization Issue	Approximate percentage of issued Shares immediately after the Global Offering and the Capitalization Issue <i>(Note 6)</i>
Perfect Honour	Beneficial owner	50,055	47.93%	143,805,903	35.95%
Goldbond <sup><i>(Note 1)</i></sup>	Interest in controlled corporation	50,055	47.93%	143,805,903	35.95%
Mr. Wong <sup><i>(Note 2)</i></sup>	Interest in controlled corporation	50,055	47.93%	143,805,903	35.95%
Mrs. Wong <sup><i>(Note 2)</i></sup>	Interest in controlled corporation	50,055	47.93%	143,805,903	35.95%
Ms. Jacqueline Wong <sup><i>(Notes 2 and 3)</i></sup>	Interest in controlled corporation	57,098	54.68%	164,040,145	41.01%

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## SUBSTANTIAL SHAREHOLDERS

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Name	Nature of interest	Number of Shares or underlying Shares held as at the date of this prospectus	Approximate percentage of issued Shares as at the date of this prospectus <i>(Note 6)</i>	Number of Shares or underlying Shares held after the Global Offering and the Capitalization Issue	Approximate percentage of issued Shares immediately after the Global Offering and the Capitalization Issue <i>(Note 6)</i>
Silver Creation	Beneficial owner	29,500	28.25%	84,752,255	21.19%
Hony Capital <sup><i>(Note 4)</i></sup>	Interest in controlled corporation	29,500	28.25%	84,752,255	21.19%
Hony Capital Fund 2008 GP, L.P. <sup><i>(Note 4)</i></sup>	Interest in controlled corporation	29,500	28.25%	84,752,255	21.19%
Hony Capital Fund 2008 GP Limited <sup><i>(Note 4)</i></sup>	Interest in controlled corporation	29,500	28.25%	84,752,255	21.19%
Hony Capital Management Limited <sup><i>(Note 4)</i></sup>	Interest in controlled corporation	29,500	28.25%	84,752,255	21.19%
Mr. John Huan Zhao <sup><i>(Note 4)</i></sup>	Interest in controlled corporation	29,500	28.25%	84,752,255	21.19%
Yong Hua	Beneficial owner	13,402	12.83%	38,503,380	9.62%
Mr. Xie <sup><i>(Note 5)</i></sup>	Interest in controlled corporation	17,824	17.07%	51,207,600	12.80%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

1. Perfect Honour is wholly-owned by Goldbond, which is deemed to be interested in all the Shares held by Perfect Honour under the SFO.
2. Approximately 30.99% of the total issued share capital of Goldbond (being 855,808,725 shares) is held by Allied Luck, the entire share capital of which is held by the Trust A. The Trust A is a discretionary trust with Mr. Wong and Mrs. Wong being the settlors and trustees and Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries.

Approximately 25.92% of the total issued share capital of Goldbond (being 715,846,792 shares) is held by Ace Solomon, which is owned as to 50.00% by Allied Golden and 50.00% by Aceyork. The entire share capital of Allied Golden and Aceyork are held by the Trust B. The Trust B is a discretionary trust with Ms. Michelle Wong and Ms. Jacqueline Wong being the settlors, Mr. Wong and Mrs. Wong being the trustees and Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries. Mr. Wong and Mrs. Wong have absolute discretion in exercising the voting rights attached to the Goldbond shares held by Allied Luck and Ace Solomon.

In light of the above, each of Mr. Wong, Mrs. Wong and Ms. Jacqueline Wong is deemed to be interested in all the Shares held by Perfect Honour under the SFO.

3. Plenty Boom and Legend Crown, both of which are wholly-owned by Ms. Jacqueline Wong, hold in aggregate approximately 5.06% (being 20,234,242 Shares) respectively of the total issued share capital of our Company immediately after the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued and allotted upon the exercise of the options that may be granted under the Share Option Scheme).

In light of the above, Ms. Jacqueline Wong is deemed under the SFO to be interested in all the Shares held by Plenty Boom and Legend Crown.

4. Silver Creation is wholly-owned by Hony Capital. Hony Capital is controlled by its sole general partner Hony Capital Fund 2008 GP, L.P., which in turn is controlled by its sole general partner, Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Capital Management Limited, which in turn is owned as to 20.00% by Legend Holdings Corporation (through its wholly-owned subsidiary, Right Lane Limited) and 80.00% by Mr. John Huan Zhao (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Corporation is ultimately owned as to 36.00% by the Chinese Academy of Sciences (whose interests in Legend Holdings Corporation are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.00% by 北京聯持志遠管理諮詢中心(有限合夥) (Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership), 20.00% by China Oceanwide Holdings Group Co. Ltd., 8.90% by 北京聯恒永信投資中心(有限合夥) (Beijing Lian Heng Yong Xin Investment Center Limited Partnership), 3.40% by Mr. Liu Chuanzhi (柳傳志), 2.40% by Mr. Zhu Linan (朱立南), 1.80% by Mr. Ning Min (寧旻), 1.50% by Mr. Huang Shaokang (黃少康), 1.00% by Mr. Chen Shaopeng (陳紹鵬) and 1.00% by Mr. Tang Xudong (唐旭東).

In light of the above, Hony Capital, Hony Capital Fund 2008 GP, L.P., Hony Capital Fund 2008 GP Limited, Hony Capital Management Limited and Mr. John Huan Zhao are deemed to be interested in all the Shares held by Silver Creation under the SFO.

5. Mr. Xie wholly-owns Yong Hua, Clifton Rise and Capital Grower, which hold in aggregate approximately 12.80% (being 51,207,600 Shares) respectively of the total issued share capital of our Company immediately after the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued and allotted upon the exercise of the options that may be granted under the Share Option Scheme). Mr. Xie is deemed to be interested in all the Shares held by Yong Hua, Clifton Rise and Capital Grower under the SFO.
6. The percentages of the shareholding are rounded up to two decimal places.

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## **SUBSTANTIAL SHAREHOLDERS**

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Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering and the Capitalization Issue, without taking into account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme, have an interest or a short position in any Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings and are therefore regarded as Substantial Shareholders under the Listing Rules.

For persons who will be directly and/or indirectly interested in 10.00% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at the general meeting of the Company immediately following the completion of the Global Offering, please refer to the paragraph headed “Statutory and General Information – Further Information about our Directors and Substantial Shareholders – 1. Disclosure of Interests” in Appendix IV to this prospectus.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.



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## SHARE CAPITAL

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The following is a description of our authorized and issued share capital in issue and to be issued as fully paid or credited as fully paid.

### Share Capital

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately following the Global Offering and the Capitalization Issue will be as follows:

<i>Authorized:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.01 each	100,000,000.00
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
104,422	Share in issue as at the date of this prospectus	1,044.22
299,895,578	Shares to be issued pursuant to the Capitalization Issue	2,998,955.78
100,000,000	Shares to be issued pursuant to the Global Offering	1,000,000.00
<u>400,000,000</u>	Shares	<u>4,000,000.00</u>

Assuming the Over-allotment Option is exercised in full, the share capital of our Company immediately following the Global Offering and the Capitalization Issue will be as follows:

<i>Authorized:</i>		<i>HK\$</i>
10,000,000,000	Shares of HK\$0.01 each	100,000,000.00
<i>Issued or to be issued, fully paid or credited as fully paid:</i>		
104,422	Share in issue as at the date of this prospectus	1,044.22
299,895,578	Shares to be issued pursuant to the Capitalization Issue	2,998,955.78
100,000,000	Shares to be issued pursuant to the Global Offering	1,000,000.00
15,000,000	Shares to be issued upon the exercise of the Over-allotment Option in full	150,000.00
<u>415,000,000</u>	Shares	<u>4,150,000.00</u>

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## SHARE CAPITAL

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### ASSUMPTIONS

The above table assumes that the Global Offering and the Capitalization Issue have become unconditional and does not take into account of any Shares (a) which may be allotted and issued pursuant to the exercise of the Over-allotment Option; (b) which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme or (c) which may be allotted and repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described in the paragraph headed “General Mandate to Issue Shares” and “General Mandate to Repurchase Shares” below.

### RANKING

The Shares, including the Shares to be issued pursuant to the exercise of the Over-allotment Option, will rank *pari passu* in all respects with all other Shares currently in issue or to be issued, and in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus other than the right to participate in the Capitalization Issue.

### CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholder passed on December 18, 2015 conditional on the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorized to capitalize an amount of HK\$2,998,955.78 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,895,578 Shares for allotment and issue to Shareholders whose names appear on the register of members of our Company at the close of business on January 26, 2016 in proportion (as nearly as possible without involving fractions) to their then respective existing shareholdings in our Company. All the new Shares to be issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the existing issued Shares.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme, the principal terms of which are summarized in the paragraph headed “Statutory and General Information – Share Option Scheme” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of the Shares allotted or agreed to be allotted by our Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles; or
- (c) a specific authority granted by our Shareholders in general meeting,

shall not exceed the aggregate of:

- (i) 20.00% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering and the Capitalization Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over Allotment Option or the options that may be granted under the Share Option Scheme); and
- (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire at the earliest of:

- (a) at the conclusion of our next annual general meeting;
- (b) at the end of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; and
- (c) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see the paragraph headed “Statutory and General Information – Further Information about our Company – 1. Written Resolutions of our Shareholders passed on December 18, 2015” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10.00% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalization Issue (but excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-Allotment Option or the options that may be granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and General Information – Share Repurchase Mandate” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (i) at the conclusion of our next annual general meeting;
- (ii) at the end of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting; and
- (iii) the passing of an ordinary resolution by our Shareholders in general meeting revoking or varying such mandate given to our Directors.

For further details of this general mandate, please see the paragraph headed “Statutory and General Information – Further Information about our Company – 1. Written Resolutions of our Shareholders passed on December 18, 2015” in Appendix IV to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis with our audited combined financial information, including the notes thereto, as at and for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015 included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and interpretations promulgated by the Hong Kong Institute of Certified Public Accountants. The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances.*

### OVERVIEW

We are a leading finance leasing company in Hubei Province with the longest operating history among Hubei-based finance leasing companies. We derive our revenues substantially from the interest income we collect from our finance leases.

Despite the recent slow-down of the PRC economy in general, we have been able to continue to increase our revenues. We anticipated this slow-down and made the strategic decision to focus on developing our existing customers and making improvements to our risk management capabilities. In 2014, we employed a prudent and conservative strategy and did not actively pursue the expansion of our customer base. Nevertheless, we did continue to sign new finance leases contracts, including renewal of leases with our existing customers. As a result, we were able to record growth in our finance lease receivable portfolio and recorded a small increase in revenues from the year ended March 31, 2014 to the year ended March 31, 2015. In the four months ended July 31, 2015, our increased scrutiny asset ratio increased from 9.5% as at March 31, 2015 to 11.2% as at July 31, 2015. Our finance lease receivable decreased principally as a result of our prudent and conservative strategy commenced in 2014. During the four month period ended July 31, 2015, we continued prudent policy and undertook only four new finance leases. The increase of our increased scrutiny ratio is partly due to the decrease of our finance lease receivable, our finance lease receivable decreased from HK\$1,938.2 million as at March 31, 2015 to HK\$1,821.3 million as at July 31, 2015. The increase in our scrutiny asset ratio is also partly due to short term liquidity problems faced by some of our customers which in turn were caused by multiple factors. These include (1) the tightened availability of bank financing which were otherwise available to some of our customers; (2) some of our customers' upstream customers, many of which are state owned enterprises, deferred settlement with them amidst a very stringent internal control requirements and (3) some of our customers voluntarily reduced their operation scales during the prolonged economic downturn. We believe the short term liquidity shortage our customers faced will be gradually relieved when the general

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## FINANCIAL INFORMATION

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economic environment of China improves. Currently, we believe these are common internal and external factors happening in the general economy and faced by many of our existing and potential customers. We keep closely monitoring the underlying credit quality of our customers and would consider to provide support, through extension of their existing leases to some of these customers with good credit records and strong fundamentals. We usually require increased collateral on extended leases and enforce more strict monitoring measures.

For the three years ended March 31, 2015 and the four months ended July 31, 2015, our revenues were HK\$181.8 million, HK\$220.4 million, HK\$226.9 million and HK\$81.2 million, respectively, and our profits were HK\$67.0 million, HK\$70.2 million, HK\$65.6 million and HK\$21.7 million, respectively. We believe that our decision to strategically slow down our pace of expansion and focus on existing customers and internal improvements were instrumental in mitigating this decline in profits for the year ended March 31, 2015. Our finance lease receivable were HK\$1,643.4 million, HK\$1,722.2 million, HK\$1,938.2 million and HK\$1,821.3 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively.

### **BASIS OF PRESENTATION**

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of our Group for the Track Record Period include the results and changes in equity and cash flows of all companies now comprising our Group, as if the current structure had been in existence throughout the Track Record Period, or since the respective dates of acquisition, incorporation or establishment where this is a shorter period. Our combined statements of financial position as at March 31, 2013, 2014, 2015 and July 31, 2015 have been prepared to present the state of affairs of our Group as if our current structure had been in existence at those dates or since the respective dates of acquisition, incorporation or establishment where an entity did not exist at those dates.

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## FINANCIAL INFORMATION

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### SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

#### China's economic environment

Our results of operations and financial condition are significantly affected by China's economic environment. China has experienced rapid economic growth over the past three decades largely as a result of the PRC government's extensive economic reforms, which have been focused on transforming China's centrally-planned economy into a more market-based economy. From 2010 to 2014, China's nominal GDP grew at a CAGR of 11.7%, and fixed asset investments increased at a CAGR of 18.84%, according to the National Bureau of Statistics of the PRC. The growth of China's economy has led to increased corporate activity and investment, which has benefited the business of financial leasing. In particular, SMEs have been a major driver of the economic growth in China. In 2013, SMEs contributed 60% of China's GDP, according to Euromonitor International. As SMEs are traditionally underserved by conventional banks and financial institutions, SMEs present growth opportunities for financial services companies in general, including companies such as ours. During times of favorable economic conditions, businesses that wish to expand look to companies such as ours to help finance and expand their businesses. Conditions in the PRC economic environment also impact rates of payment delinquency, default rates and the values of assets underlying leases.

Notwithstanding the continued overall growth of China's economy, there was a slowdown in the overall growth rates in 2013 which has continued through 2014. As a result of this extended period of depressed economic growth, many SMEs (including our customers) have been significantly affected due to tightened policies associated with bank financing alongside their own challenges arising from a decrease in revenues and overall profitability as well as a general lack of liquidity to repay debts and other obligations.

#### Industry

Our customers have been engaged in a number of industries, including but not limited to, laser processing, plastics, industrial processing, textile and garment and hotel and leisure. For the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, our revenue relating to these five industries accounted for 81.3%, 84.0%, 86.2% and 85.2% of our total revenue (before sales related tax), respectively. Certain parts of our business are sensitive to the business cycles of these industries. Any development in the these industries or any one of the other target industries we focus on may impact rates of payment delinquency and default rates and affect the values of our leases receivable. Any significant development in any of the target industries we serve may also impact the demand of companies in such industry for our services. As a result, our ability to generate new business in any affected industry and our growth prospects in general could be impacted.

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### **Government regulations and policies**

Major parts of the PRC financial services industry are principally regulated by MOFCOM, and/or the China Banking Regulatory Commission, depending on business scope and whether an entity is foreign-invested, among other factors. We are primarily regulated by MOFCOM as we have been approved by MOFCOM as a “foreign-invested financial leasing company”. Our business and results of operations could be materially affected by changes in the policies, laws and regulations relating to the PRC financial services industry, including the extent and scope to which we can engage in certain businesses or activities. In particular, MOFCOM has promulgated the Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法) (the “Measures”) on February 3, 2005 to regulate the operation of foreign-invested leasing businesses and financial leasing businesses. Under the Measures, we are allowed to engage in the financial leasing business, the purchase of assets relating to our leases in and outside China, the repair, maintenance and disposal of assets underlying our leases, lease-related consulting, the provision of guarantees and other commercial activities as approved by MOFCOM. Any changes in such policies or new policies in general by the PRC government may cause us to adjust or change our business practices or our business model in general, which may impact our business and results of operations. In addition, changes in policies or any new policies that are particular to any of the target industries we serve may also impact the economic or operating environment of our customers, and as a result affect our business and results of operations.

The Measures also require that the risky assets of a foreign-invested financial leasing company, which are determined by the total amount of residual assets after deducting cash, bank deposits, PRC treasury securities and entrusted leased assets from the total assets of the enterprise, shall generally not exceed ten times the company’s net assets. Any subsequent development, such as more stringent governmental supervision, controls and policies regarding the composition of risky assets in our asset portfolio, may also affect our business and results of operations.

### **Interest rate environment**

Our results of operations depend to a great extent on our net interest income from our finance leasing business, which is our interest income minus our interest expense. The interest rate we charge our customers is an important factor that influences our revenues. The interest rate charged to a customer is primarily dependent upon the risk profile of the customer, the value of the assets underlying the lease over time and the characteristics of the customer’s industry.



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In addition, our net interest income is impacted by our interest expense, which is primarily determined by market interest rates. Our interest expense is largely determined by the interest rates that we are charged for our interest-bearing bank borrowings, which are sensitive to many factors over which we have no control, including the regulatory framework of the banking and financial sectors in the PRC and domestic and international economic and political conditions. In recent years, as part of the overall reform of the banking system, the People's Bank of China has implemented a series of initiatives designed to gradually liberalize interest rates and move towards a more market-based interest rate regime. Currently, RMB-denominated loans which are loaned by commercial banks are subject to minimum rates based on the PBOC benchmark interest rates, but generally are not subject to any maximum rates. Adjustments to PBOC benchmark interest rates have impacted the average market interest rates for loans. The interest rates charged for most of our bank borrowings are set on a floating basis based on PBOC benchmark interest rates, and are generally adjusted at each subsequent payment date as necessary should PBOC benchmark interest rates fluctuate.

Moreover, our net interest income is also impacted by whether we can adjust the interest rates we charge our customers in response to fluctuations in interest rates for our interest-bearing bank borrowings to maintain our net interest spread and our net interest margin. Our ability to correspondingly adjust the interest rates of our lease contracts in a timely manner, or at all, affects our net interest spread and net interest margin, and as a result, impacts our profitability and our results of operations. The PRC Contract Law includes a general mandate that the interest rate charged to a customer under a financial leasing contract shall take into account the purchase cost of the property or asset underlying a lease contract and should allow for a reasonable profit margin for the lessor, except as otherwise agreed upon by the contracting parties. Having said this, our practice to adjust interest rates charged to customers with reference to PBOC benchmark interest rates fully complies with PRC Contract Law. Furthermore, there are no regulatory restrictions relating to the leasing interest rates charged by us to our customers under relevant PRC laws, regulations and rules.

### **Access to funding**

One of the major factors in determining the success of our efforts to expand our operations is whether we can sustain and expand our access to funding. As our products and services depend upon financing and access to cash, any expansion of our business will need to be supported with additional funding from various sources. Our total interest-earning assets, which are finance lease receivable, were HK\$1,643.4 million, HK\$1,722.2 million, HK\$1,938.2 million and HK\$1,821.3 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively, while our borrowings were HK\$1,020.8 million, HK\$894.2 million, HK\$1,008.3 million and HK\$965.6 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. We have been able to maintain our levels of borrowing in step with the expansion of our business. The Global Offering presents a source of funding for us. We will leverage the opening up of China's financial markets to explore further financing options where suitable opportunities arise and

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under appropriate market conditions. Our ability to continue to access additional funding may be influenced by factors affecting the PRC and global credit environment over which we have no control, including the cyclical nature of the credit supply and any changes in policies or regulations or new policies and regulations that impact these funding sources. Any developments such as these that impact our ability to sustain our funding or to expand our business would impact our business and profitability.

### **Asset quality and provisioning policy**

The quality of our assets is affected by the industries and the customers we select. We believe that our careful selection and vetting process in choosing our customers help to minimize our credit risk and ensure our asset quality. We characterize all our finance leases that are overdue as scrutiny assets. There are two levels of scrutiny. Those finance lease receivable are overdue 90 days and less we characterize as Normal Scrutiny Assets. Those finance lease receivable that are overdue more than 90 days we characterize as Increased Scrutiny Assets. We monitor our Increased Scrutiny Assets closely and dispose of the assets underlying a lease and record a write-off if we determine there is little likelihood of continued payment. Our increased scrutiny asset ratios (which is defined as the percentage of Increased Scrutiny Assets to our finance lease receivable) were 0%, 0.9%, 9.5% and 11.2% while our Increased Scrutiny Assets were HK\$0 million, HK\$15.9 million, HK\$183.8 million, and HK\$204.5 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. The increase in our Increased Scrutiny Assets is mainly due to slowdown in economic growth of the PRC in 2013, continued slowdown in economic growth in 2014. As a result of this period of economic slowdown, many SMEs (including our customers) have been significantly affected due to tightened policies associated with financing from banks alongside their own challenges arising from a decrease in revenues and overall profitability as well as a general lack of liquidity to repay debts and other obligations. Furthermore, as our financial year end (March 31) is typically a day close to the Chinese Lunar New Year, many of our customers have lower levels of liquidity at year end because substantially all work stops, bonuses are paid and operating expenses are allocated close to the Chinese Lunar New Year. After the Chinese Lunar New Year, many enterprises will have the ability to repay debts again. As at November 30, 2015 we have recovered approximately 65.9% and 32.6% of our Actual Overdue Receivable as at March 31, 2015 and July 31, 2015, respectively. The increase of our increased scrutiny ratio is partly due to the decrease of our finance lease receivable. Our finance lease receivable decreased principally as a result of our prudent and conservative strategy commenced in 2014. During the four month period ended July 31, 2015, we continued our prudent policy and undertook only four new finance leases. The increase in our scrutiny asset ratio in the four months ended July 31, 2015 is primarily also partly due to short term liquidity problems faced by some of our customers which in turn were caused by multiple factors. These include (1) the tightened availability of bank financing which were otherwise available to some of our customers; (2) some of our customers' upstream customers, many of which are state owned enterprises, deferred settlement with them amidst a very stringent internal control requirements and (3) some of our customers voluntarily reduced their operation scales

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during the prolonged economic downturn. The amount of our Increased Scrutiny Assets may fluctuate in the future due to substantial growth in our leases receivable portfolio during the Track Record Period and/or deterioration in the quality of our leases receivable portfolio. Factors which are not under our control, such as macroeconomic developments which affect the business and operating environment of our customers, may affect the level of Increased Scrutiny Assets in our current portfolio of leases receivable or the level of new leases receivable that become Increased Scrutiny Assets in the future.

We prepare our financial statements in accordance with HKFRS and assess our provisions based on finance lease receivable that have become overdue on an individual basis and assess our provisions on finance lease receivable that have not been individually impaired on a collective basis. Based on such assessments, we set aside provisions for impairment losses for assets which are finance lease receivable. The amount of these provisions is determined on the basis of our internal provisioning procedures and guidelines upon consideration of factors such as the nature and characteristics of our industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies and the value of the assets underlying the leases and the value of the collateral or guarantees. Our provisioning policies for financial assets comply with Hong Kong Accounting Standard 39. According to Hong Kong Accounting Standard 39 Paragraph 64: "An entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If an entity determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment".

Our provisions may prove to be inadequate if unanticipated changes occur in the PRC economy or other economies in which we operate or if other events affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for our leases receivable, which could significantly impact our profitability, financial condition, results of operations and growth prospects.

As at March 31, 2013, 2014, 2015 and July 31, 2015, accumulated provision for finance lease receivable were nil, HK\$20.9 million, HK\$35.6 million and HK\$38.0 million, respectively. As discussed above, our Normal Scrutiny Assets were HK\$164.2 million, HK\$59.9 million, HK\$200.6 million and HK\$46.2 million as at March 31, 2013, 2014, 2015 and July 31, 2015 and our Increased Scrutiny Assets were HK\$0 million, HK\$15.9 million, HK\$183.8 million and HK\$204.5 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. Even though our level of Increased Scrutiny Assets increased over the Track Record Period, we recorded a lower level of impairment loss on finance lease receivable as at July 31, 2015 when compared with the level as at July 31,

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2014 primarily as a result of our ability to obtain additional assurances from our customers in the form of increased collateral, guarantees and other credit enhancements. As at November 30, 2015, we managed to recover a total of 65.9% and 32.6% of Actual Overdue Receivable as at March 31, 2015 and July 31, 2015, respectively. In our overdue lease recovery experience, it is more efficient and practical if we can work out a new repayment plan with these overdue customers rather than simply disposing the seized assets or demanding immediate accelerated repayment. Therefore, based on our credit assessment and internal approval procedures, we may make extensions to some of the overdue customers. We also take into account factors such as our relationship with the relevant customer in the past, the business prospects of the relevant customer, its ability to continue servicing debts. In some cases, we may use legal proceedings to put pressure on them. These recovery methods may take longer time to be effective. However, we are confident that we will be able to recover substantially all of our Normal Scrutiny Assets and Increased Scrutiny Assets in the future.

### **Competitive landscape in the PRC financial services industry**

After China's entry into the World Trade Organization in 2001, the PRC leasing industry entered a phase of rapid development which witnessed increases in both foreign and domestic investors entering the market. In order to fulfill its commitment to the World Trade Organization, MOFCOM has implemented various policies which have been supported by new laws and regulations to develop the finance leasing industry and encourage investment.

Based on the report issued by our independent market research consultant, Euromonitor, as at December 31, 2014, there were 1,350 financial leasing entities in active operations in China and 21 finance leasing entities registered in Hubei Province. Our competitors include non-bank financial services providers, in particular bank-affiliated leasing companies, captive leasing companies and independent leasing companies which operate either on a similar or larger scale than our Group. Bank-affiliated leasing companies typically focus on big ticket leasing and have a customer base built largely on the bank's network. Captive leasing companies typically focus on supporting their companies' equipment sales and plan their business expansion in line with the demands of these equipment sales. Independent leasing companies, such as our Company, utilize diversified capital sources and provide services to a broader customer base with relatively greater flexibility and independence.

Increased competition affects the pricing of our leases to our customers, as well as the pricing of and the income from our advisory services. At the same time, the financial leasing industry has high barriers to entry, which include operational qualifications that are difficult to obtain, high initial start-up capital and costs and the need for strong and sustainable capital funding capabilities, professional and industry-specific risk management expertise and sales and marketing expertise.

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### **Replacing Business Tax with Value-Added Tax (“VAT”)**

On January 1, 2012, China commenced a VAT pilot program for the transportation and modern services industries, replacing business tax. The pilot program is progressively expanding throughout mainland China during the second half of 2012, before subsequent expansion to other service industries from 2013. Commencing from 2013, the VAT reforms are expected to apply to more sectors including financial services, insurance, real estate and construction, thereby fulfilling the Government’s objective of replacing business tax entirely with VAT. As a result of this tax regime change, our applicable tax rate increased from 5% to 17%. In the year ended March 31, 2014, we received a one-time non-recurring tax refund in the amount of HK\$7.8 million as government subsidiary for this increase of tax rate. Though we do not expect to receive this type of tax-refund from the government in the future, we believe this tax regime change will not have substantial impact on our business operation and financial performance in the future. First, we can deduct the money we spend on asset purchase and our operation expenses, as shown in our VAT receipts, from our taxable base. Second, we can transfer the tax burden to our customers by increasing the interest rates charged on our customers under finance lease agreements. Our customers usually have no objection to such increase because they can also apply the deductions mentioned above from their taxable bases. On the other hand, we believe we will benefit from this tax regime change because it will eliminate financial leasing companies that do not comply with the relevant laws and regulations. We will also benefit from this tax regime change because it will help sort out the potential finance lease customers that run their business operations in compliance with tax laws and regulations. The increase of our revenue in the financial year ended March 31, 2015 and the four months ended July 31, 2015 also prove that the change from business tax to VAT did not have substantial impact on us.

### **CRITICAL ACCOUNTING POLICIES**

We have identified certain accounting policies which are significant to the preparation of the financial information set forth in this prospectus. Note 3 in the Accountants’ Report in Appendix I to this prospectus includes a summary of the principal accounting policies used in the preparation of our combined financial information. The determination of these accounting policies is fundamental to our financial condition and operating results, and requires us to make significant judgements and estimation, further information on which is set forth in the paragraphs under “Significant Accounting Judgements and Estimates” below.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of sales related taxes.

Financial leasing service income mainly consists of finance lease income and is recognized over the period of lease.

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Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to us and the amount of revenue can be measured reliably.

### **Impairment**

At the end of the reporting period, we review the carrying amounts of our tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as an income immediately.

### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### ***Our Group as lessor***

Amounts due from lessees under finance leases are recorded as receivables at the amount of our net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on our Group's net investment outstanding in respect of the leases.

#### ***Our Group as lessee***

Operating leases payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

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The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation as reported in the combined statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. Our Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which we expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss.

### **Financial instruments**

Financial assets and financial liabilities are recognized in the combined financial statements when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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### ***Financial assets***

Our financial assets are all classified as loans and receivables.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan to a related company, finance lease receivable, other receivables, amount due from a related company, security deposits, short term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis.

### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by an entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of our Group after deducting all of its liabilities. Equity instruments issued by our Group are recognized at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

Our Group's financial liabilities include amount due to a related company, other payables, deposits from finance lease customers and bank borrowings. These are subsequently measured at amortised cost, using the effective interest method.



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### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

### ***Derecognition***

We derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

We derecognize financial liabilities when, and only when, our Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

## **SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of our financial statements requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at each balance sheet date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### **Classification and accounting treatment for our finance leases**

In the accounting policies we use, the classification of leases is based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Risks include the possibilities of losses from idle capacity or technological obsolescence and of variations in return because of changing economic conditions. Rewards may be represented by the expectation of profitable operation over the asset's economic life and of gain from appreciation in value or realization of a residual value.

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A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. In our business operation, we met the following criteria that individually or in combination would normally lead to a lease being classified as a finance lease:

- (a) the lessor transfers ownership of the asset to the lessee by the end of the lease term;
- (b) the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- (c) the lease term is for the major part of the economic life of the asset even if title is not transferred;
- (d) at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; or
- (e) the leased assets are of such a specialized nature that only the lessee can use them without major modifications.

Since our leases meet the above criteria, they are classified as finance leases. The following accounting treatments apply to our finance leases.

### ***Lessor***

When entering into a finance lease, the leased asset should be recognized as a receivable at an amount equal to the net investment in finance leases for lessors. Net investment in the lease refers to the gross investment in the lease discounted at the interest rate implicit in the lease. Gross investment in the lease is the aggregate of: (a) the minimum lease payments receivable by the lessor under a finance lease, and (b) any unguaranteed residual value accruing to the lessor.

### ***Lessee***

At the start of the lease, the lessee should recognize leased assets as assets and recognize a finance leases payable as liability at the same time at amounts equal to the lower of the fair value and the present value of the minimum lease payments of the leased asset, determined at the inception of the lease. Minimum lease payments are defined as the payments made by the lessee over the lease term that:

- exclude contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor;

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- include, for the lessee, any amounts guaranteed by the lessee or by a party related to the lessee, or for the lessor, any residual value guaranteed to the lessor.

### **Impairment of financial assets**

Financial assets, including finance lease receivable, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Individual impairment allowances are assessed on a case by case basis by a discounted cash flow method for finance lease receivable that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Factors to consider when determining discounted cash flow include:

1. The valuation of the leased assets, which are estimated by our Risk Management Department for finance lease receivable which is overdue for less than three months or by independent asset appraiser for finance lease receivable which is overdue for more than three months in general;
2. The nature and degree of protection provided by the value of any additional collateral;
3. Discounted interest rate, which is the effective interest rate inherent in the original finance lease agreement;
4. The prospects for support from any financially responsible or independent guarantors; and
5. Management's estimate of subsequent settlement schedule based on reasonable assumptions.

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For certain categories of financial asset, such as finance lease receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include our past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

We determine a collective impairment allowance by assessing the amount relating to leases receivables that are either past due but not individually impaired, or neither past due nor impaired, but for which there is, on a portfolio basis, a loss amount that is probable of having occurred and is reasonably estimable.

The collective impairment allowance is determined having taken into account:

1. Historical loss experience;
2. The level of individual impairment allowances compared to total finance lease receivable; and
3. Management's judgment as to whether current economic and credit conditions are such that the actual level of inherent losses is likely to be greater or less than that suggested by historical experience.

The collective impairment allowance may increase if the aggregate amount of "past due but not individually impaired" and "neither past due nor impaired" increases.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

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### Estimated impairment of finance lease receivable

When there is objective evidence of impairment loss, we take into consideration an estimation of future cash flows (including the value of the deposits, collateral and other security associated with such finance lease). The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

### COMBINED INCOME STATEMENT

The following table sets forth, for the periods indicated, our combined results of operations. All the ratios calculated in this prospectus are calculated with number rounded up to single digit.

	Year ended March 31,				Four months ended			
	2013		2014		2015	July 31,		2015
	HK\$	percentage change %	HK\$	percentage change %	HK\$	2014 (unaudited) HK\$	2015 HK\$	percentage change %
<b>Revenue</b>	181,817,521	21.2	220,376,318	3.0	226,942,893	70,915,433	81,228,525	14.5
Other income	5,385,360	139.4	12,893,702	(54.9)	5,816,853	2,116,319	1,196,519	(43.5)
Net exchange loss	-	-	(36,014)	(100)	-	-	-	-
Staff costs	(2,405,590)	22.7	(2,950,621)	53.8	(4,539,010)	(1,226,815)	(2,820,412)	129.9
Impairment losses on finance lease receivable	-	-	(20,935,766)	(29.9)	(14,667,475)	(3,935,670)	(2,403,562)	(38.9)
Other operating expenses	(9,971,902)	46.4	(14,596,769)	13.4	(16,554,529)	(2,932,419)	(12,430,888)	323.9
Finance costs	(85,561,888)	17.2	(100,250,047)	5.0	(105,234,898)	(32,591,897)	(33,510,488)	2.8
<b>Profit before taxation</b>	89,263,501	5.9	94,500,803	(2.9)	91,763,834	32,344,951	31,259,694	(3.4)
Taxation	(22,221,342)	9.1	(24,252,940)	8.0	(26,200,670)	(8,415,312)	(9,605,477)	14.1
<b>Profit for the year/period</b>	<u>67,042,159</u>	4.8	<u>70,247,863</u>	(6.7)	<u>65,563,164</u>	<u>23,929,639</u>	<u>21,654,217</u>	(9.5)

## FINANCIAL INFORMATION

### DESCRIPTION OF LINE ITEMS IN THE COMBINED INCOME STATEMENT

#### Revenue

We have one principal business segment: leasing. Our leasing and advisory business generates two types of income, interest income and advisory income. Since our advisory services are provided in conjunction with our leasing business, we record both incomes under one single item in our financial statements. Interest income consists entirely of income from finance leasing, which includes direct finance leasing and sale-leaseback transactions. Lease contracts are generally priced at a market interest rate, determined with reference to and usually higher than prevailing interest rates for commercial lending. The interest rates we charge our customers for most of our lease contracts are adjusted based on the fluctuations of the PBOC benchmark interest rates. Fee income relates to income primarily from our advisory services. Our advisory services are not capital intensive. On the other hand, our finance leasing business is capital intensive, and is supported by the stability of our funding and the breadth of our funding sources as evidenced by the balanced growth of our assets and liabilities.

The following tables set forth the contribution of each industry category to our total revenue (before sales related taxes), the average and range of finance lease receivable and the number of clients and cases of each industry category for the years indicated:

	Year ended March 31,						Four months ended July 31,			
	2013		2014		2015		2014		2015	
	HK\$	%	HK\$	%	HK\$	%	<i>(unaudited)</i>		HK\$	%
Laser processing	26,921,168	14.1	13,248,752	5.6	9,367,648	3.9	2,844,065	3.8	2,445,966	2.7
Plastics	17,894,745	9.4	32,587,376	13.8	24,894,785	10.3	9,169,226	12.1	8,438,158	9.2
Industrial processing	49,994,169	26.2	91,571,288	38.8	99,793,066	41.5	31,174,503	41.3	39,898,320	43.7
Textile and garment	18,377,304	9.6	18,501,670	7.8	10,567,911	4.4	4,684,166	6.2	2,567,502	2.8
Hotel and leisure	41,932,224	22.0	42,444,132	18.0	62,843,074	26.1	16,102,574	21.3	24,542,698	26.8
Others	35,527,985	18.7	37,829,389	16.0	33,226,509	13.8	11,541,907	15.3	13,439,157	14.8
<b>Sub-total</b>	<u>190,647,595</u>	100.0	<u>236,182,607</u>	100.0	<u>240,692,993</u>	100.0	<u>75,516,441</u>	100.0	<u>91,331,801</u>	100.0
Sales related taxes	<u>(8,830,074)</u>		<u>(15,806,289)</u>		<u>(13,750,100)</u>		<u>(4,601,008)</u>		<u>(10,103,276)</u>	
Revenue after sales related tax	<u>181,817,521</u>		<u>220,376,318</u>		<u>226,942,893</u>		<u>70,915,433</u>		<u>81,228,525</u>	

## FINANCIAL INFORMATION

### Range of the finance lease receivable (before impairment allowance)

	2013		As at March 31,				2015		As at July 31,	
	HK\$		2014		2015		2015		HK\$	
Laser processing	52,878	to 13,863,980	112,547	to 12,057,731	63,057	to 12,113,755	220,286	to 9,437,879		
Plastics	3,195,373	to 28,197,298	1,375,404	to 45,629,796	1,395,791	to 50,614,452	7,670,886	to 52,005,220		
Industrial processing	2,198,843	to 161,688,614	640,675	to 165,781,997	2,498,992	to 170,724,402	1,251,653	to 259,099,638		
Textile and garment	3,142,947	to 31,414,698	2,804,310	to 30,410,981	1,926,076	to 23,294,805	1,293,165	to 24,042,878		
Hotel <sup>(1)</sup> and leisure	24,691,358	to 98,765,432	25,316,456	to 101,265,823	25,316,456	to 132,363,514	128,118,143	to 140,885,711		
Others	2,956,527	to 42,792,038	1,713,103	to 31,306,467	2,178,489	to 63,706,610	1,766,413	to 26,621,177		

### Average finance lease receivable (before impairment allowance)

	As at March 31,		As at July 31,	
	2013	2014	2015	2015
	HK\$	HK\$	HK\$	HK\$
Laser processing	2,112,773	2,354,670	2,564,250	2,325,925
Plastics	15,747,178	18,431,213	16,982,567	18,413,954
Industrial processing	19,282,521	16,739,007	23,223,221	25,656,400
Textile and garment	14,932,282	15,391,928	10,294,674	10,074,606
Hotel <sup>(1)</sup> and leisure	61,728,395	63,291,139	86,315,264	134,501,927
Others	15,536,013	12,684,028	13,649,590	11,508,771

Note:

- (1) Figures in the table is for single customer. Finance lease receivable for single customers are the amount under the lease agreements with such single customer as at the end of every financial year or period.

	Number of customer				Number of cases			
	As at March 31,		As at July 31,		As at March 31,		As at July 31,	
	2013	2014	2015	2015	2013	2014	2015	2015
Laser processing	63	37	27	21	73	39	30	23
Plastics	8	9	8	7	10	15	15	13
Industrial processing	29	35	33	31	34	44	40	37
Textile and garment	9	9	5	5	11	11	7	6
Hotel and leisure	1	1	2	2	2	2	3	2
Others	21	23	23	20	25	27	28	25
<b>Total</b>	<b>131</b>	<b>114</b>	<b>98</b>	<b>86</b>	<b>155</b>	<b>138</b>	<b>123</b>	<b>106</b>

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## FINANCIAL INFORMATION

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Revenues from the laser processing industry declined in both value and percentage terms over the Track Record Period. This decline was primarily due to our customers completing their upgrades to the newest generation of laser processing equipment. As a result, demand for this type of equipment decreased during the Track Record Period. We expect that there will be new demand in the laser processing industry once the next generation of equipment is developed and our customers return for financing.

Revenues from the plastics industry increased in the year ended March 31, 2014 primarily as a result of the completion of a number of our plastics industry finance leases. Many of these leases were structured for larger lease payments toward the latter part of the lease term, which primarily explains the increase in revenues in the year ended March 31, 2014 compared to the year ended March 31, 2013. The decrease in revenues from the plastics industry in the four months ended July 31, 2015 compared to the four months ended July 31, 2014 was primarily due to the completion of a number of our plastics industry finance leases in the four months ended July 31, 2014. We expect revenue from the plastics industry will remain stable in the future.

Revenues from the industrial processing industry remains and continues to be our largest revenue contributor. Our industrial processing customers primarily include those engaged in ship building, auto parts, aluminium products and heavy machinery. The significant increase in revenues derived from the industrial processing industry between the year ended March 31, 2013 and March 31, 2014 was primarily due to securing new customers whose finance leases were significantly larger. We were also able to charge higher interest rates on those finance leases. We intend to continue our efforts to secure customers and extend finance leases into this industry.

Revenues from the textile and garment industry declined between the year ended March 31, 2014 and the four months ended July 31, 2015. This was primarily due to our increased selectiveness of only those customers with advanced technologies and high quality products whom we believed would be more competitive than other textile and garment industry participants. We expect the revenues contributed by this industry to decrease in the future.

Revenues from the hotel and leisure industry derive from two customers. They were two of our largest customers for the year ended March 31, 2015. Our hotel industry customer contributed 22.0%, 18.0%, 18.4% and 17.5% of our total revenues for the years ended March 31, 2013, 2014, 2015 and four months ended July 31, 2015, respectively. Our leisure industry customer contributed 7.7% and 9.3% of our total revenues for the year ended March 31, 2015. See “Risk Factors – Risks Related to Our Business – Our high customer concentration may subject us to fluctuations or declines in revenue”.

Others included customers engaged in the manufacturing and production equipment for machinery, electricity/power, auto parts, agricultural products as well as variety of other industries.



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## FINANCIAL INFORMATION

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### **Other income**

Other income includes interest income from a loan to Rongzhong Group, government subsidies and bank interest income. Interest income from a loan to the Rongzhong Group was HK\$5.2 million, HK\$4.9 million, HK\$5.6 million and HK\$1.2 million for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015, respectively. Interest income from a loan to Rongzhong Group was from a revolving loan facility and provision of guarantee agreement with Rongzhong Group. Other income in the year ended March 31, 2014 also included a non-recurring government one-time refund in the amount of HK\$7.8 million received unconditionally by one of our subsidiaries from the local government. This refund was to offset the replacement of the business tax with a value added tax. We received bank interest income of HK\$0.2 million, HK\$0.2 million, HK\$0.2 million and HK\$0.04 million for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, respectively.

### **Staff costs**

Staff costs include primarily employee salaries and costs associated with employee retirement plans. Our staff costs increased over the Track Record Period as we continued to increase the number of headcount. Staff costs increased significantly between the year ended March 31, 2014 and the year ended March 31, 2015 due to the hiring of several key members of our risk management team as part of our strategy to focus our developing existing clients and enhance our risk management abilities and we added several members of our business development team. As at March 31, 2015 and July 31, 2015, we had 36 and 41 full time employees, respectively. We recognized staff costs of HK\$2.4 million, HK\$3.0 million, HK\$4.5 million and HK\$2.8 million for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015, respectively, representing 1.3%, 1.3%, 2.0% and 3.5% of our total revenue for the corresponding period.

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

We recognized an impairment loss of HK\$20.9 million on our finance lease receivable for the year ended March 31, 2014, HK\$14.7 million for the year ended March 31, 2015 and HK\$2.4 million for the four months ended July 31, 2015. We recognized impairment losses in between March 31, 2013 and July 31, 2015 primarily due to our enhanced risk management measures and more strict enforcement of our provisioning policy during a prolonged economic downturn which decreased the quality of some of our finance lease receivable.

### **Other operating expenses**

Other operating expenses include primarily listing expenses, legal and professional fees, rental expenses, consultancy fees and management expenses.

## FINANCIAL INFORMATION

### Finance costs

Finance costs consist of interest on borrowings wholly repayable within five years, imputed interest expense on interest-free deposits from finance lease customers and a guarantee fee paid to a related company. Our borrowings are typically linked to our finance leases. Our finance leases are generally repayable within three years. As a result, substantially all of our borrowings are generally within three years.

Finance costs also includes imputed interest expense on interest-free deposits from finance lease customers. This amount is calculated using the effective interest method. See “Appendix 1 – Accountants’ Report – 3. Significant Accounting Policies”.

### Taxation

#### *PRC Enterprise Income Tax*

The PRC enterprise income tax rate applicable to Rongzhong PRC is 25%. During the Track Record Period, Rongzhong PRC was not entitled to any special tax treatment.

### NET INTEREST MARGIN

	Year ended March 31,			Four months
	2013	2014	2015	ended July 31,
	(HK\$)			2015
Interest income <sup>(1)</sup>	181,817,521	220,376,318	226,942,893	81,228,525
Interest expense <sup>(2)</sup>	85,561,888	100,250,047	105,234,898	33,510,488
Net interest income	96,255,633	120,126,271	121,707,995	47,718,037
Interest income yield <sup>(3)(7)</sup>	12.7%	13.1%	12.4%	13.0%
Interest expense yield <sup>(4)(7)</sup>	9.4%	10.5%	11.1%	10.2%
Net Interest spread <sup>(5)(7)</sup>	3.3%	2.6%	1.3%	2.8%
Net Interest margin <sup>(6)(7)</sup>	6.7%	7.1%	6.6%	7.6%

*Notes:*

- (1) Interest income is revenue from our finance leasing business.
- (2) Interest expense is the finance cost of our finance leasing business.
- (3) Calculated by dividing interest income by the average total balance of interest-earning assets (2013: HK\$1,429,440,290; 2014: HK\$1,682,832,594; March 31, 2015: HK\$1,830,215,860; July 31, 2015: HK\$1,879,758,533).
- (4) Calculated by dividing interest expense by the average total balance of our interest-bearing liabilities (2013: HK\$908,609,828; 2014: HK\$957,514,948; March 31, 2015: HK\$951,242,500; July 31, 2015: HK\$986,937,975).
- (5) Calculated as the difference between the interest income yield and the interest expense yield.
- (6) Calculated by dividing net interest income by the average balance of total interest-earning assets.

## FINANCIAL INFORMATION

- (7) For illustration, annualised figure for each of the interest income yield, interest expenses yield, net interest spread, net interest margin for the four months ended July 31, 2015 as illustrated in the table above is calculated by the actual ratio multiplying three and may not represent the ratio for the twelve months ending March 31, 2016, and is incomparable to that for the year ended March 31, 2013, 2014 and 2015.

Our net interest spread decreased to 1.3% in the year ended March 31, 2015 from 2.6% in the year ended March 31, 2014. This decrease was primarily due to a decrease in our interest income yield. Our interest income yield for the year ended March 31, 2015 decreased to 12.4% from 13.1% for the year ended March 31, 2014. This decrease was primarily due to our average finance lease receivable balance increased at 8.8% whereas our interest income increased by only 3.0%. This was principally a result of a number of our finance lease receivable becoming overdue and unpaid at March 31, 2015. See “– Significant factors affecting our results of operations – Asset quality and provisioning policy”.

Our net interest margin decreased to 6.6% for the year ended March 31, 2015 from 7.1% for the year ended March 31, 2014. This decrease was due to an 8.8% increase in our average balance of total interest earning assets whereas our net interest income increased by 1.3%. This was also principally a result of a number of our finance lease receivable becoming overdue and unpaid at March 31, 2015. See “– Significant factors affecting our results of operations – Asset quality and provisioning policy”.

Our net interest spread decreased to 2.6% in the year ended March 31, 2014 from 3.3% in the year ended March 31, 2013. This decrease was primarily due to an increase in our interest expenses yield. Our interest expenses yield for the year ended March 31, 2014 increased to 10.5% from 9.4% for the year ended March 31, 2013. This increase was primarily due to a 17.2% increase in interest expenses whereas the average of our interest-bearing liabilities increased of 5.4%.

Our net interest margin for the year ended March 31, 2014 increased to 7.1% from 6.7% for the year ended March 31, 2013. This increase was due to an 17.7% increase in our average balance of total interest earning assets whereas our net interest income increased by 24.8%.

	Range of the interest rate charged							
	2013		As at March 31, <sup>(1)</sup> 2014		2015		As at July 31, 2015	
Laser processing <sup>(1)</sup>	6.10%	to 8.00%	7.07%	to 8.00%	6.10%	to 7.07%	6.10%	to 7.07%
Plastics	6.77%	to 15.00%	6.77%	to 15.00%	7.38%	to 15.00%	8.00%	to 15.00%
Industrial processing	7.38%	to 9.00%	7.38%	to 12.00%	7.38%	to 15.00%	7.38%	to 15.00%
Textile and garment	7.38%	to 8.00%	7.38%	to 8.95%	8.00%	to 8.95%	8.00%	to 8.95%
Hotel and leisure	9.84%	to 9.84%	9.84%	to 9.84%	9.84%	to 20.00%	18.00%	to 20.00%
Others	3.38%	to 8.65%	3.38%	to 8.65%	7.38%	to 8.65%	7.38%	to 8.65%

## FINANCIAL INFORMATION

	Average interest rate charged			
	As at March 31, <sup>(2)</sup>			As at
	2013	2014	2015	July 31, 2015
Laser Processing	5.29%	5.55%	4.60%	6.66%
Plastics	9.34%	10.13%	10.66%	11.40%
Industrial processing	8.21%	8.32%	8.98%	9.02%
Textile and garment	7.86%	8.09%	8.37%	8.45%
Hotel and leisure	9.84%	9.84%	15.03%	19.05%
Others	6.78%	7.20%	7.86%	7.98%
<b>Total</b>	<b><u>7.79%</u></b>	<b><u>8.33%</u></b>	<b><u>9.58%</u></b>	<b><u>10.53%</u></b>

*Notes:*

- (1) The interest rates listed in the tables above do not include finance leasing management fees and advisory fees and are based on the outstanding finance lease receivable. According to the finance lease agreements, interest rate charged for certain customers in the laser processing industry is based on the fixed total leased amount when we enter into finance lease contract. For these customers, the interest rate charged will be reduced for each year during the lease period. If using the interest rate based on outstanding amount of finance lease receivable, the low end of the interest rate charged for the laser processing industry will be 3.50%.
- (2) The average interest rate is weighted arithmetic mean, with outstanding finance lease receivable amount as at March 31, 2013, 2014, 2015 and July 31, 2015 being the weights respectively.

	Range of the effective interest rate charged			
	As at March 31 <sup>(2)(3)</sup>			As at July 31,
	2013	2014	2015	2015
Laser processing	7.22% to 17.99%	7.22% to 17.95%	6.95% to 17.30%	6.95% to 13.69%
Plastics	7.64% to 20.11%	7.64% to 51.96%	7.67% to 51.96%	9.01% to 51.96%
Industrial processing	4.26% to 19.35%	4.26% to 22.86%	5.79% to 22.86%	5.98% to 22.86%
Textile and garment	6.80% to 13.99%	6.80% to 13.99%	8.18% to 15.86%	8.18% to 15.86%
Hotel and leisure	34.49% to 62.36%	34.49% to 61.02%	22.28% to 61.02%	22.28% to 39.29%
Others	6.44% to 12.69%	6.44% to 12.35%	6.62% to 14.37%	5.70% to 14.37%

## FINANCIAL INFORMATION

	Average Effective interest rate charged <sup>(4)</sup>			As at
	As at March 31,			July 31,
	2013	2014	2015	2015
Laser Processing	10.93%	10.05%	9.16%	8.90%
Plastics	11.77%	13.93%	14.44%	14.86%
Industrial processing	10.21%	10.82%	11.79%	10.47%
Textile and garment	9.05%	9.08%	11.47%	11.93%
Hotel and leisure <sup>(1)</sup>	40.06%	39.8%	30.84%	30.38%
Others	9.10%	9.35%	9.84%	9.79%
<b>Total</b>	<u>12.29%</u>	<u>12.92%</u>	<u>14.14%</u>	<u>13.81%</u>

*Notes:*

- (1) There are two customers in our Hotel and Leisure industry. One of them is our largest customer. The reason the average effective interest rate for this industry is higher than the other industry is primarily because we charged higher interest rate, advisory fee and management fee for the largest customer. This high effective interest rate is a negotiated result on fair commerce terms and is in compliance with relevant PRC laws and regulations. Our largest customer is willing to accept this effective interest rate because it is difficult to obtain bank loans or small loan financing and has limited source to finance its hotel expansion projects. Also, we have devoted substantial resources in providing finance advisory and management services in meeting its strong finance needs.
- (2) Effective interest rate is calculated by taking into account all incomes under our finance lease agreements including interest income, management fee and advisory fee.
- (3) The above range of effective interest rate is estimated based on outstanding finance lease receivable as at March 31, 2013, 2014, 2015 and July 31, 2015.
- (4) The average effective interest rate is weighted arithmetic mean, with outstanding finance lease receivable amount as at March 31, 2013, 2014, 2015 and July 31, 2015 being the weights respectively.

## RESULTS OF OPERATIONS

### Four months ended July 31, 2014 compared to the four months ended July 31, 2015

#### *Revenue*

Our total revenue increased by 14.5% to HK\$81.2 million in the four months ended July 31, 2015 from HK\$70.9 million in the four months ended July 31, 2014. This increase was principally due to the increase of our finance lease receivable compared to four months ended July 31, 2014 and the higher interest rates we charged to our new customers.

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## FINANCIAL INFORMATION

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### ***Finance costs***

Finance costs increased 2.8% to HK\$33.5 million in the four months ended July 31, 2015 from HK\$32.6 million in the four months ended July 31, 2014. This increase was primarily due to an increase of imputed interest expense on interest-free deposits from finance lease customers and an increase in the guarantee fee paid to Rongzhong Group. Interest on borrowings decreased 4.4% to HK\$21.7 million in the four months ended July 31, 2015 from HK\$22.7 million in the four months ended July 31, 2014. This decrease was primarily due to decrease of our bank borrowings in the four months ended July 31, 2015. Imputed interest expense on interest-free deposits from finance lease customers increased 19.1% to HK\$10.3 million in the four months ended July 31, 2015 from HK\$8.6 million in the four months ended July 31, 2014. This increase was primarily due to increase of customer deposits as a result of increased finance lease receivable in 2015. The guarantee fee paid to Rongzhong Group increased 20.3% to HK\$1.6 million in the four months ended July 31, 2015 from HK\$1.3 million in the four months ended July 31, 2014. This increase was primarily due to increase of guarantee amount over our increased bank borrowings provided by a related party to the lenders.

### ***Other income***

Other income decreased by 43.5% to HK\$1.2 million in the four months ended July 31, 2015 from HK\$2.1 million in the four months ended July 31, 2014. Other income in the four months ended July 31, 2015 primarily included interest income of HK\$1.2 million from a loan to Rongzhong Group from a revolving loan facility and provision of guarantee agreement.

### ***Staff costs***

Staff costs increased 129.9% to HK\$2.8 million in the four months ended July 31, 2015 from HK\$1.2 million for the four months ended July 31, 2014. This increase was primarily because we have additional staff joining our senior management team.

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

We recognized an impairment loss on finance lease receivable of HK\$3.9 million for the four months ended July 31, 2014 and HK\$2.4 million for the four months ended July 31, 2015. We recognized impairment losses between March 31, 2013 and July 31, 2015 primarily due to our enhanced risk management measures and more strict enforcement of our provisioning policy during a prolonged economic downturn which decreased the quality of some of our finance lease receivable. Our finance lease receivable decreased from HK\$1,938.2 million as at March 31, 2015 to HK\$1,821.3 million as at July 31, 2015. The decrease in our finance lease receivable is principally as a result of our prudent and conservative strategy commenced in 2014. During the four month period ended July 31, 2015, we continued our prudent policy and undertook only four new finance leases.

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## FINANCIAL INFORMATION

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### ***Other operating expenses***

Other operating expenses increased by 323.9% to HK\$12.4 million for the four months ended July 31, 2015 from HK\$2.9 million for the four months ended July 31, 2014.

Other operating expenses for the four months ended July 31, 2015 primarily included listing expenses of HK\$9.2 million, rental expenses of HK\$1.1 million, miscellaneous expenses of HK\$0.2 million, overseas hotel and accommodation of HK\$0.2 million and auditor's remuneration of HK\$0.3 million. Other operating expenses for the four months ended July 31, 2014 primarily included legal and professional fees of HK\$0.1 million, rental expenses of HK\$0.8 million and miscellaneous expenses of HK\$0.9 million.

### ***Taxation***

Income tax expense increased by 14.1%, to HK\$9.6 million for the four months ended July 31, 2015 from HK\$8.4 million four months ended July 31, 2014. Income tax for the four months ended July 31, 2015 comprised of current tax of HK\$11.8 million and a deferred tax credit of HK\$2.2 million. Income tax for four months ended July 31, 2014 comprised of current tax of HK\$9.4 million and a deferred tax credit of HK\$1.0 million.

### ***Profit for the period***

For the foregoing reasons, our profit decreased 9.5% to HK\$21.7 million for the four months ended July 31, 2015 from HK\$23.9 million for the four months ended July 31, 2014. Our profit margin decreased to 26.7% in the four months ended July 31, 2015 from 33.7% in the four months ended July 31, 2014.

### **Year ended March 31, 2015 compared to the year ended March 31, 2014**

#### ***Revenue***

Our total revenue increased by 3.0% to HK\$226.9 million in the year ended March 31, 2015 from HK\$220.4 million in the year ended March 31, 2014. This increase was primarily due to an increase in finance lease receivable principally due to an increase in the number of finance leases signed with existing customers. A number of these leases were larger than those extended to the same customers in prior periods

The increases in revenues from hotel and leisure industries and industrial processing industries was partially offset by decreases in revenues from the plastics, textile and garments and laser processing industries. See "Description of Line Items in the Combined Income Statement – Revenue".

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## FINANCIAL INFORMATION

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### ***Finance costs***

Finance costs increased 5.0% to HK\$105.2 million in the year ended March 31, 2015 from HK\$100.3 million in the year ended March 31, 2014. This increase was primarily due to an increase in interest on borrowings wholly repayable within five years, an increase of imputed interest expense on interest-free deposits from finance lease customers and an increase in the guarantee fee paid to Rongzhong Group. Interest on borrowings increased 2.1% to HK\$72.4 million in the year ended March 31, 2015 from HK\$70.9 million in the year ended March 31, 2014. This increase was primarily due to increase of our bank borrowings in 2015. Imputed interest expense on interest-free deposits from finance lease customers increased 12.0% to HK\$28.5 million in the year ended March 31, 2015 from HK\$25.5 million in the year ended March 31, 2014. This increase was primarily due to increase of customer deposits as a result of increased finance lease receivable in 2015. The guarantee fee paid to Rongzhong Group increased 11.2% to HK\$4.3 million in the year ended March 31, 2015 from HK\$3.9 million in the year ended March 31, 2014. This increase was primarily due to increase amount of guarantee amount over our increased bank borrowings provided by a related party to the lenders.

### ***Other income***

Other income decreased by 54.9% to HK\$5.8 million in the year ended March 31, 2015 from HK\$12.9 million in the year ended March 31, 2014.

Other income in the year ended March 31, 2015 primarily included interest income of HK\$5.6 million from a loan to Rongzhong Group from a revolving loan facility and provision of guarantee agreement. Other income in the year ended March 31, 2014 primarily included a one-time refund of HK\$7.8 million received by one of our PRC subsidiaries in connection with the change of applicable taxation rates from a business tax to a value added tax.

### ***Staff costs***

Staff costs increased 53.8% to HK\$4.5 million in the year ended March 31, 2015 from HK\$3.0 million in the year ended March 31, 2014. This increase was primarily due to the hiring of new employees including several key members of our risk management team as part of our strategy to focus on developing existing clients and to improve our risk management abilities and six members of our business development team.

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

We recognized an impairment loss on finance lease receivable of HK\$20.9 million for the year ended March 31, 2014 and HK\$14.7 million for the year ended March 31, 2015. We recognized impairment losses between March 31, 2013 and March 31, 2015 primarily due to our enhanced risk management measures and more strict enforcement of our provisioning policy during a prolonged economic downturn which decreased the quality of some of our finance leasing assets.



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## FINANCIAL INFORMATION

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### ***Other operating expenses***

Other operating expenses increased by 13.4% to HK\$16.6 million in the year ended March 31, 2015 from HK\$14.6 million in the year ended March 31, 2014.

Other operating expenses for the year ended March 31, 2015 primarily included listing expenses of HK\$6.9 million, rental expenses of HK\$2.5 million, miscellaneous expenses of HK\$1.4 million, overseas hotel and accommodation of HK\$1.3 million and auditor's remuneration of HK\$0.9 million. Other operating expenses for the year ended March 31, 2014 primarily included consultancy fees of HK\$7.5 million, legal and professional fees of HK\$1.9 million, rental expenses of HK\$1.3 million and miscellaneous expenses of HK\$0.9 million.

### ***Taxation***

Income tax expense increased by 8.0%, to HK\$26.2 million for the year ended March 31, 2015 from HK\$24.3 million for the year ended March 31, 2014. Income tax for the year ended March 31, 2015 comprised of current tax of HK\$28.3 million and a deferred tax credit of HK\$2.1 million. Income tax for the year ended March 31, 2014 comprised of current tax of HK\$29.5 million and a deferred tax credit of HK\$5.2 million.

### ***Profit for the year***

For the foregoing reasons, our profit for the year decreased 6.7% to HK\$65.6 million for the year ended March 31, 2015 from HK\$70.2 million for the year ended March 31, 2014. Our profit margin decreased to 28.9% in the year ended March 31, 2015 from 31.9% in the year ended March 31, 2014.

### **Year ended March 31, 2014 compared to the year ended March 31, 2013**

#### ***Revenue***

Our total revenue increased by 21.2% to HK\$220.4 million in the year ended March 31, 2014 from HK\$181.8 million in the year ended March 31, 2013. This increase was primarily due to an increase in our total number of customers and our leases receivable.

The increases in revenues from industrial processing and plastics industries was partially offset by decreases in revenues from the laser processing industry. See "Description of Line Items in the Combined Income Statement – Revenue".

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## FINANCIAL INFORMATION

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### ***Finance costs***

Finance costs increased 17.2% to HK\$100.3 million in the year ended March 31, 2014 from HK\$85.6 million in the year ended March 31, 2013. This increase was primarily due to an increase in interest on borrowings wholly repayable within five years, an increase of imputed interest expense on interest-free deposits from finance lease customers and an increase in the guarantee fee paid to a related company. Interest on borrowings wholly repayable within five years increased 13.1% to HK\$70.9 million in the year ended March 31, 2014 from HK\$62.7 million in the year ended March 31, 2013. This increase was primarily due to increase of our bank borrowings in 2014. Imputed interest expense on interest-free deposits from finance lease customers increased 31.2% to HK\$25.5 million in the year ended March 31, 2014 from HK\$19.4 million in the year ended March 31, 2013. This increase was primarily due to increase of customer deposits as a result of our increase finance lease receivable in 2014. The guarantee fee paid to a related company increased 12.5% to HK\$3.9 million in the year ended March 31, 2014 from HK\$3.5 million in the year ended March 31, 2013. This increase was primarily due to increase amount of guarantee amount over our increased bank borrowings provided by a related party to the lenders.

### ***Other income***

Other income increased by 139.4% to HK\$12.9 million in the year ended March 31, 2014 from HK\$5.4 million in the year ended March 31, 2013.

Other income in the year ended March 31, 2014 primarily included a one-time refund of HK\$7.8 million received by one of our PRC subsidiaries in connection with the change of applicable taxation rates from a business tax to a value added tax and interest income from loan to Rongzhong Group of HK\$4.9 million. Other income in the year ended March 31, 2013 primarily included interest income from a loan to a related company of HK\$5.2 million.

### ***Staff costs***

Staff costs increased 22.7% to HK\$3.0 million in the year ended March 31, 2014 from HK\$2.4 million in the year ended March 31, 2013. This increase was primarily due to hiring of new members of our business development team.

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

We recognized an impairment loss on finance lease receivable of HK\$20.9 million for the year ended March 31, 2014. No impairment losses were recognized for the year ended March 31, 2013. This impairment loss was primarily due to our enhanced risk management measures and more strict enforcement of our provisioning policy during a prolonged economic downturn which decreased the quality of some of our finance lease receivable.

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## FINANCIAL INFORMATION

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### ***Other operating expenses***

Other operating expenses increased by 46.4% to HK\$14.6 million in the year ended March 31, 2014 from HK\$10.0 million in the year ended March 31, 2013.

Other operating expenses for the year ended March 31, 2014 primarily included consultancy fees of HK\$7.5 million, legal and professional fees of HK\$1.9 million, rental expenses of HK\$1.3 million and miscellaneous expenses of HK\$0.9 million.

Other operating expenses in the year ended March 31, 2013 primarily included consultancy fees of HK\$6.3 million, depreciation expenses of HK\$0.7 million, rental expenses of HK\$0.6 million and entertainment expenses of HK\$0.6 million.

### ***Taxation***

Income tax expense increased by 9.1%, to HK\$24.3 million for the year ended March 31, 2014 from HK\$22.2 million for the year ended March 31, 2013. Income tax for the year ended March 31, 2014 comprised of current tax of HK\$29.5 million and a deferred tax credit of HK\$5.2 million. Income tax for the year ended March 31, 2013 comprised of current tax of HK\$22.2 million.

### ***Profit for the year***

For the foregoing reasons, our profit for the year increased 4.8% to HK\$70.2 million for the year ended March 31, 2014 from HK\$67.0 million for the year ended March 31, 2013. Our profit margin decreased to 31.9% in the year ended March 31, 2014 from 36.9% in the year ended March 31, 2013.

## FINANCIAL INFORMATION

### COMBINED STATEMENT OF FINANCIAL POSITION

	Year ended March 31,			Four months ended July 31,
	2013	2014	2015	2015
	(HK\$)			
<b>Non-current assets</b>				
Equipment	635,888	1,290,457	2,136,150	1,850,291
Loan to a related company	–	207,487,342	–	–
Finance lease receivable	982,322,392	880,173,054	594,676,244	515,633,256
Deferred taxation assets	–	5,233,941	8,900,810	9,501,701
Deposit for intangible asset	–	–	–	285,885
	<u>982,958,280</u>	<u>1,094,184,794</u>	<u>605,713,204</u>	<u>527,271,133</u>
<b>Current assets</b>				
Loan to a related company	173,271,605	–	73,297,468	175,702,532
Amount due from a related company	387,843	371,826	–	–
Finance lease receivable	661,099,710	842,070,032	1,343,512,390	1,305,695,175
Prepayments and other receivables	8,596,297	10,910,420	11,293,517	11,074,507
Security deposits	17,834,715	13,295,402	23,764,827	29,318,070
Taxation	–	749,400	–	–
Short term bank deposits with original maturity within three months	2,500,943	6,000,921	6,019,840	–
Bank balances and cash	31,515,363	31,799,779	18,511,614	35,708,433
	<u>895,206,476</u>	<u>905,197,780</u>	<u>1,476,399,656</u>	<u>1,557,498,717</u>
Total current assets	<u>895,206,476</u>	<u>905,197,780</u>	<u>1,476,399,656</u>	<u>1,557,498,717</u>

## FINANCIAL INFORMATION

	Year ended March 31,			Four months ended July 31,
	2013	2014	2015	2015
	(HK\$)			
<b>Current liabilities</b>				
Amount due to a related company	–	–	469,061	66,478
Other payables and accrued charges	10,176,495	67,444,056	10,189,353	14,445,815
Deposits from finance lease customers	71,765,901	243,050,028	268,946,687	328,985,867
Deferred income	20,858,922	20,834,258	16,936,245	18,394,116
Taxation	716,691	–	6,663,829	7,576,642
Bank borrowings	457,605,848	258,629,304	467,810,127	459,653,165
<b>Total current liabilities</b>	<u>561,123,857</u>	<u>589,957,646</u>	<u>771,015,302</u>	<u>829,122,083</u>
<b>Net current assets</b>	<u>334,082,619</u>	<u>315,240,134</u>	<u>705,384,354</u>	<u>728,376,634</u>
<b>Total assets less current liabilities</b>	<u><u>1,317,040,899</u></u>	<u><u>1,409,424,928</u></u>	<u><u>1,311,097,558</u></u>	<u><u>1,255,647,767</u></u>
<b>Non-current liabilities</b>				
Deposits from finance lease customers	291,751,218	215,751,839	152,701,000	114,690,391
Deferred income	20,135,971	14,280,809	6,952,507	3,980,626
Bank borrowings	563,225,124	635,569,620	540,475,949	505,936,709
Deferred taxation liabilities	–	–	1,582,278	–
<b>Total non-current liabilities</b>	<u>875,112,313</u>	<u>865,602,268</u>	<u>701,711,734</u>	<u>624,607,726</u>
<b>Capital and reserves</b>				
Share capital	780,000	814,492	814,492	814,492
Reserves	441,148,586	543,008,168	608,571,332	630,225,549
<b>Total equity</b>	<u>441,928,586</u>	<u>543,822,660</u>	<u>609,385,824</u>	<u>631,040,041</u>
<b>Total non-current liabilities and equity</b>	<u><u>1,317,040,899</u></u>	<u><u>1,409,424,928</u></u>	<u><u>1,311,097,558</u></u>	<u><u>1,225,647,767</u></u>

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## FINANCIAL INFORMATION

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### DESCRIPTION OF CERTAIN LINE ITEMS IN THE COMBINED STATEMENT OF FINANCIAL POSITION

#### Assets

As at July 31, 2015, our total assets amounted to HK\$2,084.8 million, an increase of 0.1% compared to HK\$2,082.1 million as at March 31, 2015. As at March 31, 2015, our total assets amounted to HK\$2,082.1 million, an increase of 4.1% compared to HK\$1,999.4 million as at March 31, 2014. Our total assets increased by 6.5% to HK\$1,999.4 million as at March 31, 2014 as compared to HK\$1,878.2 million as at March 31, 2013. The principal component of our assets is finance lease receivable, representing 87.5%, 86.1%, 93.1% and 87.4% of our total assets as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively.

#### Finance lease receivable

As at July 31, 2015, our financial leases receivable amounted to HK\$1,821.3 million, an decrease of 6.0% compared to HK\$1,938.2 million as at March 31, 2015. The decrease was primarily due to our prudent risk management and strategy to slowdown our pace of expansion. During the four month ended July 31, 2015, we continued our prudent policy and only signed four finance lease. As at March 31, 2015, our finance lease receivable increased 12.5% to HK\$1,938.2 million from HK\$1,722.2 million as at March 31, 2014. As at November 30, 2015, we had collected and settled HK\$253.3 million of the Actual Overdue Receivable that were outstanding as at March 31, 2015, which was HK\$384.3 million. As at November 30, 2015, we had collected and settled HK\$81.8 million of the Actual Overdue Receivable that were outstanding as at July 31, 2015 which was HK\$250.7 million. Our finance lease receivable increased by 4.8% to HK\$1,722.2 million as at March 31, 2014 as compared to HK\$1,643.4 million as at March 31, 2013.

#### Leases receivable

The following table sets forth the percentage of finance lease receivable among our industry categories as at the dates indicated.

	As at March 31,			As at
	2013	2014	2015	July 31, 2015
Laser processing	9.4%	5.3%	3.9%	2.9%
Plastics	9.6%	15.9%	12.7%	12.5%
Industrial processing	39.9%	42.3%	47.2%	51.3%
Textile and garment	10.0%	9.8%	3.7%	3.3%
Hotel and leisure	7.5%	7.3%	13.2%	14.7%
Others	23.6%	19.4%	19.3%	15.3%

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## FINANCIAL INFORMATION

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See “– Description of Line Items in the Combined Income Statement – Revenue” for a discussion of industry trends.

### Amortization of leases receivable

The following table sets forth the aggregate values of our leases receivable before impairment allowance, broken down by the time period our lease contract becomes due.

	2013	As at March 31, 2014 (HK\$)	2015	As at July 31, 2015
Within 1 year	661,099,710	857,868,475	1,371,075,228	1,337,705,122
1-2 years	532,363,097	661,668,062	401,804,678	368,956,980
2-3 years	449,959,295	206,645,692	200,911,969	123,687,169
3 years and beyond	–	16,996,623	–	28,985,963
	<hr/>	<hr/>	<hr/>	<hr/>
Total leases receivable	<u>1,643,422,102</u>	<u>1,743,178,852</u>	<u>1,973,791,875</u>	<u>1,859,335,234</u>

Leases receivable within one year represent leases receivable that is due within one year, including the installment payments due on new lease contracts signed within one year of the reporting date indicated. As at March 31, 2013, 2014, 2015 and July 31, 2015, leases receivable within one year as set forth in the table above represent 40.2%, 49.2%, 69.5% and 71.9% of total leases receivable before impairment allowance amount as at each of the respective dates. In 2014, we employed a prudent and conservative strategy and did not actively pursue the expansion of our customer base therefore we did not sign as many new finance leases in the year ended March 31, 2015 and four months ended July 31, 2015 as in the prior years/period during the Track Record Period. Of the HK\$1,337.7 million of leases receivable due within 1 year, HK\$250.7 million were overdue as at July 31, 2015.

### Credit quality

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

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	Year ended March 31,			Four months ended
	2013	2014	2015	July 31, 2015
	(HK\$)			
Neither past due nor impaired	1,479,218,828	1,390,039,120	820,254,118	566,544,285
Past due but not individually impaired	164,203,274	194,185,368	722,114,115	673,955,728
Past due and individually impaired	–	158,954,364	431,423,642	618,835,221
Subtotal	1,643,422,102	1,743,178,852	1,973,791,875	1,859,335,234
Less: Collective impairment allowance	–	(9,967,817)	(18,662,651)	(15,209,661)
Individual impairment allowance	–	(10,967,949)	(16,940,590)	(22,797,142)
	<u>1,643,422,102</u>	<u>1,722,243,086</u>	<u>1,938,188,634</u>	<u>1,821,328,431</u>

We review and assess individual impairment allowances on those finance lease receivable which are past due and individually impaired. On the finance lease receivable which are past due but not individually impaired and neither past due nor impaired, we review and assess for a collective impairment allowance.

The following is an ageing analysis based on due dates of finance lease receivable which were past due but not impaired (instalments which are not yet become due at the end of the reporting period are excluded):

	As at March 31,			As at July 31,
	2013	2014	2015	2015
	(HK\$)			
Less than one month	5,743	19,392,792	1,611,885	15,933,358
More than one month but less than three months	164,197,531	13,256,941	185,745,898	12,669,703
More than three months but less than one year	–	6,903,718	2,714,989	38,140,598
More than one year	–	–	29,530,084	–
	<u>164,203,274</u>	<u>39,553,451</u>	<u>219,602,856</u>	<u>66,743,659</u>



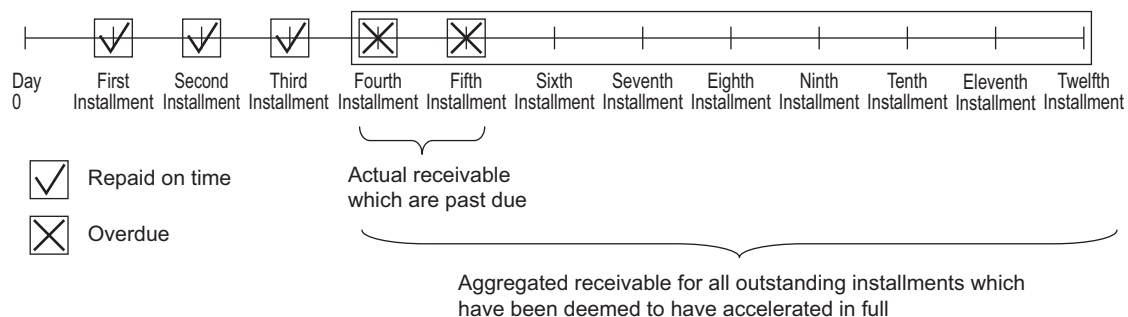
## FINANCIAL INFORMATION

Finance lease receivable are mainly secured by leased assets which are used in customers' operations, customers' deposits and leased assets repurchase arrangement where applicable. Some customers are required to provide deposits, which are collected and calculated based on a certain percentage of the entire value of the lease contract. We review and assess for impairment individually based on customers' repayment history and the values of the assets pledged. As at March 31, 2013, 2014, 2015 and July 31, 2015, aggregate carrying amounts of HK\$164.2 million, HK\$39.6 million, HK\$219.6 million and HK\$66.7 million were past due, respectively, but we have not provided for individual impairment loss as we considered there has not been a significant change in credit quality for these customers. Collective impairment allowance of nil, HK\$1.2 million, HK\$8.7 million and HK\$8.3 million were provided on past due but not individually impaired finance lease receivable as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively.

Included in the individual impairment allowance are individually impaired finance lease receivable with aggregate balances of nil, HK\$11.0 million, HK\$16.9 million and HK\$22.8 million, as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. See "Significant Accounting Judgments and Estimates – Impairment of financial assets".

### ***Subsequent Settlement of Finance Lease Receivable which were Past Due***

By way of illustration, assuming we have a finance lease agreement with a customer over a 12 month period with a monthly lease payment schedule as follows:



If the customer fails to make one of the lease payments on time, the finance lease receivable will be assessed in connection with the (i) actual receivable which has accrued and is past due ("Actual Overdue Receivable") and (ii) aggregate receivable for all remaining installments in the finance leasing agreement which have been deemed to have accelerated in full ("Deemed Overdue Receivable"). If the Company is successful in recovering an Actual Overdue Receivable, the subsequent instalments will be normalized and the Deemed Overdue Receivable in relation to such recovered Actual Overdue Receivable will then become non-overdue finance lease receivable, unless and until a subsequent instalment becomes overdue again. In such cases, we will reverse the relevant impairment allowances towards such finance lease receivable.

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## FINANCIAL INFORMATION

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The following is a summary of the status of the overdue finance lease receivable as at March 31, 2015, including those overdue receivable which have been individually impaired or otherwise.

	<b>As at March 31, 2015 (HK\$'000) Actual Overdue Receivable</b>	<b>As at July 31, 2015 (HK\$'000) Actual Overdue Receivable</b>
<b><i>Without Individual Impairment</i></b>		
Less than one month	1,612	15,933
More than one month but less than three months	185,746	12,670
More than three months but less than one year	2,715	38,141
More than one year	29,530	–
	219,603	66,744
<b><i>With Individual Impairment</i></b>		
Less than one month	–	3,644
More than one month but less than three month	13,211	13,956
More than three months but less than one year	26,967	38,888
More than one year	124,547	127,489
	164,725	183,977
<b>Total</b>	<b>384,328</b>	<b>250,721</b>

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## FINANCIAL INFORMATION

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	As at March 31, 2015 (HK\$'000) Deemed Overdue Receivable	As at July 31, 2015 (HK\$'000) Deemed Overdue Receivable
<b><i>Without Individual Impairment</i></b>		
Less than one month	178,807	239,933
More than one month but less than three months	459,541	211,908
More than three months but less than one year	22,938	222,115
More than one year	60,828	–
	722,114	673,956
<b><i>With Individual Impairment</i></b>		
Less than one month	–	86,348
More than one month but less than three month	18,726	288,506
More than three months but less than one year	211,984	57,477
More than one year	200,714	186,504
	431,424	618,835
<b>Total</b>	<b>1,153,538</b>	<b>1,292,791</b>

As shown in the above table, for receivables which are not subject to individual impairment, as at July 31, 2015, our Actual Overdue Receivable amounted to HK\$66.7 million. This is contrasted with our Deemed Overdue Receivable (on an impairment basis) as at July 31, 2015 of HK\$674 million.

For those receivables which are subject to individual impairment, as at July 31, 2015, our Actual Overdue Receivable amounted to HK\$184.0 million. This is contrasted with our Deemed Overdue Receivable (on an impairment basis) as at July 31, 2015 of HK\$618.8 million.

We recorded a relatively high recovery rate for these overdue receivables for the financial year ended March 31, 2015. The table below gauges our effectiveness until November 30, 2015 in recovering these overdue receivable as at March 31, 2015 and July 31, 2015, respectively.

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### Overdue receivable recovered as at November 30, 2015

	As at March 31, 2015 (HK\$'000) Actual Overdue Receivable	As at July 31, 2015 (HK\$'000) Actual Overdue Receivable
<b><i>Without Individual Impairment</i></b>		
Less than one month	1,612	15,300
More than one month but less than three months	177,953	7,296
More than three months but less than one year	2,245	23,373
More than one year	29,530	–
	211,340	45,969
<b><i>With Individual Impairment</i></b>	41,976	35,812
	253,316	81,781
	As at March 31, 2015 (HK\$'000) Deemed Overdue Receivable	As at July 31, 2015 (HK\$'000) Deemed Overdue Receivable
<b><i>Without Individual Impairment</i></b>		
Less than one month	178,807	213,955
More than one month but less than three months	307,627	161,034
More than three months but less than one year	21,012	81,229
More than one year	60,828	–
	568,274	456,218
<b><i>With Individual Impairment</i></b>	232,633	323,489
	800,907	779,707

As at July 31, 2015, we have a total of Actual Overdue Receivable of HK\$250.7 million, comprising overdue finance lease receivable of HK\$66.7 million (which are not subject to individual impairment) and HK\$184.0 million (which are subject to individual impairment). As at November 30, 2015, HK\$81.8 million of the HK\$250.7 million has been recovered by us, representing an approximately 32.6% recovery rate.

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## FINANCIAL INFORMATION

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As at March 31, 2015, we have a total of Actual Overdue Receivable of HK\$384.3 million, comprising overdue finance lease receivable of HK\$219.6 million (which are not subject to individual impairment) and HK\$164.7 million (which are subject to individual impairment). As at November 30, 2015, HK\$253.3 million of the HK\$384.3 million has been recovered by us, representing an approximately 65.9% recovery rate.

### ***Certain other assets***

Other components of our assets consist primarily of (i) bank balances and cash, (ii) security deposits and (iii) prepayments and other receivables.

Bank balances and cash were HK\$31.5 million, HK\$31.8 million, HK\$18.5 million and HK\$35.7 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively, representing 1.7%, 1.6%, 0.9% and 1.7% of total assets as at the same dates, respectively. For the year ended March 31, 2015, we experienced a decrease in cash and cash equivalents of HK\$13.3 million. For the four months ended July 31, 2015, we experienced an increase in cash and cash equivalent of HK\$17.2 million. See “– Cash Flows”.

Security deposits were HK\$17.8 million, HK\$13.3 million, HK\$23.8 million and HK\$29.3 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively, representing 0.9%, 0.7%, 1.1% and 1.4% of total assets as at the same dates, respectively.

### **Liabilities and source of funds**

Our total liabilities were HK\$1,436.2 million, HK\$1,455.6 million, HK\$1,472.7 million and HK\$1,453.7 million for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015, respectively. Bank borrowings have historically been our primary source of funding and represented 71.1%, 61.4%, 68.5% and 66.4% of our total liabilities, as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively.

In the year ended March 31, 2013, we issued shares and raised HK\$23.4 million which was used to fund our operations. See “History and Reorganization”.

### **Bank borrowings**

Our Group’s business growth and capital requirements are primarily supported by bank borrowings.

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## FINANCIAL INFORMATION

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As at July 31, 2015, our total bank borrowings amounted to HK\$965.6 million, an decrease of 4.2% compared to HK\$1,008.3 million as at March 31, 2015. This was primarily due to a corresponding decrease in finance lease receivable. As at March 31, 2015, our total bank borrowings amounted to HK\$1,008.3 million, an increase of 12.8% compared to HK\$894.2 million as at March 31, 2014. This increase was primarily due to a corresponding 12.5% increase in finance lease receivable. Our total bank borrowings decreased by 12.4% to HK\$894.2 million as at March 31, 2014 as compared to HK\$1,020.8 million as at March 31, 2013. This decrease was primarily due to decreased bank loans raised in 2014.

Our financing agreements with our lenders contain a number of covenants, undertakings, restrictions and default provisions. Examples of major covenants, undertakings and restrictions that may trigger default provisions include:

- a transfer of material operating assets (e.g. 20% of the total assets) without obtaining the lender's prior approval;
- material changes to our shareholding structure, including but not limited to merger or consolidation with another company, division, restructuring or a change of controlling shareholder (e.g. Perfect Honour ceases to be the controlling shareholder of the Company);
- seeking additional financing from third parties for the underlying asset without the lender's prior approval; and
- deterioration of the borrower's credit worthiness and financial performance.

As at the Latest Practicable Date, none of our lenders have claimed default against us under any of the provisions in the financing agreements during the Track Record Period and we have not breached any of the provisions in such a way that could result in any event of default.

## FINANCIAL INFORMATION

### ***Distribution between current and non-current interest-bearing bank borrowing***

	2013		As at March 31, 2014		2015		As at July 31, 2015		As at November 30, 2015	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(HK\$, except percentages)									
	(unaudited)									
Current	457,605,848	44.8	258,629,304	28.9	467,810,127	46.4	459,653,165	47.6	323,678,049	42.5
Non-current	563,225,124	55.2	635,569,620	71.1	540,475,949	53.6	505,936,709	52.4	438,024,390	57.5
Total	<u>1,020,830,972</u>	<u>100.0</u>	<u>894,198,924</u>	<u>100.0</u>	<u>1,008,286,076</u>	<u>100.0</u>	<u>965,589,874</u>	<u>100.0</u>	<u>761,702,439</u>	<u>100.0</u>

During the Track Record Period and the four months ended July 31, 2015, our current bank borrowings (including the current portion of long-term borrowings) as a percentage of our total bank borrowings were 44.8%, 28.9%, 46.4% and 47.6% of our total interest-bearing bank and other borrowings as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively. The decrease in 2014 was primarily due to decreased bank loans raised and our use of internal cash to fund our operating activities.

In general, we have made no changes to our policies with respect to the term structure of our current and non-current bank borrowings. The term structure of our interest-bearing bank and other borrowings is consistent with the term structure of our finance lease receivable. We have also generally tried to match our current assets with our current liabilities.

### ***Distribution between secured and unsecured bank borrowings***

During the Track Record Period and the four months ended July 31, 2015, our bank borrowings are substantially secured principally by the assets subject to our finance leases. The following is an analysis of our bank borrowings for the periods indicated:

	2013		As at March 31, 2014		2015		As at July 31, 2015		As at November 30, 2015	
	(HK\$)									
	(unaudited)									
Secured	994,905,046		894,198,924		759,551,899		730,146,836		642,190,244	
Unsecured	25,925,926		–		248,734,177		235,443,038		119,512,195	
	<u>1,020,830,972</u>		<u>894,198,924</u>		<u>1,008,286,076</u>		<u>965,589,874</u>		<u>761,702,439</u>	

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## FINANCIAL INFORMATION

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As at July 31, 2015, we were able to obtain unsecured bank borrowings in the amount of HK\$235.4 million as one of the bank loans was guaranteed by Mr. Xie, Rongzhong Group and an associate and the other was guaranteed by Rongzhong Group only. The Company confirm that these guarantees provided will be fully released and/or assumed by members of our Group upon Listing.

### Indebtedness

At the close of business on November 30, 2015, being the latest practicable date for the purpose of this indebtedness statement (“Indebtedness Date”), we had total bank borrowings of approximately HK\$761.7 million, of which approximately HK\$555.6 million was from our banking facilities of RMB850 million. Set out below is the breakdown of our total bank borrowings as at November 30, 2015:

	<i>(HK\$ million)</i>
<b>Bank borrowings – due within one year</b>	
Guaranteed and secured	321.2
Guaranteed but unsecured	2.4
	<hr/>
	323.6
	<hr/> <hr/>
<b>Bank borrowings – due more than one year but not exceeding five years</b>	
Guaranteed and secured	321.0
Guaranteed but unsecured	117.1
	<hr/>
	438.1
	<hr/> <hr/>
Total	761.7
	<hr/> <hr/>

As at November 30, 2015, banking borrowings of HK\$182.9 million were variable-rate borrowings which carried annual interest per annum at the range of the benchmark rate offered by the People’s Bank of China plus 15-20%. The remaining balance of HK\$578.8 million was fixed rate borrowings which carry interest at the rate of 6.15% to 8.05%.

We obtained five new bank loans in the amount of RMB115.3 million in December 2015 and one new bank loan in the amount of RMB16 million in January 2016. As at the Latest Practicable Date, save for these new bank loans, the Directors confirm that there has been no material change in the Company’s indebtedness and contingent liabilities since November 30, 2015.

Save as disclosed above and apart from intra-group liabilities, at the close of business on November 30, 2015, we did not have outstanding loans, debt securities outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, debt securities, mortgages, charges, finance leases or hire purchases commitments, capital commitments, guarantees or other contingent liabilities.



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## FINANCIAL INFORMATION

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Save as the fund raising exercise under the Global Offering, extension of the existing bank borrowings when becoming due we have no material external financing plans.

### Certain other liabilities

Other components of our liabilities consist primarily of deposits from finance lease customers.

Lease deposits are collected from our financial leasing customers and are calculated based on a certain percentage of the entire value of the lease contract. When the term of a lease contract expires, the lessor must return the full lease deposit to the lessee and has no obligation to remit to the lessee any interest earnings. The balance of the lease deposit can also be applied and used to settle any outstanding lease amounts for a lease contract with a term that is about to expire.

Deposits from finance lease customers were HK\$363.5 million, HK\$458.8 million, HK\$421.6 million and HK\$443.7 million as at March 31, 2013, 2014, 2015 and July 31, 2015, respectively, representing 25.3%, 31.5%, 28.6% and 30.5% of total liabilities as at the same dates, respectively. Deposits from finance lease customers increased during the Track Record Period and the four months ended July 31, 2015 primarily due to our more stringent risk control.

### SHAREHOLDERS' EQUITY

The following table sets forth the components of the changes in our total equity attributable to shareholders for the periods or years indicated.

	<b>Shareholders' equity</b> (HK\$)
<b>At March 31, 2013</b>	441,928,586
Profit for the year	70,247,863
Exchange difference arising on translation	11,192,879
Issue of ordinary shares	23,400,000
Expenses incurred in connection with issue of shares	<u>(2,946,668)</u>
<b>At March 31, 2014</b>	543,822,660
Profit and total comprehensive income for the year	<u>65,563,164</u>
<b>At March 31, 2015</b>	609,385,824
Profit and total comprehensive income for the period	<u>21,654,217</u>
<b>At July 31, 2015</b>	<u><u>631,040,041</u></u>

## FINANCIAL INFORMATION

Our total shareholders' equity at July 31, 2015 increase to HK\$631.0 million from HK\$609.4 million at March 31, 2015. Our total shareholders' equity increased to HK\$609.4 million at March 31, 2015 from HK\$543.8 million at March 31, 2014, which in turn increased from HK\$441.9 million at March 31, 2013.

### CASH FLOWS

The following table sets forth a summary of our cash flows for the periods indicated.

	Year ended March 31,			Four months ended July 31,	
	2013	2014	2015	2014	2015
	(HK\$)				
Net cash (used in) from					
operating activities	(160,605,374)	232,100,708	(187,564,114)	(77,484,212)	178,251,805
Net cash from (used in)					
investing activities	1,312,807	(25,953,597)	134,382,733	9,572,518	(102,650,316)
Net cash from (used in)					
financing activities	<u>162,585,036</u>	<u>(202,867,628)</u>	<u>39,912,135</u>	<u>49,417,595</u>	<u>(64,424,510)</u>
Net increase (decrease)					
in cash and cash					
equivalents	<u>3,292,469</u>	<u>3,279,483</u>	<u>(13,269,246)</u>	<u>(18,494,099)</u>	<u>11,176,979</u>

### Cash flow from operating activities

Net cash from operating activities was HK\$178.3 million in the four months ended July 31, 2015. Net cash used in operating activities was HK\$187.6 million in the year ended March 31, 2015. Net cash from operating activities was HK\$232.1 million in the year ended March 31, 2014. Net cash used in operating activities was HK\$160.6 million in the year ended March 31, 2013.

Our net cash from operating activities in the four months ended July 31, 2015 consisted primarily of operating cash flows before movements in working capital of HK\$66.3 million, which was offset by a decrease in finance lease receivable of HK\$114.5 million, an increase in deposits from finance lease customers of HK\$11.8 million, an increase in other payables and accrued charges of HK\$3.9 million. Enterprise income tax paid in China was HK\$10.9 million.

Our net cash used in operating activities in the year ended March 31, 2015 consisted primarily of operating cash flows before movements of working capital of HK\$206.3 million which was offset by an increase in finance lease receivable of HK\$230.6 million, a decrease in deposits from finance lease customers of HK\$65.7 million, a decrease in other payables and accrued charges of HK\$55.4 million. Enterprise income tax paid in China was HK\$20.9 million.

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## FINANCIAL INFORMATION

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Our net cash from operating activities in the year ended March 31, 2014 consisted primarily of operating cash flows before movements in working capital of HK\$211.2 million, an increase in deposits from finance lease customers of HK\$60.6 million, an increase in other payables and an increase in other payables and accrued charges of HK\$53.4 million which was partially offset by an increase in finance lease receivable of HK\$58.2 million and a decrease in deferred income of HK\$6.9 million. Enterprise income tax paid in China was HK\$31.0 million in the year ended March 31, 2014.

Our net cash used in operating activities in the year ended March 31, 2013 consisted primarily of operating cash flows before movements in working capital of HK\$170.2 million, an increase in deposits from finance lease customers of HK\$117.9 million and an increase in deferred income of HK\$7.0 million which was partially offset by an increase in finance lease receivable of HK\$428.0 million. Enterprise income tax paid in the PRC was HK\$24.9 million in the year ended March 31, 2013.

### **Cash flow from investing activities**

Net cash used in investing activities was HK\$102.7 million in the four months ended July 31, 2015. Net cash from investing activities was HK\$134.4 million in the year ended March 31, 2015. Net cash used in investing activities was HK\$26.0 million in the year ended March 31, 2014. Net cash from investing activities was HK\$1.3 million in the year ended March 31, 2013.

Net cash used in investing activities in the four months ended July 31, 2015 was primarily due to repayments from a related company of HK\$134.2 million which was partially offset by advances to a related company of HK\$236.6 million.

Net cash from investing activities in the year ended March 31, 2015 was primarily due to repayments from a related company of HK\$309.8 million which was partially offset by advances to a related company of HK\$175.6 million.

Net cash used in investing activities in the year ended March 31, 2014 was primarily due to advances to a related company of HK\$86.7 million and the purchase of equipment of HK\$1.2 million which was partially offset by repayments from a related company of HK\$60.4 million.

Net cash from investing activities in the year ended March 31, 2013 was primarily due to interest received from a loan to the Rongzhong Group of HK\$1.7 million which was partially offset by the purchase of equipment of HK\$0.6 million.

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## FINANCIAL INFORMATION

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### Cash flow from financing activities

Net cash used in financing activities was HK\$64.4 million in the four months ended July 31, 2015. Net cash from financing activities was HK\$39.9 million in the year ended March 31, 2015. Net cash used in financing activities was HK\$202.9 million in the year ended March 31, 2014. Net cash from investing activities was HK\$162.6 million in the year ended March 31, 2013.

Net cash used in financing activities in the four months ended July 31, 2015 was primarily due to repayment of bank loans of HK\$103.2 million and interest paid HK\$21.7 million which was partially offset by the bank loan raised of HK\$60.5 million.

Net cash from financing activities in the year ended March 31, 2015 was primarily due to bank loans raised of HK\$499.2 million which was partially offset by the repayment of bank loans of HK\$385.1 million and interest paid of HK\$74.2 million.

Net cash used in financing activities in the year ended March 31, 2014 was primarily due to the repayment of bank loans of HK\$455.4 million, interest paid of HK\$71.2 million and the payment for transaction costs attributable to the issue of ordinary shares of HK\$2.9 million which was partially offset by bank loans raised of HK\$303.2 million, and proceeds from the issue of new shares of HK\$23.4 million.

Net cash from financing activities in the year ended March 31, 2013 was primarily due to bank loans raised of HK\$637.0 million which was partially offset by the repayment of bank loans of HK\$412.6 million and interest paid of HK\$61.9 million.

### LIQUIDITY AND CAPITAL RESOURCES

#### Capital management

The primary objective of our capital management activities is to ensure that we maintains a strong financial health in order to support our business and enhance our operational flexibility. We manage our capital structure and make adjustments to it in light of changes in economic conditions. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

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## FINANCIAL INFORMATION

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We monitor our gearing ratio, which is calculated as bank borrowings divided by total equity plus bank borrowings. The following table sets out the gearing ratios as at the dates indicated.

		As at March 31,		As at July 31,
	2013	2014	2015	2015
	<i>(HK\$, except percentages)</i>			
Bank borrowings	1,020,830,972	894,198,924	1,008,286,076	965,589,874
Total equity	441,928,586	543,822,660	609,385,824	631,040,041
Equity and debt	1,462,759,558	1,438,021,584	1,617,671,900	1,596,629,915
Gearing ratio	69.8%	62.2%	62.3%	60.5%

We aim to make full use of capital leverage for our operations to keep our gearing ratios relatively high but at the same time closely manage our gearing ratios to avoid potential liquidity risk. By reference to the gearing ratios of commercial banks and our main competitors in China, we believe that our gearing ratios were maintained at reasonable levels during the Track Record Period.

### ***Measures on the Administration of Foreign Investment in the Leasing Industry***

The primary objectives of the capital management of our PRC subsidiary, are to ensure that it complies with the regulatory requirements of the MOFCOM in addition to the general requirements that are relevant to our Group. In accordance with the Measures and other relevant laws and regulations, our PRC Subsidiary has set up appropriate business development and capital management programs and established a comprehensive evaluation system. It actively adjusts its capital structure in light of changes in the market and the risks being confronted, by adjusting its dividend policy or financing channels. During the Track Record Period, there were no significant changes in the policies or processes for managing the capital of our PRC Subsidiary.

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## FINANCIAL INFORMATION

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In accordance with the requirements of the Measures, our PRC Subsidiary's assets at risk should not exceed 10 times its equity. As shown below, we have historically been able to maintain this ratio between 3.3 to 3.9 times our equity. Calculations of assets at risk to equity as at each of the balance sheet dates are as follows:

	As at December 31,			As at July 31,
	2012	2013	2014	2015
	<i>(RMB, except ratios)</i>			
Total assets	1,409,812,632	1,675,417,741	1,733,191,991	1,645,942,702
Less: Cash	(19,847,568)	(9,668,967)	(25,693,870)	(24,163,286)
Less: Security deposits	<u>(3,672,740)</u>	<u>(30,882,084)</u>	<u>(90,747,522)</u>	<u>(23,161,275)</u>
Total assets at risk	1,386,292,324	1,634,866,690	1,616,750,599	1,598,618,141
Total equity	353,581,618	436,047,102	484,303,424	484,509,480
Ratio of assets at risk to equity	<u>3.9</u>	<u>3.7</u>	<u>3.3</u>	<u>3.3</u>

The table above shows that we have consistently complied with the gearing requirements of the Measures.

## FINANCIAL INFORMATION

### Net Current Assets

	Year ended March 31,			As at	As at
	2013	2014	2015 (HK\$)	July 31, 2015	November 30, 2015
					<i>(unaudited)</i>
<b>CURRENT ASSETS</b>					
Loan to a related company	173,271,605	–	73,297,468	175,702,532 <sup>(1)</sup>	174,036,585
Amount due from a related company	387,843	371,826	–	–	294,593
Finance lease receivable	661,099,710	842,070,032	1,343,512,390	1,305,695,175	1,162,641,900
Prepayments and other receivables	8,596,297	10,910,420	11,293,517	11,074,507	9,890,980
Security deposits	17,834,715	13,295,402	23,764,827	29,318,070	9,820,681
Taxation	–	749,400	–	–	–
Short term bank deposits with original maturity within three months	2,500,943	6,000,921	6,019,840	–	5,001,208
Bank balances and cash	31,515,363	31,799,779	18,511,614	35,708,433	17,836,640
<b>Total current assets</b>	<u>895,206,476</u>	<u>905,197,780</u>	<u>1,476,399,656</u>	<u>1,557,498,717</u>	<u>1,379,522,587</u>
<b>CURRENT LIABILITIES</b>					
Amount due to a related company	–	–	469,061	66,478	–
Other payables and accrued charges	10,176,495	67,444,056	10,189,353	14,445,815	8,658,527
Deposits from finance lease customers	71,765,901	243,050,028	268,946,687	328,985,867	315,121,818
Deferred income	20,858,922	20,834,258	16,936,245	18,394,116	12,878,760
Taxation	716,691	–	6,663,829	7,576,642	10,954,622
Bank borrowings	457,605,848	258,629,304	467,810,127	459,653,165	323,678,049
<b>Total current liabilities</b>	<u>561,123,857</u>	<u>589,957,646</u>	<u>771,015,302</u>	<u>829,122,083</u>	<u>671,291,776</u>
<b>NET CURRENT ASSETS</b>	<u>334,082,619</u>	<u>315,240,134</u>	<u>705,384,354</u>	<u>728,376,634</u>	<u>708,230,811</u>

*Note:*

- (1) During the four months between March 31, 2015 and July 31, 2015, Rongzhong Capital has provided funding in the amount of approximately HK\$102.4 million to Rongzhong Group pursuant to a revolving loan agreement entered into between the two parties. We confirmed that the revolving loan will be fully settled prior to the completion of the Global Offering. For details please see “Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Financial independence”.

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## FINANCIAL INFORMATION

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The increase in current assets over the Track Record Period has been principally a result of continued increases in finance lease receivable and the effect of our loan to the Rongzhong Group. The increases in our current liabilities over the Track Record Period has been principally a function of our changes in bank borrowings and the increases in deposits from finance lease customers. The increase in our current assets during the four months between March 31, 2015 and July 31, 2015 is primarily because Rongzhong Capital has provided funding in the amount of approximately HK\$102.4 million to Rongzhong Group pursuant to a revolving loan agreement between the parties. The increase in our current liabilities during the four months between March 31, 2015 and July 31, 2015 is primarily because we adjusted the allocation of certain deposits from our finance lease customers into current liabilities since the remaining terms of their finance lease agreement are less than one year. See “Risk Factors – Risks Relating to Our Business – There can be no assurance that we can match the maturity profile of our assets and liabilities as we grow. Inability to do so will impact our liquidity and our ability to repay our borrowings and settle our outstanding liabilities”.

### **Liquidity**

We fund our leases receivable portfolio principally through our bank borrowings. We manage liquidity primarily by monitoring the maturities of our assets and liabilities in an effort to ensure that we have sufficient funds to meet obligations as they become due. We have been focusing on maintaining stable sources of funding. We have also sought to increase the proportion of our non-current liabilities to improve our stable funding sources.

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from amounts or maturity mismatches of assets and liabilities. We manage our liquidity risk through daily monitoring. We aim to optimize the structure of assets and liabilities, maintain the stability of our leasing business, project cash flows and evaluate the level of current assets and terms of our liquidity and maintain an efficient internal funds transfer mechanism.



## FINANCIAL INFORMATION

The following table sets forth, as at the dates indicated, the maturity profile of our Group's financial assets and liabilities based on contractual undiscounted cash flows.

	On Demand	Within 1 month	1-3 months	4-12 months (HK\$)	1-2 years	Over 2 years	Total
<b>As at March 31, 2013</b>							
Total financial assets	196,461,667	69,882,461	121,762,067	620,637,148	564,507,066	503,628,299	2,076,878,708
Total financial liabilities	101,975,309	105,898,925	115,947,260	250,410,023	361,137,328	602,983,230	1,538,352,075
Net liquidity gap	<u>94,486,358</u>	<u>(36,016,464)</u>	<u>5,814,807</u>	<u>370,227,125</u>	<u>203,369,738</u>	<u>(99,354,931)</u>	<u>538,526,633</u>
Net liquidity gap to the total amount	17.5%	-6.7%	1.1%	68.7%	37.8%	-18.4%	100.0%
<b>As at March 31, 2014</b>							
Total financial assets	108,572,765	107,455,434	143,945,884	709,045,190	933,876,886	234,979,555	2,237,875,714
Total financial liabilities	57,215,190	130,158,362	128,598,412	290,737,971	604,206,145	328,803,943	1,539,720,023
Net liquidity gap	<u>51,357,575</u>	<u>(22,702,928)</u>	<u>15,347,472</u>	<u>418,307,219</u>	<u>329,670,741</u>	<u>(93,824,388)</u>	<u>698,155,691</u>
Net liquidity gap to the total amount	7.4%	-3.3%	2.2%	59.9%	47.2%	-13.4%	100.0%
<b>As at March 31, 2015</b>							
Total financial assets	403,728,842	134,318,078	196,950,845	888,092,122	457,391,666	215,452,588	2,295,934,141
Total financial liabilities	469,061	118,857,298	140,140,411	544,814,930	407,376,274	342,636,725	1,554,294,699
Net liquidity gap	<u>403,259,781</u>	<u>15,460,780</u>	<u>56,810,434</u>	<u>343,277,192</u>	<u>50,015,392</u>	<u>(127,184,137)</u>	<u>741,639,442</u>
Net liquidity gap to the total amount	54.4%	2.1%	7.6%	46.3%	6.7%	-17.1%	100.0%
<b>As at July 31, 2015</b>							
Total financial assets	287,162,979	109,874,644	165,658,480	1,167,628,394	419,426,398	171,677,548	2,321,428,443
Total financial liabilities	66,478	66,809,082	147,065,298	640,042,202	472,313,137	194,665,917	1,520,962,114
Net liquidity gap	<u>287,096,501</u>	<u>43,065,562</u>	<u>18,593,182</u>	<u>527,586,192</u>	<u>(52,886,739)</u>	<u>(22,988,369)</u>	<u>800,466,329</u>
Net liquidity gap to the total amount	35.9%	5.4%	2.3%	65.9%	-6.6%	-2.9%	100.0%

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## FINANCIAL INFORMATION

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During the Track Record Period and the four months ended July 31, 2015, we have been able to prudently match the expiry of our financial assets with the maturity of our financial liabilities. As at July 31, 2015, we had positive net liquidity gap for the three years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015. However, we have negative liquidity gap for the periods over two years. Our negative net liquidity gap for such periods is due to the fact that this analysis assumes that we would be unable to increase our level of financial assets (for us principally finance lease receivable) at all. We believe that such a gap will not have a material impact on our liquidity risk in the foreseeable future as the surplus generated from those periods would be able to cover such gap.

Our current ratio is calculated by dividing our current assets by current liabilities. Our current ratio was 1.60, 1.53 and 1.91 as at March 31, 2013, 2014 and 2015, respectively. As at July 31, 2015, our current ratio was 1.88. We have been able to maintain net current asset position over the Track Record Period.

Our return on equity is calculated by dividing our profit for the year by our shareholders' equity. Our return on equity was 15.2%, 12.9%, 10.8% and 10.3% (annualised) for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015, respectively. Our return on assets is calculated by dividing our profit for the year by our total assets. Our return on assets was 3.6%, 3.5%, 3.1% and 3.1% (annualised) for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015, respectively. The decrease in return of equity and return on assets were mainly due to the increase in equity and total assets. The return on equity and return on assets for the four months ended July 31, 2015 are calculated on annualized basis multiplying the actual ratio by three and is incomparable to that for the year ended March 31, 2013, 2014 and 2015.

### **Capital commitment**

We did not have any capital commitment as at March 31, 2013, 2014, 2015. We had capital commitment for acquisition of intangible assets amounted to HK\$471,710 as at July 31, 2015. We had capital commitment of HK\$454,452 as at November 30, 2015.

### **Working capital**

Taking into account the amount of cash we currently hold, cash flows from our operations, banking facilities available to us, and the net proceeds of the Global Offering, the Directors are of the opinion that our working capital is sufficient for our requirements for at least 12 months from the date of this document.

## FINANCIAL INFORMATION

### OPERATING LEASE ARRANGEMENTS AND COMMITMENTS

We lease certain of our office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years. As at each of the dates indicated, we had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at March 31,			As at	As at
	2013	2014	2015	July 31,	November 30,
			(HK\$)	2015	2015
					<i>(unaudited)</i>
Within one year	306,602	1,898,294	2,821,162	1,088,584	850,236
After one year but within five years	<u>105,120</u>	<u>2,174,461</u>	<u>1,196,477</u>	<u>265,788</u>	<u>295,320</u>
Total	<u>411,722</u>	<u>4,072,755</u>	<u>4,017,639</u>	<u>1,354,372</u>	<u>1,145,556</u>

Save as disclosed above, our Directors confirm that we do not have any other operating lease arrangements as at November 30, 2015.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies.

#### Related party transactions

The following table sets forth, for the periods indicated, our material transactions with related parties other than loans or advances to or from related parties:

	Year ended March 31,			Four months ended	
	2013	2014	2015	July 31,	2015
			(HK\$)	2014	
					<i>(unaudited)</i>
Interest income received from Rongzhong Group	5,198,148	4,896,898	5,568,377	2,061,825	1,151,986
Guarantee fee paid to Rongzhong Group	<u>3,471,534</u>	<u>3,906,435</u>	<u>4,345,270</u>	<u>1,304,247</u>	<u>1,569,221</u>

The Directors consider that the related party transactions during the Track Record Period and the four months ended July 31, 2015 were conducted on arm's length basis and on normal commercial terms.

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## FINANCIAL INFORMATION

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### ***Loan to/from related parties***

As at March 31, 2013, 2014, 2015 and July 31, 2015, we had a loan to a related party, Rongzhong Group, in the amount of HK\$173.3 million, HK\$207.5 million, HK\$73.3 million and HK\$175.7 million, respectively. This loan bears a fixed interest rate of 3%, is unsecured and repayable on demand. Rongzhong Group is entitled to utilize the revolving loan from us before the Listing. This loan will be repaid in full upon Listing. See “Relationship with Our Controlling Shareholders – Financial independence”.

As at March 31, 2013 and 2014, the amount due from a related company, Rongzhong Group, of HK\$387,843 and HK\$371,826, respectively, was unsecured, interest free and repayable on demand.

As at March 31, 2015 and July 31, 2015, the amount due to a related company, Rongzhong Group, of HK\$469,061 and HK\$66,478 is unsecured, interest free and repayable on demand.

### ***Guarantee provided by related parties***

During the Track Record Period and as at July 31, 2015, Mr. Xie, Goldbond and Rongzhong Group have provided the following guarantees in favor of certain banks as security for their granting of loans to Rongzhong PRC.

Guarantor(s)	As at March 31,			As at
	2013	2014	2015	July 31, 2015
	<i>(RMB million)</i>			
Mr. Xie and Rongzhong Group	83.4	45.1	24.0	19.0
Rongzhong Group	567.4	551.1	629.8	568.4
Mr. Xie and Goldbond*	100.0	82.6	45.2	40.0
Mr. Xie and Rongzhong Group and associate	0	0	97.5	135.4

\* As at July 30, 2015 all the guarantees were made on a joint and several basis save for the guarantee made by Mr. Xie and Goldbond, of which 47.94% was guaranteed by Goldbond and 52.06% was guaranteed by Mr. Xie.

The Directors confirm that the loan to a related party and guarantees provided by related parties will be settled/released prior to the listing of the Shares.

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## FINANCIAL INFORMATION

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### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

#### Categories of financial instruments

	2013	As at March 31, 2014	2015	As at July 31, 2015
		<i>(HK\$)</i>		
<b>Financial assets</b>				
Finance lease receivable	1,643,422,102	1,722,243,086	1,938,188,634	1,821,328,431
Loans and receivables (including cash and cash equivalents)	<u>225,865,656</u>	<u>259,591,122</u>	<u>122,483,436</u>	<u>241,462,401</u>
<b>Financial liabilities</b>				
Deposits from finance lease customers	363,517,119	458,801,867	421,647,687	443,676,258
Amortised cost	<u>1,027,682,614</u>	<u>959,871,919</u>	<u>1,011,460,199</u>	<u>969,290,568</u>

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

#### Market risk

##### *Currency risk*

We have foreign currency denominated monetary assets, and thus exposing us to foreign currency risk.

## FINANCIAL INFORMATION

The carrying amounts of our foreign currency denominated monetary assets, including short term bank deposits and bank balances at the reporting date were as follows:

Currency		Assets			As at
		As at March 31,			July 31,
		2013	2014	2015	2015
		(HK\$)			
Hong Kong dollar	HK\$	3,091,631	6,495,397	6,702,559	5,096,343
United States dollar	US\$	<u>147,824</u>	<u>142,693</u>	<u>142,707</u>	<u>142,712</u>

We currently do not have a foreign exchange hedging policy to eliminate the currency exposures. However, we monitor the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

### **Sensitivity analysis**

We are mainly exposed to the effects of fluctuation in US\$ and HK\$ against RMB.

The following table details our sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against US\$ and HK\$. 5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of US\$ and HK\$ against RMB and a negative number below indicates a decrease in profit for the year/period. For a 5% strengthening of US\$ and HK\$ against RMB, there would be an equal and opposite impact on the profit for the year/period.

	US\$ impact			HK\$ impact				
	As at			As at				
	As at March 31,	As at March 31,	As at March 31,	As at March 31,	As at March 31,	As at March 31,	As at March 31,	
	2013	2014	2015	2013	2014	2015	2015	
	(HK\$)							
Decrease in profit	<u>(7,391)</u>	<u>(7,135)</u>	<u>(7,135)</u>	<u>(7,136)</u>	<u>(154,582)</u>	<u>(324,770)</u>	<u>(335,128)</u>	<u>(251,512)</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

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## FINANCIAL INFORMATION

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### ***Interest rate risk***

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. We are exposed to cash flow interest rate risk in relation to variable-rate finance lease receivable, security deposits, short term bank deposits, bank balances and bank borrowings. We take on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risks.

We monitor the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate re-pricing that may be undertaken is monitored closely.

Our exposure to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. Our cash flow interest rate risk is mainly concentrated on the fluctuation of the rate offered by the PBOC arising from our RMB denominated financial instruments.

### ***Sensitivity analysis***

The sensitivity analysis below has been determined based on the exposure to variable-rate finance lease receivable and bank borrowings. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period were outstanding for the whole year. Each year, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower in 2013, 2014 and 2015 and all other variables were held constant, our profit for the year ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2015 would increase/decrease by HK\$2.4 million, HK\$4.3 million and HK\$5.1 million, and HK\$1.4 million respectively. This is mainly attributable to our exposure to interest rates on its variable-rate finance lease receivable and bank borrowings. We considered that the interest rate risk exposure to variable-rate bank balances and security deposits is not significant in view of the low interest rate environment.

The tables below summarize our exposure to interest rate risk of our assets and liabilities, including finance lease receivable categorised by the earlier of contractual interest-rate repricing and maturity dates. We measure the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of interest rate gap analysis which shows our interest rate risk arising from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

## FINANCIAL INFORMATION

### **Interest rate risk table – shown at earlier of contractual interest-rate repricing and maturity dates**

	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Non- interest bearing HK\$	Total HK\$
<b>2013</b>							
<b>Assets</b>							
Finance lease receivable	1,432,248,770	17,012,885	–	17,679,848	176,480,599	–	1,643,422,102
Security deposits	17,834,715	–	–	–	–	–	17,834,715
Short term bank deposits	2,500,943	–	–	–	–	–	2,500,943
Bank balances and cash	31,515,363	–	–	–	–	–	31,515,363
Loan to a related company	–	–	173,271,605	–	–	–	173,271,605
Amount due from a related company	–	–	–	–	–	387,843	387,843
Other receivables	–	–	–	–	–	355,187	355,187
<b>Total</b>	<b>1,484,099,791</b>	<b>17,012,885</b>	<b>173,271,605</b>	<b>17,679,848</b>	<b>176,480,599</b>	<b>743,030</b>	<b>1,869,287,758</b>
<b>Liabilities</b>							
Other payables	–	–	–	–	–	6,851,642	6,851,642
Bank borrowings	794,176,651	987,654	2,962,963	3,950,617	218,753,087	–	1,020,830,972
Deposits from finance lease customers	44,639,255	549,440	26,577,206	167,951,328	123,799,890	–	363,517,119
<b>Total</b>	<b>838,815,906</b>	<b>1,537,094</b>	<b>29,540,169</b>	<b>171,901,945</b>	<b>342,552,977</b>	<b>6,851,642</b>	<b>1,391,199,733</b>
<b>Net position – total financial assets and liabilities</b>	<b>645,283,885</b>	<b>15,475,791</b>	<b>143,731,436</b>	<b>(154,222,097)</b>	<b>(166,072,378)</b>	<b>(6,108,612)</b>	<b>478,088,025</b>
<b>2014</b>							
<b>Assets</b>							
Finance lease receivable	1,213,187,123	67,860,167	182,663,138	203,091,074	55,441,584	–	1,722,243,086
Security deposits	13,295,402	–	–	–	–	–	13,295,402
Short term bank deposits	6,000,921	–	–	–	–	–	6,000,921
Bank balances and cash	31,799,779	–	–	–	–	–	31,799,779
Loan to a related company	207,487,342	–	–	–	–	–	207,487,342
Amount due from a related company	–	–	–	–	–	371,826	371,826
Other receivables	–	–	–	–	–	635,852	635,852
<b>Total</b>	<b>1,471,770,567</b>	<b>67,860,167</b>	<b>182,663,138</b>	<b>203,091,074</b>	<b>55,441,584</b>	<b>1,007,678</b>	<b>1,981,834,208</b>
<b>Liabilities</b>							
Other payables	–	–	–	–	–	65,672,995	65,672,995
Bank borrowings	81,201,772	57,682,785	119,744,747	400,417,721	235,151,899	–	894,198,924
Deposits from finance lease customers	35,432,197	55,474,663	152,143,168	143,589,508	72,162,331	–	458,801,867
<b>Total</b>	<b>116,633,969</b>	<b>113,157,448</b>	<b>271,887,915</b>	<b>544,007,229</b>	<b>307,314,230</b>	<b>65,672,995</b>	<b>1,418,673,786</b>
<b>Net position – total financial assets and liabilities</b>	<b>1,355,136,598</b>	<b>(45,297,281)</b>	<b>(89,224,777)</b>	<b>(340,916,155)</b>	<b>(251,872,646)</b>	<b>(64,665,317)</b>	<b>563,160,422</b>



## FINANCIAL INFORMATION

	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Non- interest bearing HK\$	Total HK\$
<u>2015</u>							
<u>Assets</u>							
Finance lease receivable	1,325,004,754	95,580,933	184,782,978	117,579,799	215,240,170	–	1,938,188,634
Security deposits	23,764,827	–	–	–	–	–	23,764,827
Short term bank deposits	6,019,840	–	–	–	–	–	6,019,840
Bank balances and cash	18,511,614	–	–	–	–	–	18,511,614
Loan to a related company	73,297,468	–	–	–	–	–	73,297,468
Other receivables	–	–	–	–	–	889,687	889,687
<b>Total</b>	<b>1,446,598,503</b>	<b>95,580,933</b>	<b>184,782,978</b>	<b>117,579,799</b>	<b>215,240,170</b>	<b>889,687</b>	<b>2,060,672,070</b>
<u>Liabilities</u>							
Other payables	–	–	–	–	–	2,705,062	2,705,062
Bank borrowings	231,772,153	68,455,696	167,582,278	233,640,506	306,835,443	–	1,008,286,076
Deposits from finance lease customers	93,764,051	19,070,599	156,112,037	129,809,692	22,891,308	–	421,647,687
Amount due to a related company	–	–	–	–	–	469,061	469,061
<b>Total</b>	<b>325,536,204</b>	<b>87,526,295</b>	<b>323,694,315</b>	<b>363,450,198</b>	<b>329,726,751</b>	<b>3,174,123</b>	<b>1,433,107,886</b>
<b>Net position – total financial assets and liabilities</b>	<b>1,121,062,299</b>	<b>8,054,638</b>	<b>(138,911,337)</b>	<b>(245,870,399)</b>	<b>(114,486,581)</b>	<b>(2,284,436)</b>	<b>627,564,184</b>
<u>As at 31 July 2015</u>							
<u>Assets</u>							
Finance lease receivable	1,012,192,922	46,271,577	424,083,614	229,041,154	109,739,164	–	1,821,328,431
Security deposits	29,318,070	–	–	–	–	–	29,318,070
Bank balances and cash	35,708,433	–	–	–	–	–	35,708,433
Loan to a related company	175,702,532	–	–	–	–	–	175,702,532
Other receivables	–	–	–	–	–	733,366	733,366
<b>Total</b>	<b>1,252,921,957</b>	<b>46,271,577</b>	<b>424,083,614</b>	<b>229,041,154</b>	<b>109,739,164</b>	<b>733,366</b>	<b>2,062,790,832</b>
<u>Liabilities</u>							
Other payables	–	–	–	–	–	3,634,216	3,634,216
Bank borrowings	229,886,076	106,202,532	123,564,557	329,185,570	176,751,139	–	965,589,874
Deposits from finance lease customers	36,400,388	4,748,818	287,836,661	104,468,464	10,221,927	–	443,676,258
Amount due to a related company	–	–	–	–	–	66,478	66,478
<b>Total</b>	<b>266,286,464</b>	<b>110,951,350</b>	<b>411,401,218</b>	<b>433,654,034</b>	<b>186,973,066</b>	<b>3,700,694</b>	<b>1,412,966,826</b>
<b>Net position – total financial assets and liabilities</b>	<b>986,635,493</b>	<b>(64,679,773)</b>	<b>12,682,396</b>	<b>(204,612,880)</b>	<b>(77,233,902)</b>	<b>(2,967,328)</b>	<b>649,824,006</b>

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## FINANCIAL INFORMATION

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### Credit risk

As at March 31, 2013, 2014 and 2015, and July 31, 2015 our maximum exposure to credit risk which may cause a financial loss due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position.

In order to minimise the credit risk in relation to finance lease receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, our management reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For loan to a related company and amount due from a related company, our management participates in daily operation of the related company. In this regard, our Directors consider that our credit risk is significantly reduced.

The credit risk on liquid funds (i.e. short term bank deposits, security deposits and bank balances and cash) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Our concentration of credit risk on finance lease receivable as at March 31, 2013, 2014 and 2015 and July 31, 2015 included five major counterparties accounting for 24.9%, 26.3% and 33.3% and 43.4% of our finance lease receivable, respectively. We have closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

We are exposed to the concentration of geographical risk on revenue which is generated mostly from customers located in Hubei Province, the PRC. We have closely monitored the business performance by provinces of customers' locations in the PRC and diversified its customer base.

Our concentration of industrial risk on our finance lease receivable is mainly from the following customers' industries: laser processing, plastics, industrial processing, textile and garment, hotel and leisure and others which accounted for 9.4%, 9.6%, 39.9%, 10.0%, 7.5% and 23.6% as at March 31, 2013, 5.3%, 15.9%, 42.3%, 9.8%, 7.3% and 19.4% as at March 31, 2014 and 3.9%, 12.7%, 47.2%, 3.7%, 13.2% and 19.3% as at March 31, 2015 and 2.9%, 12.5%, 51.3%, 3.3%, 14.7% and 15.3% as at July 31, 2015 of our finance lease receivable respectively. We have closely monitored the market trend of these industries in China and the business performance of its customers to ensure timely collection of our finance lease receivable.

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## FINANCIAL INFORMATION

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### FINANCIAL INSTRUMENTS

As at the Latest Practicable Date, we have not entered into any financial instruments for hedging purposes.

### DIVIDEND POLICY

The payment and amount of any future dividends will be at the sole discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, future prospects and other factors that our Board of Directors deem relevant.

We have never declared or paid any dividends on our Shares. We have no present plan to declare and pay any dividends on our Shares or in the near future.

### DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE RELEVANT RULES

The Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to a disclosure required under Rules 13.13 to 13.19 of the relevant rules going forward.

### NO MATERIAL ADVERSE CHANGE

We have maintained steady development of new contracts and revenue, a steady relationship with its customers and its profit margin level and settlement of leases receivable from its customers as scheduled.

Our Directors confirm, after having performed sufficient due diligence, that since July 31, 2015 (which includes (1) the period from July 31, 2015, being the date of the latest audited combined financial position of the Group as set out in Appendix I to this document to the Latest Practicable Date):

- there has been no material adverse change in the financial and trading position or prospects of the Group; and
- there has been no material event that would affect the information contained in the Accountants' Report as set out in Appendix I to this document and in the section headed "Financial Information".

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

See the section headed “Business – Our Strategies” for a detailed description of our future plans.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$188.8 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering without taking into account any additional discretionary incentive fee, assuming no Over-Allotment Option is exercised and an Offer Price of HK\$2.30 per Share, being the mid-point of the indicative Offer Price range of HK\$2.11 to HK\$2.48 per Share. We intend to use the net proceeds we receive from the Global Offering for the following purposes:

- approximately 60% (approximately HK\$113.3 million) to apply towards expanding our finance leasing operations in Hubei Province;
- approximately 30% (approximately HK\$56.6 million) to apply towards exploring finance leasing related business opportunities in other cities in China with dynamics similar to Wuhan and other cities in Hubei Province; and
- approximately 10% (approximately HK\$18.9 million) to apply towards our general working capital.

In the event that the Offer Price is set at the high-end of the indicative Offer Price range (assuming the Over-allotment Option is not exercised), the net proceeds of the Global Offering, will increase to approximately 206.1 million. Under such circumstances, the additional net proceeds will be used for our working capital. In the event that the Offer Price is set at the low-end of the indicative Offer Price range (assuming the Over-allotment Option is not exercised), the net proceeds of the Global Offering will decrease to approximately HK\$170.6 million. Under such circumstances, the reduced amount of net proceeds will be deducted from the amount applied towards our working capital.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase by approximately HK\$33.1 million, assuming an Offer Price of HK\$2.3 per Share, being the mid-point of the proposed Offer Price range. In such event, we intend to apply the additional net proceeds to the above uses in the proportion stated above.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

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## FUTURE PLANS AND USE OF PROCEEDS

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Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our combined affiliated entities such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries or combined affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Immediately upon completion of the Global Offering and the Capitalization Issue (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any shares which may be granted under the Share Option Scheme), Perfect Honour will hold approximately 35.95% of our enlarged issued share capital; and hence, it is our Controlling Shareholder. Perfect Honour is a wholly-owned subsidiary of Goldbond. Accordingly, through Perfect Honour, Goldbond is also our Controlling Shareholder.

Ms. Michelle Wong and Ms. Jacqueline Wong are the daughters of Mr. Wong and Mrs. Wong. To facilitate family arrangement, Mr. Wong and Mrs. Wong established the Trust A and Ms. Michelle Wong and Ms. Jacqueline Wong established the Trust B, both with Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries. The assets of the Trust A and Trust B include all the Goldbond shares held by Allied Luck (being approximately 30.99% of the total issued share capital of Goldbond), a company wholly-owned by the Trust A, and all the Goldbond shares held by Ace Solomon (being approximately 25.92% of the total issued share capital Goldbond), a company jointly owned by Allied Golden and Aceyork, which in turn, are wholly-owned by the Trust B. Mr. Wong and Mrs. Wong, being the settlors and the trustees of the Trust A and the trustees of the Trust B, are entitled to exercise all the voting rights attached to the Goldbond shares held by Allied Luck and Ace Solomon at their absolute discretion, which in aggregate, exceed 50% of the voting rights at the general meeting of Goldbond. Goldbond, in turn, will hold approximately 35.95% of our enlarged issued share capital through Perfect Honour immediately upon completion of the Global Offering and the Capitalization Issue (without taking into account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option and any shares which may be granted under the Share Option Scheme). In view of the foregoing, Mr. Wong and Mrs. Wong are also our Controlling Shareholders.

### DELINEATION OF BUSINESS FROM THOSE OF GOLDBOND AND RONGZHONG GROUP

#### Information of Goldbond

Goldbond is a company incorporated in Hong Kong whose shares are listed on the Main Board of the Stock Exchange. Its business covers loan financing, loan guarantee, factoring and related advisory services to SMEs in the PRC.

Through its wholly-owned subsidiary, Yancheng Goldbond Technology Small Loan Company Limited (鹽城市金榜科技小額貸款有限公司) (“Yancheng Goldbond”), Goldbond is able to offer short-term loan financing services, loan guarantee services, direct investment and other services approved by the provincial government, to SMEs and individuals in the PRC. Since its establishment, Yancheng Goldbond is principally engaged in the provision of small loan financing services.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Furthermore, through its wholly-owned subsidiary, Jiangsu Goldbond Factoring Co., Ltd. (江蘇金榜商業保理有限公司) (“Goldbond Factoring”), Goldbond is also able to provide factoring services, including collection and management of account receivables and other related advisory services to SMEs and individuals in the PRC. Since its establishment, Goldbond Factoring is principally engaged in the provision of factoring services.

On the other hand, Goldbond, through Perfect Honour, is also interested in 40.00% of the issued share capital of Rongzhong Group. Therefore, Rongzhong Group (including its subsidiaries) is a joint venture of Goldbond.

### **Information of Rongzhong Group**

The issued share capital of Rongzhong Group is ultimately held as to 40.00% by Goldbond (through Perfect Honour), 40.00% by Hony Capital (through Silver Creation), 12.42% by Mr. Xie (through Yong Hua) and 7.58% by Ms. Jacqueline Wong (through Plenty Boom and Legend Crown).

Rongzhong Group is principally engaged in provision of non-bank financial services, comprising small loan financing, loan guarantee, pawn, asset management, bill financing and financial consulting services to SMEs and individuals in various cities of the PRC (excluding finance leasing).

Since Goldbond focuses on loan financing, loan guarantee, factoring and related advisory services to SMEs in the PRC and Rongzhong Group focuses on small loan financing, loan guarantee, pawn, asset management, bill financing and financial consulting services to SMEs and individuals in various cities in the PRC whereas our Group focuses on finance leasing, which is different in terms of business model, approval requirements, applicable regulations, target customers and approval criteria, scale of business, operational restrictions and locality of customers, interest rate and/or term of financing, to those of Goldbond and Rongzhong Group, our Directors are of the view that we do not compete with these companies.

### **Delineation of Business – Small Loan Financing Services**

As at the Latest Practicable Date, each of Goldbond and Rongzhong Group provides small loan financing services, through Yancheng Goldbond established in April 2013 and Rongzhong Small Loan (Hubei) Limited Company (融眾小額貸款(湖北)有限公司) (“Rongzhong Small Loan”) established in June 2012, respectively. We believe that our finance leasing business and the small loan business of Goldbond and Rongzhong Group are not in substantive competition for the following reasons:

#### ***Business Model***

Finance leasing is a lessee-lessor relationship where the lessor will enter into a commercial arrangement with the lessee under which (i) the lessor purchases the leased asset from the seller according to the lessee’s instructions and then leases the leased

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asset to the lessee in return for rental fees; or (ii) the lessee sells the existing assets to the lessor and the lessor leases the assets back to the lessee for its uses in return for rental fees, with the title of the leased assets being vested in the lessor until it is transferred to the lessee upon expiry of the lease term. Therefore, a core feature of our business model is that it would involve the ownership of the assets that are material to the production capabilities of our customers (usually equipment) being transferred to us for the provision of financing in relation to such leased assets. For details of operation in finance leasing, please see the paragraph headed “Business – Business Operations”.

On the other hand, small loan financing is a pure debtor-creditor relationship where money is lent to the debtor by the creditor in return for interest payments and security may or may not be required depending on the credit rating of the debtor.

### ***Approval Requirements***

Under PRC laws, different approvals from different PRC government authorities are required to operate finance leasing and small loan financing businesses in the PRC. To operate finance leasing business in the PRC, a company must first obtain approval from competent MOFCOM authority and once such approval is obtained, the company must apply to competent Administration of Industry and Commerce (“AIC”) authority for a business licence, the issue of which is necessary for the company to lawfully commence finance leasing business in the PRC. Further, the company is required to make annual filings with competent MOFCOM authority regarding its operations and financial results. However, the failure of the company to make such annual filings will not result in any penalty nor revocation of the MOFCOM approval pursuant to applicable PRC laws. On the other hand, to operate small loan business in the PRC, a company must first obtain approval from local finance office (or any other competent local authority depending on different local practice) and once such approval is obtained, the company must apply to competent AIC authority for a business licence, the issue which is required for the company to legally commence small loan business in the PRC.

As at the date of this prospectus, Rongzhong Small Loan and Yancheng Goldbond are licensed to conduct small loan business in Hubei Province and Yancheng, Jiangsu Province, respectively. However, neither Rongzhong Small Loan nor Yancheng Goldbond possesses the approvals from the competent PRC government authorities to operate finance leasing business in the PRC. This is because pursuant to the local regulations of Jiangsu Province and Hubei Province, Rongzhong Small Loan and Yancheng Goldbond are only permitted to operate small loan financing and/or related businesses and are not allowed to operate finance leasing business in the PRC. On the other hand, our Group does not possess the licence and approval to conduct small loan financing business in the PRC.

In addition, Rongzhong Group has undertaken to us that it, together with its respective subsidiaries, will not, directly or indirectly, be interested or involved or engaged in any business which competes or is likely to compete with the finance leasing business of our Group. For details of such non-competition undertakings, please see the paragraph headed “Deeds of Non-Competition” below.



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### ***Applicable Regulations***

Under PRC laws, small loan financing business is mainly regulated by the Guide Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small Loan Companies (中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見) (the "Guide Opinions") and the relevant local regulations, while finance leasing business is mainly regulated by the Measures for Supervision and Administration of Finance Leasing Enterprises (融資租賃企業監督管理辦法) and Measures on the Administration of Foreign Investment in the Leasing Industry (外商投資租賃業管理辦法) (the "Measures"). Pursuant to the Guide Opinions, the outstanding balance of small loan provided to the same customer shall not exceed 5.00% of the net capital of the company. Further, pursuant to the local regulations in Jiangsu Province and Hubei Province, a company which engages in small loan financing can only conduct its business in the region within the jurisdiction of the small loan provider's registration. Similar restrictions do not exist in connection with finance leasing business. However, pursuant to the Measures, there are restrictions regarding the type of leased assets, of which only Permitted Leased Assets can be made the leased object of a finance lease. Please see the paragraph headed "Regulatory Overview – Measures on the Administration of Foreign Investment in the Leasing Industry" for details of the Measures.

### ***Target Customers and Approval Criteria***

Our finance leasing business targets SMEs with long-term financing needs, generally to replenish working capital, commence new projects, expand production, make advancements in technology or satisfy needs to purchase new equipment. Also, as finance leasing involves the transfer of ownership of the assets (usually equipment) from the lessee to the lessor, the industry that the customer engages in and the quality of the asset being financed, including the cash flow that is able to be generated from such asset and the profitability, risks and future prospect of the business of the customer are important factors that we would consider when we decide on whether a finance lease will be entered into with a customer. During the Track Record Period, all of our customers were SMEs, of which over 70.00% of them are manufacturing SMEs which primarily engage in the businesses of laser processing, plastics, industrial processing, textile and garment.

On the other hand, Yancheng Goldbond and Rongzhong Small Loan target SMEs with short-term financing needs. For the two years ended March 31, 2015 and the four months ended July 31, 2015, over 85.00% of the customers of Yancheng Goldbond were SMEs while less than 9.00% of its customers were individuals and sole proprietors. For the same period, Rongzhong Small Loan did not have any individual customers as all its customers were sole proprietors and SMEs, of which more than 75.00% of such customers were SMEs. Among the SME customers of Yancheng Goldbond and Rongzhong Small Loan, the majority of them are non-manufacturing SMEs which primarily engage in the businesses of trading, retail, property development, construction and decoration. Therefore, the customers of Yancheng Goldbond and Rongzhong Small Loan are generally not in a position to provide operating assets or equipment to Yancheng Goldbond and Rongzhong Small Loan as security.

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In determining whether a loan will be extended to a customer, emphasis will be placed by Yancheng Goldbond and Rongzhong Small Loan on the financial creditability of the customer and/or guarantor, sources of repayment and the sale value of the secured assets. Yancheng Goldbond and Rongzhong Small Loan generally demand mortgage of real estates or pledge of shares and personal or corporate guarantees as security for provision of loans to borrowers. During the Track Record Period, none of the security of Yancheng Goldbond comprised of equipment and/or machineries. For the same period, less than 6.00% of the security of Rongzhong Small Loan comprised of equipment and/or machineries. Although Rongzhong Small Loan accepted equipment and/or machineries as security during the Track Record Period, it was provided as additions to other kinds of secured assets and only comprised a very small portion of the overall security of Rongzhong Small Loan as Rongzhong Small Loan normally prefers security in the form of real estates, shares, personal or corporate guarantees over equipment and/or machineries. Further, to avoid direct competition with our Group, Rongzhong Group has undertaken to procure Rongzhong Small Loan to refer its new customers to our Group when certain conditions are satisfied, namely, (i) a significant amount of the collateral provided by the new customers are within the scope of Permitted Leased Assets; (ii) the ownership of the collateral are capable of being transferred and (iii) the new customers are willing to transfer the ownership of the collateral as security for loan until repayment of loan. For details of such customer referral obligation, please see the paragraph headed "Deeds of Non-Competition" below.

### Scale of Business

Yancheng Goldbond was established in April 2013. For the two years ended March 31, 2015 and the four months ended July 31, 2015, Yancheng Goldbond generated revenue of approximately RMB5.3 million, RMB4.4 million and RMB1.4 million, respectively.

Rongzhong Small Loan was established in June 2012. For the three years ended March 31, 2015 and the four months ended July 31, 2015, Rongzhong Small Loan generated revenue of approximately RMB31.4 million, RMB93.4 million, RMB86.3 million and RMB19.4 million, respectively.

Our finance lease business was established in May 2008 and has been in operation for more than seven years. For the three years ended March 31, 2015 and the four months ended July 31, 2015, our Group generated revenue of approximately HK\$181.8 million, HK\$220.4 million, HK\$226.9 million and HK\$81.2 million, respectively.

In view of the above, not only is our operating history substantially longer than that of Yancheng Goldbond and Rongzhong Small Loan, our scale of business is also significantly larger than that of Yancheng Goldbond and Rongzhong Small Loan. Such differences have further delineated our business with that of Yancheng Goldbond and Rongzhong Small Loan.

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### ***Operational Restrictions and Locality of Customers***

Due to the restrictions under the local regulations in Jiangsu Province and Hubei Province, Yancheng Goldbond and Rongzhong Small Loan are only permitted to operate in Yancheng, Jiangsu Province and Hubei Province, respectively. Accordingly, Yancheng Goldbond's customers are located in Yancheng, Jiangsu Province and Rongzhong Small Loan's customers are located in Hubei Province. In contrast, no such regulations are imposed on finance leasing companies and our customers are located all over the PRC, apart from Hubei Province.

During the Track Record Period, the revenues of Yancheng Goldbond and Rongzhong Small Loan were derived entirely from Yancheng, Jiangsu Province and Hubei Province, respectively. For the same period, a substantial portion of our revenue (an average of approximately 90.76% for the three years ended March 31, 2015 and the four months ended July 31, 2015) was derived from Hubei Province with the remaining portion derived from other geographical regions of the PRC such as Shanghai, Tianjin, Guangdong, etc. Although both our Group and Rongzhong Small Loan operate in Hubei Province and the majority of their customers are located in Hubei Province, there were only two overlapping customers between our Group and Rongzhong Small Loan during the Track Record Period while there was no overlapping customer between our Group and Yancheng Goldbond for the same period.

Key terms of the contracts entered into by our Group and Rongzhong Small Loan with each of the two overlapping customers are set out below:

Key Terms	Our Group		Rongzhong Small Loan	
	First Overlapping Customer	Second Overlapping Customer	First Overlapping Customer	Second Overlapping Customer
Services/ Products	Finance lease	Finance lease	Small loans	Small loan
Term of Financing	3 years	3 years	6-9 months	6 months
Interest Rate (per annum)	11.50% (inclusive of finance lease management fees and advisory fees)	9.00% (inclusive of finance lease management fees and advisory fees)	21.60%	21.60%

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Key Terms	Our Group			
	First Overlapping Customer	Second Overlapping Customer	First Overlapping Customer	Second Overlapping Customer
Security	Leased assets as major security, and personal and corporate guarantees	Leased assets as major security, personal and corporate guarantees, equipment and accounts receivables	Real estates, personal and corporate guarantees and/or equipment	Personal and corporate guarantees
Intended Use	Fixed assets investment and/or business development	Fixed assets investment and/or business development	Replenish working capital	Replenish working capital

Details in relation to (a) the amount of revenue derived by our Group and Rongzhong Small Loan from each of the two overlapping customers during the Track Record Period and (b) the percentage of revenue generated from each of the two overlapping customers to the overall revenue of each of our Group and Rongzhong Small Loan are set out below:

	Our Group								Rongzhong Small Loan							
	First Overlapping Customer				Second Overlapping Customer				First Overlapping Customer				Second Overlapping Customer			
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015
Amount of Revenue	RMB0.6 million	RMB2.3 million	RMB1.9 million	RMB0.4 million	RMB0.9 million	RMB10.9 million	RMB11.0 million	RMB4.7 million	Nil	RMB0.9 million	RMB1.4 million	RMB0.7 million	Nil	Nil	RMB0.6 million (Note)	RMB0.2 million (Note)
Percentage of Revenue	0.42%	1.33%	1.07%	0.69%	0.63%	6.26%	6.15%	7.30%	Nil	0.95%	1.61%	4.86%	Nil	Nil	0.66% (Note)	1.07% (Note)

**Note:** The second overlapping customer fully repaid the principal of the small loan extended by Rongzhong Small Loan on June 9, 2015; however, it still had not made the interest payment, which amounted to approximately RMB0.6 million for the year ended March 31, 2015 and approximately RMB0.2 million for the four months ended July 31, 2015, to Rongzhong Small Loan. If the said unpaid interest payments were collected by Rongzhong Small Loan, they would have amounted to approximately 0.66% and 1.07% of the overall revenue of Rongzhong Small Loan for the year ended March 31, 2015 and for the four months ended July 31, 2015, respectively.

### Interest Rate

During the Track Record Period, the range of interest rates charged by Rongzhong Small Loan on small loans were between approximately 21.60% and 22.44%, approximately 21.60% and 21.60%, approximately 21.36% and 22.32% and approximately 6.00% and 22.32%, respectively whereas the average interest rates charged by Rongzhong Small Loan on small loans were approximately 21.66%, 21.60%, 21.71% and 17.71% per annum, respectively. Yancheng Goldbond was established in April 2013. For the two years ended March 31, 2015 and the four months ended July 31, 2015, the range of interest rates charged by Yancheng Goldbond on small loans were between approximately 10.00% and 16.80%, approximately 4.96% and 16.80% and

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approximately 5.42% and 16.80%, respectively whereas the average interest rates charged by Yancheng Goldbond on small loans were approximately 14.53%, 9.00% and 10.06% per annum, respectively. During the Track Record Period, the range of effective interest rates charged by our Group (inclusive of finance lease management fees and advisory fees) were between approximately 4.26% and 62.36%, approximately 4.26% to 61.02%, approximately 5.79% to 61.02% and 5.70% and 51.96%, respectively whereas the average effective interest rates (inclusive of finance lease management fees and advisory fees) charged by our Group on finance leases were approximately 12.29%, 12.92%, 14.14% and 13.81% per annum, respectively.

The interest rates charged by Rongzhong Small Loan on small loans are largely determined by the benchmark interest rates published by the PBOC from time to time. Rongzhong Small Loan also considers other factors such as the term of financing, repayment ability and financial creditability of the customer as well as the kinds and quality of the security provided by its customers in determining the chargeable interest rates; however, the pledge of machineries and/or equipment as securities by its customers will not have any impact on the chargeable interest rate as such securities are regarded as additions to other kinds of secured assets as mentioned above. The interest rates charged by Rongzhong Small Loan are normally four times the PBOC rate. Accordingly, the interest rates Rongzhong Small Loan charged its customers during the Track Record Period were all above 20.00%, being four times the PBOC rates, except for several transactions in the four months ended July 31, 2015 with interest rates ranging from 6.00% to 19.32%. Low interest rate was offered by Rongzhong Small Loan to those debtors who have good credit record and relationship with Rongzhong Small Loan. On the other hand, the interest rates charged by Yancheng Goldbond on small loan are dependable on the creditability and repayment ability of its customers, the security quality and the term of financing, with more emphasis being placed on security quality. In this connection, Yancheng Goldbond normally offers lower interest rates to customers with high quality securities since the risks of default for such small loans is very low. Accordingly, for the year ended March 31, 2015 and the four months ended July 31, 2015, small loans of Yancheng Goldbond charging the lowest interest rates were those secured by bank acceptance bills. As for our Group, the interest rates (inclusive of finance lease management fees and advisory fees) charged are mainly determined by the cost of financing to our Group, customer's financial condition, industry and leased asset quality, particularly the capability of the leased asset in generating sustainable positive cash flow.

The higher ends of the range of effective interest rates (inclusive of finance lease management fees and advisory fees) charged by our Group were significantly greater than those charged by Rongzhong Small Loan for the three years ended March 31, 2015 and Yancheng Goldbond for the two years ended March 31, 2015 respectively. This is mainly because of our finance lease arrangements with our largest customer. Our Group charged our largest customer higher interest rate (inclusive of finance lease management fees and advisory fees) since the aggregate amount of the finance leases of our largest customer reached RMB100 million and substantial resources were

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devoted by our Group in providing finance advisory and management services to our largest customer. The pattern was also the same for the four months ended July 31, 2015. This is because one of our customers in the plastic industry repaid a substantial amount of undue payables earlier than the maturity date as specified in the contract.

The average effective interest rates (inclusive of finance lease management fees and advisory fees) our Group charged our customers during the Track Record Period were substantially lower than those charged by Rongzhong Small Loan. For the year ended March 31, 2014, the average effective interest rate (inclusive of finance lease management fees and advisory fees) our Group charged our customers was moderately lower than that of Yancheng Goldbond; however, the situation was reversed for the year ended March 31, 2015 and the four months ended July 31, 2015 as Yancheng Goldbond had deliberately lowered its chargeable interest rate on small loans to concentrate on high quality customers with stable return and low probability of default, in particular, those with bank acceptance bills as security, to combat the increasingly difficult operating environment in Yancheng, Jiangsu Province.

As our customers are usually looking for funds on a long-term basis to replenish their working capital for the purpose of expanding or upgrading their production capabilities or investing in fixed assets or new projects and due to the nature of finance leasing that requires the transfer of ownership of the leased assets, we normally access the credit risk of our customers with reference to the financing term, their financial conditions and business prospects, and leased asset quality. In particular, whether the leased assets are (i) mainly equipment and/or machineries essential to the operation of the businesses of our customers and (ii) capable of generating sustainable positive cash flows to our customers to repay the monies due under the finance leases. To better manage our credit risk, we may require our customers to provide additional collateral to secure their repayment obligations under finance leases and such collateral include vessel, commercial and residential properties, equipment and machineries.

In contrast, the customers of Yancheng Goldbond and Rongzhong Small Loan are usually looking for funds on a short-term basis with collateral comprising mostly of real estates, shares, personal or corporate guarantees, and in some instances, bank acceptance bills (for Yancheng Goldbond) and equipment and/or machineries (for Rongzhong Small Loan). In determining the credit risk of their customers, Yancheng Goldbond and Rongzhong Small Loan would consider the term of financing, the financial creditability and repayment ability of the customer and/or the guarantor, the sources of repayment and the kind and quality of the collateral. In assessing the value of the collateral, Rongzhong Small Loan and Yancheng Goldbond would look at the resale value of the collateral as opposed to the capability of the collateral in generating future cash flows.

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Given the differences in the (a) term and needs of financing; (b) extent and kinds of security given (our Group's security comprises of leased assets in addition to guarantees and/or collateral (if any) whereas Rongzhong Small Loan's and Yancheng Goldbond's security comprise only of guarantees and/or collateral); (c) preference of collateral (Rongzhong Small Loan and Yancheng Goldbond generally prefer security in the form of real estates, shares, bank acceptance bill over machineries and equipment whereas our Group does not have such preference) and (d) assessment of the value of the leased assets and collateral (our Group assesses the value of leased assets based on the capability of the leased assets to generate future cash flows whereas Rongzhong Small Loan and Rongzhong Group assess the value of collateral based on the resale value of the collateral) between our Group and Rongzhong Small Loan and Yancheng Goldbond, we are generally able to provide more favorable interest rate than Rongzhong Small Loan and Yancheng Goldbond.

### ***Term of Financing***

Finance leasing targets customers with long-term financial needs while small loan financing targets customers with short-term financial needs. During the Track Record Period, the term of finance leasing offered by our Group was mostly in the range of two to three years, while the term of small loan financing offered by (a) Yancheng Goldbond was predominantly less than 12 months and (b) Rongzhong Small Loan was mostly in the range of one to six months.

### **Summary table of major differences between our finance leasing business and the small loan financing business of Yancheng Goldbond and Rongzhong Small Loan**

The following table sets forth a brief summary of the major differences between our finance leasing business and the small loan financing business of Yancheng Goldbond and Rongzhong Small Loan.

	<b>Our Group</b>	<b>Yancheng Goldbond</b>	<b>Rongzhong Small Loan</b>
<b>Business Focus</b>	<ul style="list-style-type: none"><li>• provision of finance leasing services</li></ul>	<ul style="list-style-type: none"><li>• provision of small loan financing services</li></ul>	<ul style="list-style-type: none"><li>• provisions of small loan financing services</li></ul>
<b>Target Market (geographical locations)</b>	<ul style="list-style-type: none"><li>• Hubei Province and other places in the PRC with dynamics similar to Hubei Province</li></ul>	<ul style="list-style-type: none"><li>• Yancheng, Jiangsu Province</li></ul>	<ul style="list-style-type: none"><li>• Hubei Province</li></ul>

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	Our Group	Yancheng Goldbond	Rongzhong Small Loan
<b>Target Customers</b>	<ul style="list-style-type: none"> <li>• Key customers are manufacturing SMEs in laser processing, plastic, industrial processing, textile and garment industries</li> <li>• have long-term financing needs (generally two to three years)</li> </ul>	<ul style="list-style-type: none"> <li>• Key customers are non-manufacturing SMEs in retail, trading and construction and decoration industries</li> <li>• have short-term financing needs (less than one year)</li> </ul>	<ul style="list-style-type: none"> <li>• Key customers are non-manufacturing SMEs in trading and property development industries</li> <li>• have short term financing needs (less than one year)</li> </ul>
<b>Operational Restrictions and Locality of Customers</b>	<ul style="list-style-type: none"> <li>• can operate across different regions in the PRC</li> <li>• located all over the PRC</li> </ul>	<ul style="list-style-type: none"> <li>• can only operate in Yancheng, Jiangsu Province</li> <li>• located in Yancheng, Jiangsu Province</li> </ul>	<ul style="list-style-type: none"> <li>• can only operate in Hubei Province</li> <li>• located in Hubei Province</li> </ul>
<b>Approval Criteria</b>	<ul style="list-style-type: none"> <li>• Key considerations include cash flow generated by the leased assets as well as profitability, risks and future prospect of the customer's business</li> </ul>	<ul style="list-style-type: none"> <li>• Key considerations include financial creditability of the customer and/or guarantor, sources of repayment and sale value of the secured assets</li> </ul>	<ul style="list-style-type: none"> <li>• Key considerations include financial creditability of the customer and/or guarantor, sources of repayment and sale value of the secured assets</li> </ul>



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	<b>Our Group</b>	<b>Yancheng Goldbond</b>	<b>Rongzhong Small Loan</b>
<b>Approval Requirements</b>	<ul style="list-style-type: none"> <li>• requires approval from competent MOFCOM authority and business licence from competent AIC authority</li> </ul>	<ul style="list-style-type: none"> <li>• requires approval from local finance office (or any other competent local authority depending on different local practice) and business licence from competent AIC authority</li> </ul>	<ul style="list-style-type: none"> <li>• requires approval from local finance office (or any other competent local authority depending on different local practice) and business licence from competent AIC authority</li> </ul>
<b>Applicable Regulations</b>	<ul style="list-style-type: none"> <li>• Mainly governed by the Measures for Supervision and Administration of Finance Leasing Enterprises and Measures on the Administration of Foreign Investment in the Leasing Industry</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly governed by the Guide Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small Loan Companies and relevant local regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Mainly governed by the Guide Opinions of the China Banking Regulatory Commission and the People's Bank of China on the Pilot Operation of Small Loan Companies and relevant local regulations</li> </ul>

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	<b>Our Group</b>	<b>Yancheng Goldbond</b>	<b>Rongzhong Small Loan</b>
<b>Average Interest Rates (per annum)</b>	<ul style="list-style-type: none"> <li>• 12.29%, 12.92%, 14.14% and 13.81% respectively (inclusive of finance lease management fees and advisory fees) during the Track Record Period.</li> </ul>	<ul style="list-style-type: none"> <li>• 14.53%, 9.00% and 10.06% respectively for the two years ended March 31, 2015 and the four months ended July 31, 2015</li> </ul>	<ul style="list-style-type: none"> <li>• 21.66%, 21.60%, 21.71% and 17.71% respectively during the Track Record Period</li> </ul>
<b>Security</b>	<ul style="list-style-type: none"> <li>• Secured by leased assets in addition to guarantees (personal or corporate) and/or collateral</li> <li>• Additional collateral comprise mainly of machineries and equipment, real estates and vessel</li> </ul>	<ul style="list-style-type: none"> <li>• Secured mainly by real estates, shares, personal or corporate guarantees</li> </ul>	<ul style="list-style-type: none"> <li>• Secured mainly by real estates, shares, personal or corporate guarantees</li> </ul>

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	<b>Our Group</b>	<b>Yancheng Goldbond</b>	<b>Rongzhong Small Loan</b>
<b>Scale of Business</b>	<ul style="list-style-type: none"> <li>• Revenue during the Track Record Period amounted to approximately HK\$181.8 million, HK\$220.4 million, HK\$226.9 million and HK\$81.2 million, respectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue for the two years ended March 31, 2015 and for the six months ended July 31, 2015 amounted to approximately RMB5.3 million, RMB 4.4 million and RMB1.4 million, respectively.</li> </ul>	<ul style="list-style-type: none"> <li>• Revenue during the Track Record Period amounted to approximately RMB31.4 million, RMB93.4 million, RMB86.3 million and RMB19.4 million</li> </ul>
<b>Overlapping Customers</b>	<ul style="list-style-type: none"> <li>• No overlapping customer with Yancheng Goldbond</li> <li>• Two overlapping customers with Rongzhong Small Loan</li> </ul>	<ul style="list-style-type: none"> <li>• No overlapping customers with our Group</li> </ul>	<ul style="list-style-type: none"> <li>• Two overlapping customers with our Group</li> </ul>

### **Delineation of Business – Pawn Loan Services**

As at the Latest Practicable Date, Rongzhong Group conducts the pawn loan business through Guangzhou Rongzhong Pawn Limited Company (廣州融眾典當有限公司) and Wuhan Rongzhong Pawn Limited Company (武漢融眾典當有限公司) (“Wuhan Pawn”). During the Track Record Period, there was one overlapping customer between our Group and Wuhan Pawn.

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Key terms of the contracts entered into by our Group and Wuhan Pawn with the overlapping customer are set out below:

Key Terms	Our Group	Wuhan Pawn
Services/Products	Finance lease	Pawn loan
Term of Financing	3 years	4.5 months
Interest Rate (per annum)	20.00% (inclusive of finance lease management fees and advisory fees)	51.10% (inclusive of interest payment, default interest payment and liquidated damages adjudicated by the PRC court)
Security	Leased assets as major security, and corporate guarantee	Personal and corporate guarantees
Intended Use	Fixed assets investment and/or business development	Replenish working capital

During the Track Record Period, no revenue was received by Wuhan Pawn from the overlapping customer. Pursuant to a debt assignment agreement between Wuhan Pawn and Rongzhong Group dated February 7, 2015, Wuhan Pawn assigned all its rights to and interests in the pawn loan plus any accrued interest thereon owed by the overlapping customer to Rongzhong Group as Rongzhong Group intends to close down its pawn loan business.

Details in relation to (a) the amount of revenue derived by our Group and Rongzhong Group from the overlapping customer during the Track Record Period and (b) the percentage of revenue generated from the overlapping customer to the overall revenue of each of our Group and Rongzhong Group are set out below:

	Our Group				Rongzhong Group			
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015
Amount of Revenue	Nil	Nil	RMB13.7 million	RMB6.0 million	Nil	Nil	RMB47.8 million	Nil
Percentage of Revenue	Nil	Nil	7.66%	9.33%	Nil	Nil	6.61%	Nil

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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We believe that our finance leasing business and the pawn loan business of Rongzhong Group are not in substantive competition with one another as Rongzhong Group targets to close down its pawn loan business by the end of 2016. Further, Rongzhong Group has stopped accepting new pawn loan customers since August 2014. All of the pawn loan transactions of Rongzhong Group had expired, with the last one expired in February 2015, pursuant to the loan term of the respective contracts.

### **Delineation of Business – Loan Guarantee Services**

Loan guarantee is a commitment on the part of the guarantor to repay the lender for money lent to the borrower in case the borrower defaults on the loan repayment, and in return, the guarantor receives guarantee fees from the borrower. Security may or may not be required depending on the risk of default and credit rating of the borrower. During the process, no creditor/debtor relationship exists between the guarantor and the borrower. During the Track Record Period, there was one overlapping customer between our Group and Wuhan Rongzhong Investment Guarantee Company Limited (武漢融眾投資擔保有限公司) (“Wuhan Guarantee”), a member of the Rongzhong Group which principally engages in the provision of loan guarantee services.

Key terms of the contracts entered into by our Group and Wuhan Guarantee with the overlapping customer are set out below:

<b>Key Terms</b>	<b>Our Group</b>	<b>Wuhan Guarantee</b>
Services/Products	Finance leases	Loan guarantee
Term of Financing	3 years	2 years
Interest Rate (per annum)	12.46% and 14.10% (inclusive of finance lease management fees and advisory fees)	2.00%
Security	Leased assets as major security, personal and corporate guarantees and equipment	Personal and corporate guarantees
Intended Use	Fixed assets investment and/or business development	Replenish working capital

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Details in relation to (a) the amount of revenue derived by our Group and Wuhan Guarantee from the overlapping customer during the Track Record Period and (b) the percentage of revenue generated from the overlapping customer to the overall revenue of each of our Group and Wuhan Guarantee are set out below:

	Our Group				Wuhan Guarantee		
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015
Amount of Revenue	RMB1.2 million	RMB2.3 million	RMB1.7 million	RMB0.4 million	Nil	Nil	Nil
Percentage of Revenue	0.81%	1.34%	0.96%	0.58%	Nil	Nil	Nil

*Note:* The revenue generated by Wuhan Guarantee from the overlapping customer was recognized in 2011 since the relevant loan guarantee contract was entered into between the parties in June 2011. For the year ended March 31, 2012, the revenue generated by Wuhan Guarantee from the overlapping customer amounted to approximately RMB0.2 million, which represented approximately 1.70% of the revenue of Wuhan Guarantee.

Given that under a loan guarantee arrangement, the loan is funded by the lender instead of the guarantor whereas under a finance lease arrangement, the loan is directly provided to the customer by the finance leasing company, we believe that there is no competition between our Group and those companies under Goldbond and Rongzhong Group which engage in loan guarantee as the business nature and the way of generating income between finance leasing and loan guarantee are different.

### **Delineation of Business – Factoring Services**

Factoring involves a company (the “seller”) selling its accounts receivables to a third party (the “factor”) at a discount. There are typically two types of factoring, namely recourse factoring and non-recourse factoring. If the seller sells the accounts receivable with recourse, the factor has the right to collect the unpaid accounts receivables from the seller. In contrast, if the seller sells the accounts receivable without recourse, the factor must bear the loss if the accounts receivable go uncollected. Since (a) the subjects being acquired (i.e. accounts receivable) are different from the Permitted Leased Assets and (b) the factoring fees are usually based on the credit worthiness of the seller’s accounts receivable as opposed to the credit worthiness of the seller, we believe that there is no competition between our Group and those companies under Goldbond or Rongzhong Group which engage in factoring.

### **Delineation of Business – Asset Management**

Asset management involves monitoring and maintaining tangible and intangible assets of a company. We believe that there is no competition between our Group and those companies under Rongzhong Group which engage in asset management.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **Delineation of Business – Bill Financing**

Bill financing involves purchasing from a person or an entity a bill issued by a bank at an amount that is less than its par value before its maturity date in return of the bank paying the par value in full on the maturity date of the bill. We believe that there is no competition between our Group and those companies under Rongzhong Group which engage in bill financing as no financing is involved in the acquisition of the bill given that the seller is not required to repay the buyer for the bill acquired subsequently.

### **Delineation of consulting and/or advisory services**

Although our Group, Goldbond and Rongzhong Group all provide consulting and/or advisory services, the scope of services provided by our Group on one hand, and those provided by Goldbond and Rongzhong Group on the other hand is substantially different. Goldbond's services focus on corporate management, financial management and account receivables management whereas Rongzhong Group's services focus primarily on corporate management and asset management, and their services are provided to former, existing and new customers, which include PRC individuals and SMEs with needs to obtain funds for varying purposes. On the other hand, our services relate specifically to finance leasing and are only offered to existing customers as ancillary services.

During the Track Record Period, there were (a) one overlapping customer (the "First Overlapping Customer") between our Group and Wuhan Rong Jinhong Enterprise Management Company Limited (武漢融金弘企業管理有限公司) ("Wuhan Jinhong Enterprise"), (b) one overlapping customer (the "Second Overlapping Customer") between our Group and Wuhan Jinhong Investment Guarantee Company Limited (武漢金弘投資擔保有限公司) ("Wuhan Jinhong Investment"); and (c) two overlapping customers (the "Third Overlapping Customer and Fourth Overlapping Customers") between our Group and Wuhan Rongzhong Investment Management Company Limited (武漢融眾投資管理有限公司) ("Wuhan Rongzhong Investment"), of which the Second Overlapping Customer and the Third Overlapping Customer are also an overlapping customer between our Group and Rongzhong Small Loan. Wuhan Jinhong Enterprise, Wuhan Jinhong Investment and Wuhan Rongzhong Investment are all subsidiaries of Rongzhong Group and are principally engaged in the provision of consulting and/or advisory services.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Key terms of the contracts entered into by our Group and Wuhan Jinhong Enterprise with the First Overlapping Customer are set out below:

Key Terms	Our Group	Wuhan Jinhong Enterprise
Services/Products	Finance lease	Advisory/consulting services
Term	3 years	3 months
Interest Rate (per annum)	10.67% (inclusive of finance lease management fees and advisory fees)	Not applicable
Security	Leased assets as major security, personal guarantee and shares	Not applicable
Intended Use	Fixed assets investment and/or business development	Not applicable

Details in relation to (a) the amount of revenue derived by our Group and Wuhan Jinhong Enterprise from the First Overlapping Customer during the Track Record Period and (b) the percentage of revenue generated from the First Overlapping Customer to the overall revenue of each of our Group and Wuhan Jinhong Enterprise are set out below:

	Our Group				Wuhan Jinhong Enterprise			
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015
Amount of Revenue	RMB1.9 million	RMB1.5 million	RMB1.6 million	RMB0.2 million	Nil	RMB0.3 million	Nil	Nil
Percentage of Revenue	1.35%	0.83%	0.87%	0.32%	Nil	1.47%	Nil	Nil



## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Key terms of the contracts entered into by our Group and Wuhan Jinhong Investment with the Second Overlapping Customer are set out below:

Key Terms	Our Group	Wuhan Jinhong Investment
Services/Products	Finance lease	Advisory/consulting services
Term	3 years	9 months
Interest Rate (per annum)	11.50% (inclusive of finance lease management fees and advisory fees)	Not applicable
Security	Leased assets as major security, personal and corporate guarantees	Not applicable
Intended Use	Fixed assets investment and/or business development	Not applicable

Details in relation to (a) the amount of revenue derived by our Group and Wuhan Jinhong Investment from the Second Overlapping Customer during the Track Record Period and (b) the percentage of revenue generated from the Second Overlapping Customer to the overall revenue of each of our Group and Wuhan Jinhong Investment are set out below:

	Our Group				Wuhan Jinhong Investment			
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015
Amount of Revenue	RMB0.6 million	RMB2.3 million	RMB1.9 million	RMB0.4 million	Nil	Nil	RMB0.3 million	RMB0.2 million
Percentage of Revenue	0.42%	1.33%	1.07%	0.69%	Nil	Nil	0.04%	1.46%

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Key terms of the contracts entered into by our Group and Wuhan Rongzhong Investment with each of the Third Overlapping Customer and Fourth Overlapping Customer are set out below:

Key Terms	Our Group		Wuhan Rongzhong Investment	
	Third Overlapping Customer	Fourth Overlapping Customer	Third Overlapping Customer	Fourth Overlapping Customer
Term	3 years	3 years	6-9 months	2 months
Services/ Products	Finance lease	Finance leases	Advisory/ consulting services	Advisory/ consulting services
Interest Rate (per annum)	11.50% (inclusive of finance lease management fees and advisory fees)	12.82% (inclusive of finance lease management fees and advisory fees)	Not applicable	Not applicable
Security	Leased assets as major security, personal and corporate guarantees	Leased assets as major security and personal guarantee	Not applicable	Not applicable
Intended Use	Fixed assets investment and/or business development	Fixed assets investment and/or business development	Not applicable	Not applicable

Details in relation to (a) the amount of revenue derived by our Group and Wuhan Rongzhong Investment from each of the Third Overlapping Customer and Fourth Overlapping Customer during the Track Record Period and (b) the percentage of revenue generated from each of the Third Overlapping Customer and Fourth Overlapping Customer to the overall revenue of each of our Group and Wuhan Rongzhong Investment are set out below:

	Our Group								Wuhan Rongzhong Investment							
	Third Overlapping Customer			Fourth Overlapping Customer					Third Overlapping Customer			Fourth Overlapping Customer				
	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015	For the year ended March 31, 2013	For the year ended March 31, 2014	For the year ended March 31, 2015	For the four months ended July 31, 2015
Amount of Revenue	RMB0.6 million	RMB2.3 million	RMB1.9 million	RMB0.4 million	RMB2.2 million	RMB1.0 million	RMB1.5 million	RMB0.4 million	Nil	RMB0.1 million	RMB0.4 million	Nil	Nil	Nil	RMB0.1 million	Nil
Percentage of Revenue	0.42%	1.33%	1.07%	0.69%	1.53%	0.56%	0.84%	0.66%	Nil	2.10%	5.08%	Nil	Nil	Nil	1.13%	Nil

### Operational Independence

Our operational functions, such as sales and marketing, cash and accounting management, invoicing and billing, are run independently of Goldbond and Rongzhong Group. We also have independent finance lease approval process and risk management

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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team to handle finance lease applications. In addition, our documentation management system, which gears to the specific needs of our finance leasing business, is independently developed and owned by us and is not shared with Goldbond or Rongzhong Group. Save for the transactions described in the section headed “Connected Transactions”, there were no significant business transactions between us and any of Goldbond or Rongzhong Group upon completion of the Global Offering.

Further, we have independent access to customers and financial institutions and are neither dependent on Goldbond nor Rongzhong Group with respect to customers and funding for our business operations. Our revenue is substantially derived from independent third party customers. Our funding for our finance leasing business comes primarily from financial institutions and our internal resources.

Due to the differences in business model such as the requirement of obtaining ownership of the leased assets in finance leasing, approval criteria which include an analysis of the cash flow to be generated from the leased assets, interest rate offered and term of financing, our Directors are of the view that customers who seek to obtain finance from our Group are not in a position to apply for financing through Goldbond and Rongzhong Group. Therefore, our Directors are of the view that the nature of the business activities carried out by our Group and those carried out by Goldbond and Rongzhong Group are clearly distinct and that there is clear delineation between our business and those of Goldbond and Rongzhong Group.

Our Directors have confirmed that to the best of their knowledge and belief, as at the Latest Practicable Date, apart from the shareholding interests in our Group and save as disclosed in this prospectus, none of our Controlling Shareholders and our Directors had any interests in any business, which competes, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS**

Our Board is of the view that we are independent of, and do not place undue reliance on, Goldbond and Rongzhong Group for the following reasons:

#### **Operational Independence**

We have established our own business independent of that of our Controlling Shareholders and/or their respective associates. We make business decisions independently, hold all relevant licences necessary to carry on our business and have sufficient capital, and manpower to operate our business independently. We have established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We have independent access to financiers and customers. We have not shared any operational resources such as sales and marketing, risk management and general administration resources with our Controlling

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Shareholders and/or their respective associates during the Track Record Period. We have established a set of internal controls to facilitate the effective operation of our business. As at the Latest Practicable Date, save as the transactions described in the section headed “Connected Transactions” there were no significant business transactions between us and any of our Controlling Shareholders and/or their respective associates.

### **Management independence**

Our management and operational decisions are made by our Board and our senior management. Our Board comprises of two Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. Mr. Xie, the founder of our Group, is our chairman and Executive Director. He is also a director of Rongzhong Group and many of its subsidiaries. Mr. Ding Chung Keung Vincent (“Mr. Ding”), our Non-Executive Director, is also the executive director of Goldbond and a director of Rongzhong Group and a number of its subsidiaries.

Despite the overlapping in directorships of Mr. Xie and Mr. Ding between our Group, Goldbond and Rongzhong Group as aforesaid, our Directors do not foresee any issue which may affect our management independence for the following reasons:

- (i) Our chairman and Executive Director, Mr. Xie, is the founder of our Group and Rongzhong Group. Since incorporation, Mr. Xie has been responsible for our Group’s development, strategies, positioning and operational management. His duties and responsibilities in Rongzhong Group are primarily to preside over and participate in board meetings and provide strategic advice and guidance on the business and operations of Rongzhong Group. Mr. Xie has undertaken not to involve in the day-to-day management of Rongzhong Group after Listing.
- (ii) As our Non-executive Director, the primary roles of Mr. Ding are to preside over and participate in board meetings and be responsible for giving high level strategic planning advice and guidance on the business and operations of our Group. He will not be involved in the day-to-day management and operations of our Group.
- (iii) As Goldbond has a substantial shareholding interest in our Group, it is expected that Goldbond will have a presence at our Board through the Non-executive Director.
- (iv) The majority of our senior management, together with our two Executive Directors, namely Mr. Xie and Mr. Li Fan, constituted the core management team of our Group during the Track Record Period and was responsible for forming important decisions of our Group. It is expected that after Listing, we will continue to be centrally managed by such core management.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (v) Our Board comprises a balanced composition of Independent Non-executive Directors who have sufficient character, integrity and caliber for their views to carry weight, and thus can effectively exercise their independent judgment and provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders. Three of our Board members are Independent Non-executive Directors who have extensive experience in different professions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.
- (vi) Even though our Executive Director, Mr. Xie and our Non-executive Director, Mr. Ding, are also holding directorships in Rongzhong Group and Goldbond, as the case may be, and therefore may potentially be perceived as having a conflict of interest in certain circumstances involving our Company, Rongzhong Group and Goldbond, each of such Directors are mindful of his fiduciary duties as a Director which requires, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest, the interested Director(s) shall abstain from voting on the relevant resolutions in board meetings of our Company in respect of such transactions and shall not be counted in the quorum in accordance with the requirements of the Listing Rules.
- (vii) Since most of our Executive Directors and senior management members have served our Group for a long period of time and/or have substantial experience in their respective expertise areas and/or in the industry in which our Company is engaged in, our Group believes that they are capable of making business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they and the senior management members are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and/or their respective associates following completion of the Global Offering.

### **Financial independence**

Our Group has its own internal control and accounting systems, accounting department and independent treasury functions. Our Group has also established an independent finance department with a team of independent financial staff, as well as a sound and independent financial system, and makes independent financial decisions according to our Group's own business needs.

Rongzhong Capital has provided a revolving loan facility (the "Revolving Loan") to Rongzhong Group pursuant to a loan agreement entered into between the parties on October 26, 2011 (the "Loan Agreement"). Pursuant to the Loan Agreement, Rongzhong Group shall provide, or shall procure its subsidiaries to provide, unlimited guarantees in

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

favor of any financial institutions as security for the grant of banking facilities to Rongzhong Capital or any of its subsidiaries during the term of the Loan Agreement, which is for a period of three years from the date of the Loan Agreement. Notwithstanding the lapse of the Loan Agreement on October 25, 2014, Rongzhong Capital has continued to make available the Revolving Loan to Rongzhong Group on the same terms and conditions as the Loan Agreement and Rongzhong Group has continued to pay interest to Rongzhong Capital in accordance with the terms and conditions of the Loan Agreement. The interest income received by Rongzhong Capital from Rongzhong Group for the three years ended March 31, 2015 and the four months ended July 31, 2015 amounted to approximately HK\$5.2 million, HK\$4.9 million, HK\$5.6 million and HK\$1.2 million, respectively. The guarantee fee paid to Rongzhong Group by Rongzhong Capital for the three years ended March 31, 2015 and the four months ended July 31, 2015 amounted to approximately HK\$3.5 million, HK\$3.9 million, HK\$4.3 million and HK\$1.6 million, respectively.

Save as disclosed above, there are no other amounts due to our Controlling Shareholders and their respective associates to us and vice versa. Our Directors confirmed that the Revolving Loan will be fully settled upon Listing.

During the Track Record Period, Mr. Xie, Goldbond, Rongzhong Group and its associate have provided the following guarantees in favor of certain banks as security for their grant of loans to Rongzhong PRC.

Guarantor(s)	As at March 31,			As at July 31,
	2013	2014	2015	2015
	<i>(RMB million)</i>			
Mr. Xie and Rongzhong Group	83.4	45.1	24.0	19.0
Rongzhong Group	567.4	551.1	629.8	568.4
Mr. Xie and Goldbond*	100.0	82.6	45.2	40.0
Mr. Xie, Rongzhong Group and its associate	0	0	97.5	135.4

\* As at July 31, 2015, all the guarantees were made on a joint and several basis save for the guarantee made by Mr. Xie and Goldbond, of which 47.94% was guaranteed by Goldbond and 52.06% was guaranteed by Mr. Xie.

Our Directors confirm that all the above guarantees provided by Mr. Xie, Goldbond, Rongzhong Group and its associate will be fully released and/or assumed by members of our Group upon Listing.

Based on the foregoing, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their respective associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### DEEDS OF NON-COMPETITION

Save as disclosed in this prospectus, each of (a) Mr. Wong, Mrs. Wong, Plenty Boom and Legend Crown, (b) Mr. Xie, Yong Hua, Clifton Rise and Capital Grower and (c) Rongzhong Group (each a “Covenantor” and collectively as the “Covenantors”) has confirmed that neither it, nor any of its subsidiaries (in respect of (a) Mr. Wong, Mrs. Wong, Plenty Boom and Legend Crown and (b) Mr. Xie, Yong Hua, Clifton Rise and Capital Grower (exclude Rongzhong Group and its close associates)) and/or its close associates (in respect of Rongzhong Group) (other than through members of our Group) is engaged in, or interested in, any business which, directly or indirectly, competes or is likely to compete with our business. To protect our Group from any potential competition, each of the Covenantors has given an irrevocable non-competition undertaking in favor of our Company (for itself and for the benefits of its subsidiaries) on December 18, 2015 pursuant to which each of the Covenantors, among other matters, has irrevocably and unconditionally undertaken to us on a several basis that at any time during the Relevant Period (as defined below), it shall, and shall procure that its subsidiaries and/or close associates (as applicable) (other than members of our Group):

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder (other than being a director or shareholder of our Group), partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the finance leasing business currently and from time to time engaged by our Group including but not limited to the provision of direct leasing, sale leaseback and finance leasing related advisory services to SMEs in the PRC (the “Restricted Activity”) (other than the small loan business operated by Yancheng Goldbond and Rongzhong Small Loan), unless pursuant to the exception set out below;
- (ii) not solicit any existing employee of our Group for employment by it or its subsidiaries and/or close associates (as applicable) (excluding members of our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its knowledge in its capacity as our Controlling Shareholder or Director for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity unless pursuant to the exceptions set out below; and
- (vi) procure its subsidiaries and/or its close associates (as applicable) (excluding members of our Group) not to invest or participate in any project or business opportunity of the Restricted Activity, unless pursuant to the exceptions set out below.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### **New business opportunity**

Save for the situations as set out in the paragraphs headed “Customer referral obligation” and “Conflict check obligation”, each of the Covenantors has unconditionally and irrevocably undertaken to us that in the event that it or its subsidiaries and/or its close associates (as applicable) (other than members of our Group) (the “Offeror”) is given or identified or offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the “New Opportunities”), it will and will procure its subsidiaries and/or its close associates (as applicable) to refer the New Opportunities to us as soon as practicable in the following manner:

- (i) each of the Covenantors is required to, and shall procure its subsidiaries and/or its close associates (as applicable) (other than members of our Group) to refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group and our Shareholders as a whole to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “Offer Notice”); and
- (ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from our Independent Non-executive Directors who do not have a material interest and will form an independent board committee (the “Independent Board Committee”) as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group and our Shareholders as a whole to pursue the New Opportunities.

### **Right of first refusal**

Where any of the Covenantors (or any of its subsidiaries and/or its close associates) (as applicable) (other than members of our Group) has acquired business investment or interest in any entity relating to the Restricted Activity (the “Acquired Entity”) pursuant to the paragraph headed “New business opportunity” above, the relevant Covenantor and/or its subsidiaries and/or its close associates (as applicable) (other than members of our Group) shall provide us with a right of first refusal (the “Right of First Refusal”) for a duration of one month to acquire any such Restricted Activity if



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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they intend to dispose any equity interest in the Acquired Entity. Where the Independent Board Committee of our Company decides to waive the Right of First Refusal by way of written notice, the relevant Covenantor and/or its subsidiaries and/or its close associates (as applicable) may offer to sell such Restricted Activity to other third parties on such terms which are no more favorable than those made available to our Group. In deciding whether to exercise the above options, our Directors will consider various factors including the purchase price, the nature of the products and services and their values and benefits, as well as the benefits that they will bring to our Group.

### **Customer referral obligation**

If a significant amount of the collateral provided by any of the new customer of Rongzhong Small Loan are within the scope of the Permitted Leased Assets, Rongzhong Group shall procure Rongzhong Small Loan to use its best endeavors to conduct due diligence on the new customer before entering into any agreement with the new customer to check whether (i) the ownership of the collateral are capable of being transferred and (ii) the new customer is willing to transfer the ownership of the collateral as security for loan until repayment of loan, which are essential to the creation of a lessee-lessor relation under finance leasing, and if items (i) and (ii) are satisfied, Rongzhong Group shall procure Rongzhong Small Loan to refer the new customer to our Group by written notice (the "Written Notice") and that Rongzhong Small Loan will be entitled to enter into an agreement with the new customer only if (a) it has received a notice from us declining to provide services to the new customer; or (b) it has not received such notice from us within three (3) Business Days from our receipt of the Written Notice (the "Customer Referral Obligation").

### **Conflict check obligation**

Rongzhong Group shall procure Rongzhong Small Loan to check the customers list provided by our Company to it on a monthly basis to ensure that the new customer is not one of Rongzhong PRC's existing customers before entering into any agreement with the new customer. In the event that the new customer is one of Rongzhong PRC's existing customers, Rongzhong Group shall procure Rongzhong Small Loan to inform us of the proposed transaction (including the particulars of the proposed transaction and the new customer) and that Rongzhong Small Loan shall refrain from entering into an agreement with the new customer until and unless our risk management committee has completed an evaluation on the new customer and is satisfied that Rongzhong PRC is not qualified to provide finance leasing services to the new customer (the "Conflict Check Obligation").

The Deeds of Non-competition shall not prevent each of the Covenantors and/or its subsidiaries and/or close associates (as applicable) to hold or have interest in shares or other securities in any company which conducts or is engaged in any Restricted Activity (the "Subject Company") provided that:

- (a) the aggregate interests or number of shares held by the Covenantor (including its subsidiaries and/or its close associate) (as applicable) does not exceed 5.00% of the issued share capital of the Subject Company; and

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (b) neither the Covenantor nor its subsidiaries and and/or close associates (as applicable) has board or management control of the Subject Company.

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) in respect of:
  - (a) Mr. Wong, Mrs. Wong, Plenty Boom and Legend Crown, the date on which Mr. Wong and Mrs. Wong, individually or taken as a whole, cease to be our Controlling Shareholders;
  - (b) Mr. Xie, Yong Hua, Clifton Rise and Capital Grower, the date on which they and their respective subsidiaries, individually or taken as a whole, cease to be our Substantial Shareholders; and
  - (c) Rongzhong Group, the date on which Goldbond and Perfect Honour cease to be our Controlling Shareholders; or
- (ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

The Deeds of Non-competition are conditional on (i) the Listing Committee granting the listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering and our Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

Each of the Covenantors has undertaken under the Deeds of Non-competition that it shall provide to us and our Directors from time to time (including our Independent Non-executive Directors) with information necessary for the annual review by our Independent Non-executive Directors with regard to compliance of the terms of the Deeds of Non-competition by the Covenantors and the enforcement of the Deeds of Non-competition. Each of the Covenantors has also undertaken to make an annual declaration as to compliance with the terms of his/her/its Deed of Non-competition in our annual report.

Given that the core business of our Group is the provision of finance leasing services whereas both Goldbond and Rongzhong Group are principally engaged in the provision of non-bank financial services, our Directors are of the view that the Deeds of Non-Competition, which among others, restrain the Covenantors (including Goldbond and Rongzhong Group and their respective subsidiaries) from directly or indirectly engage in any business which competes with our core business save for the specific exceptions set out therein, are in the best interests of our Company and Shareholders as they protect our Group from actual or potential competition from the Covenantors with our core business.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CONFLICT CHECK UNDERTAKINGS

Although Goldbond has not entered into any deed of non-competition in favor of us, given that (a) Yancheng Goldbond is not qualified under applicable PRC laws to operate finance leasing business; (b) Goldbond and its subsidiaries are principally engaged in the provision of loan financing, loan guarantee, factoring and related advisory services and as at the date of this prospectus, it does not intend to enter into finance leasing business in the near future and (c) the differences in terms of the business nature, approval requirements, target customers, financing term, etc. as aforementioned between our business and those of Goldbond, our Directors are of the view that we do not compete with Goldbond.

In order to ensure that no conflict exists between the businesses of Yancheng Goldbond and Rongzhong PRC, Goldbond and our Company have entered into the Deed of Undertaking pursuant to which Goldbond has irrevocably and unconditionally undertaken to our Company that it shall procure Yancheng Goldbond to check the customers list provided by our Company to it on a monthly basis to ensure that Yancheng Goldbond's new customer is not one of Rongzhong PRC's existing customers before entering into any agreement with the new customer. Where the new customer is one of Rongzhong PRC's existing customers, Goldbond shall procure Yancheng Goldbond to inform us of the proposed transaction (including the particulars of the proposed transaction and the new customer) to enable our risk management committee to evaluate whether Rongzhong PRC is qualified to take on the new customer and the benefits of such business opportunities will bring to us. In the event that Rongzhong PRC is qualified and is interested in taking on the new customer, both Yancheng Goldbond and Rongzhong PRC may pitch to the new customer and Yancheng Goldbond is only entitled to enter into an agreement with the new customer if the new customer selects its service over those of Rongzhong PRC and other service providers (if applicable). In the event that Rongzhong PRC is not qualified or is not interested in taking on the new customer, Yancheng Goldbond may proceed to enter into an agreement with the new customer ("Goldbond's Conflict Check Undertaking").

In consideration of Goldbond's Conflict Check Undertaking, our Company has also irrevocably and unconditionally undertaken to Goldbond that our Company shall procure Rongzhong PRC to check the customers list provided by Goldbond to it on a monthly basis to ensure that Rongzhong PRC's new customer is not one of Yancheng Goldbond's existing customers before entering into any agreement with the new customer. Where the new customer is one of Yancheng Goldbond's existing customers, our Company shall procure Rongzhong PRC to inform Goldbond of the proposed transaction (including the particulars of the proposed transaction and the new customer) to enable Goldbond to evaluate whether Yancheng Goldbond is qualified to take on the new customer and the benefits of such business opportunities will bring to Goldbond. In the event that Yancheng Goldbond is qualified and is interested in taking on the new customer, both Yancheng Goldbond and Rongzhong PRC may pitch to the new customer and Rongzhong PRC is only entitled to enter into an agreement with the new

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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customer if the new customer selects its service over those of Yancheng Goldbond and other service providers (if applicable). In the event that Yancheng Goldbond is not qualified or is not interested in taking on the new customer, Rongzhong PRC may proceed to enter into an agreement with the new customer (the “Company’s Conflict Check Undertaking”, together with Goldbond’s Conflict Check Undertakings, as the “Conflict Check Undertakings”).

The Conflict Check Undertakings shall commence from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which Goldbond or its subsidiaries, individually or taken as a whole, ceases to be a Controlling Shareholder of the Company; and
- (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

The Conflict Check Undertakings are conditional on (i) the Listing Committee granting the listing of, and permission to deal in, all our Shares in issue and to be issued under the Global Offering and our Shares which may be allotted and issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme; and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Underwriters) and that the Underwriting Agreements not being terminated in accordance with their respective terms or otherwise.

## CORPORATE GOVERNANCE MEASURES TO AVOID CONFLICT OF INTERESTS

Our Directors recognize the importance of incorporating elements of good corporate governance in management conducive to the protection of the interests of our Shareholders. In particular, the following corporate governance measures in relation to managing potential conflict of interests between the Covenantors and our Group will be taken:

- (i) our Independent Non-executive Directors will review, on an annual basis, due compliance with the terms of the Deeds of Non-competition by the Covenantors so long as such deeds are still effective and each of the Covenantors will provide information necessary to our Independent Non-executive Directors for their annual review;
- (ii) our Company will disclose the decisions with basis on matters reviewed by the Independent Non-executive Directors relating to the compliance with and enforcement of the Deeds of Non-competition and each of the Covenantors will make an annual declaration on compliance with his/her/its undertaking under his/her/its Deed of Non-competition in the annual report of our Company;

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (iii) the Independent Board Committee of our Company comprising all Independent Non-executive Directors will be responsible for deciding and given the authority to decide, without attendance by any Directors with beneficial or conflicting interest in the New Opportunities referred to our Group by the Covenantors (or their respective subsidiaries and/or close associates (as applicable) (other than members of our Group), on pursuing or declining such New Opportunities and the exercise of the Right of First Refusal under the Deeds of Non-competition. The Independent Board Committee comprising all Independent Non-executive Directors of our Company, taken as a whole, has the relevant expertise and experience in deciding whether or not to pursue or decline the New Opportunities or the exercise of the Right of First Refusal. Please refer to the section headed “Directors and Senior Management” for further details on our Independent Non-executive Directors. In addition, the Independent Board Committee may, at our costs and from time to time, engage independent financial advisers and other external professional advisers as it may consider necessary to advise it on the issues which relate to the above matters;
- (iv) we will disclose in an announcement, our interim report and annual report on the decision, with basis, of the Independent Board Committee to pursue or decline the New Opportunity or the exercise of the Right of First Refusal;
- (v) we will ensure that our Directors are sufficiently independent from Goldbond and Rongzhong Group and that we will have a team of full-time senior management and employees focused exclusively on the business of our Group;
- (vi) we will establish the audit committee, the remuneration committee, the nomination committee and the risk management committee. The majority of the members of each of the committees will have no role in, and be independent from, Goldbond and Rongzhong Group. In addition, the terms of reference of each of the committees will require the members to be alert to prospective conflict of interest issues and to formulate their proposals accordingly;
- (vii) any transaction (if any) between (or proposed to be made between) us and connected persons will be required to comply with Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review and/or independent Shareholders’ approval requirements and with those conditions imposed by the Stock Exchange for the grant of waiver(s) from strict compliance with relevant requirements under the Listing Rules;
- (viii) in the event that there is any conflict of interest in our operations and the Covenantors, any Director, who is considered to be interested in a particular matter or the subject matter, shall disclose his/her interests to our Board.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Pursuant to the Articles of Association, should a Director have any material interests in the matter (other than certain matters permitted under note 1 to Appendix 3 to the Listing Rules), he/she shall not vote on the resolutions of the Board approving the same and shall not be counted in the quorum of the relevant Board meeting;

- (ix) our Directors will ensure that any material conflict or potential conflict involving the Covenantors and our Controlling Shareholders will be reported to our Independent Non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting (excluding Mr. Xie and Ms. Jacqueline Wong and their respective associates if any of them has a material conflict or potential conflict) will be held to review and evaluate the implications and risk exposure of such event and will monitor any material irregular business activities;
- (x) we have appointed Alliance Capital as our compliance adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to directors' duties and internal control measures;
- (xi) our risk management committee will designate an officer to be responsible for (a) providing periodic updates of our new customers to Yancheng Goldbond and Rongzhong Small Loan on a monthly basis and addressing any queries or issues in relation to the customers lists from Yancheng Goldbond and Rongzhong Small Loan to enable Rongzhong Group to fulfil its Customer Referral Obligation and Conflict Check Obligation and Goldbond to comply with Goldbond's Conflict Check Undertaking; and (b) regularly check Rongzhong PRC's customers lists against the customers lists of Yancheng Goldbond provided by Goldbond to ensure our compliance with the Company's Conflict Check Undertaking, and conduct regular reviews on the performance of the officer as well as the effectiveness of such measures to evaluate whether any improvements need to be made;
- (xii) our risk management committee will conduct an annual review on Rongzhong Small Loan and Yancheng Goldbond to ensure that Rongzhong Small Loan has implemented internal procedures to fulfil its Customer Referral Obligation and Conflict Check Obligation and Yancheng Goldbond has implemented internal procedures to comply with its obligations under Goldbond's Conflict Check Undertaking; and
- (xiii) our risk management committee will conduct regular reviews on our internal procedures to ensure that we have complied with the Company's Conflict Check Undertaking.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Covenantors, our Controlling Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

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## CONNECTED TRANSACTIONS

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### CONNECTED PERSONS

#### Rongzhong Group

Goldbond, as one of our Controlling Shareholders and 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.

#### Rongzhong Internet

Mr. Xie, our chairman and Executive Director, is directly interested in 100.00% and 98.21% respectively of the issued share capital of Wuhan Rongzhong Internet Technology Company Limited 武漢融眾網絡技術有限公司 (“Rongzhong Internet”) and Rongzhong Capital Investments Group Limited 融眾資本投資集團有限公司 (“Rongzhong Capital Investments”). Rongzhong Capital Investments wholly-owns Wuhan Rongzhong Investment Guarantee Company Limited 武漢市融眾投資擔保有限公司 (“Wuhan Rongzhong”). Pursuant to the Listing Rules, Rongzhong Internet and Wuhan Rongzhong are associates of Mr. Xie and therefore are connected persons of our Company.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### Trademark Licence Agreements

On June 15, 2015, Rongzhong Capital, our wholly-owned subsidiary, entered into a trademark licence agreement with each of Rongzhong Group and Rongzhong Internet pursuant to which Rongzhong Group and Rongzhong Internet agreed to grant a licence, on a perpetual and non-exclusive basis, to Rongzhong Capital and its affiliates at a consideration of HK\$1.00 and RMB1.00, respectively to use certain trademarks registered in their names as set out in the paragraph headed “Further Information about our Business – 2. Our Intellectual Property Rights” in Appendix IV to this prospectus subject to the terms and conditions therein.

During the term of the Trademark Licence Agreements, Rongzhong Capital and its affiliates are entitled to use the trademarks listed therein as their corporate logos and for conducting any of their publicity-related activities. Further, Rongzhong Group and Rongzhong Internet will not transfer or license or grant any rights to use the trademarks listed in the Trademark Licence Agreements to any third party whose business competes or is likely to compete with the business of Rongzhong Capital or dispose such trademarks unless prior written consent is obtained from Rongzhong Capital.

Where Rongzhong Group and Rongzhong Internet obtain registration of any other trademarks containing the words “RONGZHONG”, “RONG ZHONG”, “融眾” or “融众” under their name, Rongzhong Group and Rongzhong Internet will license the use of such

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## CONNECTED TRANSACTIONS

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other registered trademarks to Rongzhong Capital and its affiliates by entering into a separate licence agreement with Rongzhong Capital on the same terms and conditions as the Trademarks Licence Agreements.

The Trademark Licence Agreements are terminable in the event that the trademarks listed therein have been legally transferred to Rongzhong Capital or upon the winding-up or liquidation of Rongzhong Capital or otherwise agreed by the parties in writing.

### **Finance Lease Guarantee Agreements**

For all our finance leases, in addition to the leased assets, we normally require our customers to provide additional securities to us to secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the “Additional Assets”) as we are a wholly-foreign invested finance leasing entity. In this regard, Rongzhong PRC, our main operating entity, entered into (i) three finance lease guarantee agreements with Wuhan Rongzhong on November 25, 2014, December 30, 2014 and May 1, 2015, respectively and (ii) one finance lease guarantee agreement with Wuhan Jinhong on May 15, 2014 (collectively as the “Finance Lease Guarantee Agreements”) pursuant to which Wuhan Rongzhong and Wuhan Jinhong acted as a guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance leases entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong.

The guarantee obligations of Wuhan Rongzhong and Wuhan Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have lapsed. All the guarantee fees paid to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

### **Litigation Guarantee Framework Agreements**

We are involved in a number of legal proceedings arising in the ordinary course of our operations. These legal proceedings generally involve claims initiated by us to recover lease payments from our customers. In some of these legal proceedings, we have applied to the PRC courts to freeze the assets of some of our customers to recover the outstanding lease payments due to us (the “Freezing Application”). Under the applicable PRC laws and regulations, we are required to provide a guarantee to the PRC courts in respect of the Freezing Application. In this regard, Rongzhong PRC, our main



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## CONNECTED TRANSACTIONS

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operating entity, entered into a litigation guarantee framework agreement (the “Litigation Guarantee Framework Agreements”) with each of Wuhan Jinhong and Wuhan Rongzhong on December 29, 2014 pursuant to which Wuhan Jinhong and Wuhan Rongzhong agreed to provide guarantees in favor of any PRC courts in relation to any legal proceedings of Rongzhong PRC which require or involve a Freezing Application. The Litigation Guarantee Framework Agreements are for a term of three years and no guarantee fee is payable by Rongzhong PRC to Wuhan Jinhong and Wuhan Rongzhong for their provision of guarantee services under the Litigation Guarantee Framework Agreements.

The Trademark Licence Agreements, the Finance Lease Guarantee Agreements and the Litigation Guarantee Framework Agreements are entered into on terms favorable to our Group and all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules are less than 0.10%. Accordingly, the Trademark Licence Agreements, the Finance Lease Guarantee Agreements and the Litigation Guarantee Framework Agreements will qualify as continuing connected transactions exempt from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 14A.76 of the Listing Rules.

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## **WAIVERS AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE LISTING RULES**

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In preparation for the Global Offering, we have sought and have been granted the following waiver from strict compliance with the relevant provision of the Listing Rules:

### **MANAGEMENT PRESENCE IN HONG KONG**

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of the Executive Directors must be ordinarily resident in Hong Kong. The principal business and operations of our Group are based, managed and conducted in the PRC. All of our services are provided to SMEs located in the PRC and all our revenues are generated from the PRC. None of our Executive Directors is ordinarily based in Hong Kong.

While we acknowledge the importance of maintaining management presence in Hong Kong as a way to maintain regular communication with the Stock Exchange, we consider that it would be practically difficult and commercially unnecessary for us to either relocate two Executive Directors to Hong Kong or appoint two additional Executive Directors who are ordinarily resident in Hong Kong. Each of our Directors, who is not ordinarily resident in Hong Kong, currently holds valid travel documents that allow him to travel to Hong Kong for meetings with the Stock Exchange within a reasonable period of time.

In this regard, we do not, and do not contemplate in the foreseeable future that we will, have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rule 8.12 of the Listing Rules subject to the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and our Company:

- (a) both of our Company's authorized representatives, Mr. Xie, a PRC resident and Mr. Wong Tsz Lun, a Hong Kong permanent resident, will act as our principal channel of communication with the Stock Exchange. Although Mr. Xie resides in the PRC, he possesses valid travel documents and is able to renew such documents when they expire in order to visit Hong Kong. Accordingly, each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong on reasonable notice and will be readily contactable by telephone, facsimile and email;
- (b) both of our authorized representatives have means to contact all of our Directors (including the Independent Non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any reason;

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## WAIVERS AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (c) to enhance the communication between the Stock Exchange, our authorized representatives and our Directors, we will implement a policy whereby: (i) each of our Directors will provide his/her respective office telephone numbers, mobile telephone numbers, residential telephone numbers, facsimile numbers and email addresses to our authorized representatives; (ii) each of our Directors will endeavour to provide valid means of communication to our authorized representatives when he/she is travelling; and (iii) each of our Directors and authorized representatives will provide his/her office telephone numbers, mobile telephone numbers, facsimile numbers and email addresses to the Stock Exchange;
- (d) each of our Directors who is not ordinary resident in Hong Kong possesses or can apply for and renew valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange on reasonable notice;
- (e) we shall promptly inform the Stock Exchange of any changes on the authorized representatives and/or the compliance adviser in accordance with the requirements under the Listing Rules;
- (f) we, in accordance with Rule 3A.19 of the Listing Rules, have appointed Alliance Capital as our compliance adviser, and Alliance Capital will have access at all times to our authorized representatives, Directors and senior management to ensure that they are in a position to provide prompt responses to any query or request from the Stock Exchange and will act as an additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which we despatch our annual report to our Shareholders for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Listing Rules;
- (g) we will retain Hong Kong legal advisers to advise on our on-going compliance obligations and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong; and
- (h) we will maintain a principal place of business in Hong Kong.

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## UNDERWRITING

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### HONG KONG UNDERWRITERS

Alliance Capital Partners Limited  
First Shanghai Securities Limited  
Haitong International Securities Company Limited  
Huatai Financial Holdings (Hong Kong) Limited

### INTERNATIONAL UNDERWRITERS

Alliance Capital Partners Limited  
First Shanghai Securities Limited  
Haitong International Securities Company Limited  
Huatai Financial Holdings (Hong Kong) Limited

### THE HONG KONG PUBLIC OFFERING

#### Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we are initially offering 10,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus on the Main Board of the Stock Exchange (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, Joint Global Coordinators (for itself and on behalf of the Underwriters) and our Company agreeing on the Offer Price), the Hong Kong Underwriters have severally but not jointly, or jointly and severally agreed to subscribe or procure subscribers for their respective applicable proportions (set out in the Hong Kong Underwriting Agreement) of the Hong Kong Offer Shares now being offered that are not taken up under the Hong Kong Public Offering, on the terms and subject to the conditions set out in this prospectus, the related Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed, becoming unconditional and not having been terminated.

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## UNDERWRITING

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### ***Grounds for Termination***

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by notice (orally or in writing) to us from the Joint Global Coordinators (for itself and on behalf of the Hong Kong Underwriters) if, prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
  - (i) any change or development involving a prospective change or development in, or any event or series of events resulting or likely to result in or representing any prospective change or development in, local, national, regional or international financial, political, military, industrial, legal, economic, currency market, credit, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, credit markets, and inter-bank markets in or affecting Hong Kong, the PRC, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group (each a “Relevant Jurisdiction”); or
  - (ii) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent Authority in or affecting any Relevant Jurisdiction; or
  - (iii) any event or series of events in the nature of *force majeure* (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, declaration of a national or international emergency, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, pandemic, outbreak of disease (including without limitation Severe Acute Respiratory Syndromes (SARS), H5N1, H1N1), Middle East Respiratory Syndromes (MERS)), economic sanctions, in or affecting any of the Relevant Jurisdictions; or
  - (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
  - (v) (A) any moratorium, suspension, restriction or limitation on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the American Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Tokyo

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## UNDERWRITING

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Stock Exchange, the Shenzhen Stock Exchange, or (B) a general moratorium on commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services procedures or matters in or affecting any of the Relevant Jurisdictions; or

- (vi) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (vii) any imposition of economic sanction or withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (ix) the chairman or chief executive officer of the Company vacating his office; or
- (x) save as disclosed in the prospectus, a contravention by any member of the Group of the Listing Rules or any applicable laws or regulations in the PRC, Cayman Islands, Hong Kong and the BVI; or
- (xi) an order or petition is presented for the winding up or liquidation of the Company or any of its subsidiaries, or the Company or any of its subsidiaries make any compromise or arrangement with its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of the Company or any of its subsidiaries or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its Subsidiaries or anything analogous thereto occurs in respect of the Company or any of its Subsidiaries; or
- (xii) any litigation or claim being threatened or instigated against the Company or any of its subsidiaries or the covenantors; or
- (xiii) a prohibition on the Company for whatever reason from allotting or selling the Offer Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance by the Group or the Directors of the prospectus (of any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or

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## UNDERWRITING

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- (xv) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by the Company of any supplement or amendment to the prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (xvi) any event which give rise or would give rise to liability on the part of the Company pursuant to the indemnity provisions in the Hong Kong Underwriting Agreement; or
- (xvii) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in the prospectus,

and which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters),

- (A) has or may have or will have or is likely to have a materially adverse effect on the assets, liabilities, business, general affairs, management, shareholders’ equity, profits, losses, trading position, results of operation, prospects, position or condition, financial or otherwise, or performance of the Company or its Subsidiaries as a whole; or
  - (B) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or
  - (C) makes, may make or will or is likely to make it impracticable or inadvisable or in expedient for any part of this Agreement, the Hong Kong Public Offering or the Global Offering to proceed or to be performed or implemented as envisaged or to market the Global Offering; or
- (b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:
- (i) that any statement contained in the prospectus, the formal notice or any announcements in the agreed form issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has or may become untrue or incorrect or misleading in a material respect, or that any forecast, expression of opinion, intention or expectation contained therein is not fair and honest in a material respect and based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

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- (ii) that any matter has arisen or has been discovered which, had it arisen or been discovered immediately before the date of the prospectus which would or might constitute a material omission from the prospectus or the Application Forms and/or in any notices or announcements issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) that any of the warranties given by the Company or the covenantors as set out in Schedule 5 or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading in any material respect or having been breached; or
- (iv) that any matter, event, act or omission which gives or is likely to give rise to any liability of the Company or the covenantors out of or in connection with any material breach, inaccuracy and/or incorrectness of the warranties as set out in Schedule 5 and/or pursuant to the indemnities given by the Company, the covenantors or any of them under the Hong Kong Underwriting Agreement; or
- (v) that any material breach of any of the obligations or undertakings of any party to this Agreement or the International Underwriting Agreement (other than the Joint Global Coordinators, the Lead Managers, the Hong Kong Underwriters or the International Underwriters); or
- (vi) that the Company withdraws the prospectus and/or the Application Forms; or
- (vii) that approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option, the Shares in issue and any Shares that may be allotted and issued pursuant to the exercise of options that may be granted under the Share Option Scheme) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of approval of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) that the Sole Sponsor, Deloitte Touche Tohmatsu, Global Law Office, or Appleby has withdrawn its respective consent to the issue of the Prospectus with the inclusion of its reports and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears which, individually or in the aggregate, in the sole opinion of the Joint Global Coordinators:
  - (A) is or will or may have a material adverse effect on the business, financial or other condition or prospects of the Group as a whole, or
  - (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing, or



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## UNDERWRITING

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- (C) makes it or will make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering, or
- (D) has or will have the effect of making any part of this Agreement incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof.

### UNDERTAKINGS

#### Undertakings Given to the Stock Exchange Pursuant to the Listing Rules

##### ***(A) Undertaking by Our Company***

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) will be issued or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances provided under Rule 10.08 of the Listing Rules.

##### ***(B) Undertaking by the Controlling Shareholders***

In accordance with Rule 10.07(1)(a) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company:

- (a) it/he will not and will procure that the relevant registered holders will not, at any time during the period commencing on the date by reference to which disclosure of the respective shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; and
- (b) it/he will not and will procure that the relevant registered holders will not, at any time during the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will then cease to be a Controlling Shareholder of our Company for the purposes of the Listing Rules.

Note (2) of Rule 10.07(2) of the Listing Rules provides that the rule does not prevent a Controlling Shareholder from using the Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

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## UNDERWRITING

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It is further noted that nothing in the above shall prevent the share lending arrangement to be entered into by the Controlling Shareholders pursuant to Rule 10.07(3) of the Listing Rules.

Pursuant to note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and our Company that it/he will, within the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any Shares or other securities of our Company beneficially owned by it in favor of any authorized institution (as defined in the Banking Ordinance) pursuant to Note (2) to Rule 10.07(2) the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by it/him, whether verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other securities will be disposed of.

### **Undertakings Pursuant to the Hong Kong Underwriting Agreement**

#### ***(A) Undertaking by our Company***

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to the Joint Global Coordinators, the Hong Kong Underwriters and the Sole Sponsor, and each of Perfect Honour, the Executive Directors, Yong Hua, Clifton Rise and Capital Grower has agreed to use their best endeavor to procure that, except for the offer and sale of the Offer Shares pursuant to the Global Offering (including the Over-allotment Option), the Capitalization Issue and the issue of any Shares pursuant to exercise of any of the options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-Month Period"), our Company will not and will procure each other member of our Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our

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## UNDERWRITING

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Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “Second Six-Month Period”), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

### ***(B) Undertaking by Perfect Honour***

Perfect Honour undertakes to each of the Company, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters that, and except with the prior written consent of the Joint Global Coordinators, and unless in compliance with the requirements of the Listing Rules:

- (a) it will not at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholder is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; and

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## UNDERWRITING

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- (b) it will not at any time during the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will then cease to be a Controlling Shareholder of our Company for the purposes of the Listing Rules.

It is noted that nothing in the above shall prevent Perfect Honour from using the Shares beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

### ***(C) Undertaking by Mr. Xie***

Mr. Xie has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators and the Underwriters not to, during the First Six Month Period, among other things, sell or otherwise transfer or dispose of any Shares or other securities of the Company or any interest therein beneficially owned by him upon commencement of dealing in the Shares on the Listing Date.

### **Indemnities Pursuant to the Hong Kong Underwriting Agreement**

Each of our Company and the Executive Directors has agreed to jointly and severally indemnify the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company, the Executive Directors and Perfect Honour (save as any breach by Perfect Honour of the undertakings disclosed in item (B) above) of the Hong Kong Underwriting Agreement (“Underwriting Losses”). If any of the Underwriting Losses cannot be fully indemnified by the Company and the Executive Directors, Perfect Honour has agreed to indemnify the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters, within nine months from the Listing Date, for such amount, provided that Perfect Honour’s indemnification obligation shall be limited to the amount equals to the actual number of Offer Shares in the Global Offering times the Offer Price times Perfect Honour’s shareholding in the Company immediately prior to the Listing.

### **COMMISSION**

The underwriting commissions in respect of the Shares initially offered pursuant to the Global Offering are payable by the Company.

The Underwriters will receive a commission of 3% of the aggregate Offer Price of all the Offer Shares offered under the Global Offering.

For any unsubscribed Hong Kong Offer Shares reallocated to the International Placing, the underwriting commission will not be paid to the Hong Kong Underwriters but will instead be paid to the International Underwriters in accordance with the International Underwriting Agreement.

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## UNDERWRITING

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### THE INTERNATIONAL PLACING

In connection with the International Placing, it is expected that our Company, the Executive Directors and Perfect Honour will enter into the International Underwriting Agreement with, among other parties, the Joint Global Coordinators and the International Underwriters. Under the International Underwriting Agreement, it is expected that the International Underwriters would, subject to certain conditions, severally, and not jointly or jointly and severally, agree to purchase themselves or through their respective affiliates, or to procure purchasers on the Company's behalf to purchase, their respective applicable proportions (set out in the International Underwriting Agreement) of the International Placing Shares being offered pursuant to the International Placing.

Under the International Underwriting Agreement, we intend to grant to the International Underwriters an Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the last day for the lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to 15,000,000 additional Shares, representing 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be sold at the Offer Price per Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price) and will be for the purpose of, among other things, covering over-allotments, if any, in the International Placing.

### TOTAL COMMISSIONS AND EXPENSES FOR THE GLOBAL OFFERING

Assuming an Offer Price of HK\$2.30 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the aggregate commissions and fees, together with the Stock Exchange listing fee, SFC transaction levy and Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to amount in aggregate to be approximately HK\$41.2 million which are payable by us.

### UNDERWRITERS' INTERESTS IN OUR COMPANY

As at the Latest Practicable Date, except for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interests in our Company or any of our subsidiaries or any right or options (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

### SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Placing, together referred to as “Syndicate Members”, may each individually undertake, and which do not form part of the underwriting or the stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases. All of these activities may occur both during and after the end of the stabilizing period described under the section headed “Structure of the Global Offering – Stabilization”. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for First Shanghai Securities Limited as the Stabilizing Manager and its affiliates) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 10,000,000 Shares (subject to adjustment) in Hong Kong as described in the paragraph headed “The Hong Kong Public Offering” in this section; and
- the International Placing of initially 90,000,000 Shares (subject to adjustment and exclusive of the Over-allotment Option) outside the United States in offshore transactions in reliance on Regulation S, as described in the paragraph headed “The International Placing” in this section.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

### THE HONG KONG PUBLIC OFFERING

The Hong Kong Public Offering is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the paragraph headed “Conditions of the Global Offering” in this section) for the subscription in Hong Kong of, initially, 10,000,000 Offer Shares at the Offer Price (representing approximately 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors.

#### Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

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## STRUCTURE OF THE GLOBAL OFFERING

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The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 50% of 10,000,000 Offer Shares initially included in the Hong Kong Public Offering (that is, 5,000,000 Offer Shares) will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant’s application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.



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## STRUCTURE OF THE GLOBAL OFFERING

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### **Reallocation and Clawback**

The allocation of our Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. Currently, we have allocated 10,000,000 Shares to the Hong Kong Public Offering, representing approximately 10% of our Shares initially available in the Global Offering.

If the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available for subscription under the Hong Kong Public Offering, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000 Shares (in the case of (i)), 40,000,000 Shares (in the case of (ii)) and 50,000,000 Shares (in the case of (iii)), respectively, representing approximately 30%, 40% and 50%, respectively, of the total number of Offer Shares available under the Global Offering (before any exercise of the Over-allotment Option). In addition, the Joint Global Coordinators have the discretion to reallocate our Shares offered in the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may, in their discretion, reallocate to the International Placing all or any unsubscribed Shares offered in the Hong Kong Public Offering in such amount as they deem appropriate.

### **THE INTERNATIONAL PLACING**

The number of the Offer Shares to be initially offered for subscription and sale under the International Placing will be 90,000,000 Offer Shares, representing approximately 90% of the Offer Shares initially available under the Global Offering and approximately 22.5% of our enlarged issued share capital immediately after completion of the Global Offering.

### **Allocation**

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

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## STRUCTURE OF THE GLOBAL OFFERING

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Allocation of the International Placing Shares to investors under the International Placing will be determined by the Joint Global Coordinators and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Placing Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

### **OVER-ALLOTMENT OPTION**

In connection with the Global Offering, we intend to grant an Over-allotment Option to the Joint Global Coordinators on behalf of the International Underwriters. The Over-allotment Option gives the Joint Global Coordinators the right, exercisable at any time from the day on which trading of our Shares commences on the Stock Exchange within 30 days from the last day for the lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 15,000,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price to cover, among other things, over-allocations in the International Placing, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

The Joint Global Coordinators may cover any over-allocations by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part, or through the stock borrowing arrangements mentioned below or by a combination of these means. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 15,000,000 Shares, representing 15% of the Shares available under the Global Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer price of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulations in place, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilization price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on Saturday, February 20, 2016. However, there is no obligation on the Stabilizing Manager, or its affiliates or any person acting for it to do this. Such stabilizing action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 15,000,000 Shares, which is 15% of the Shares available under the Global Offering. For purposes of covering such over-allocations, the Stabilizing Manager may borrow from Legend Crown and Plenty Boom up to 15,000,000 Shares, which is equivalent to the maximum number of Shares to be sold upon exercise of the Over-allotment Option in full, pursuant to the Stock Borrowing Agreement.

Stabilizing action is permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (a) primary stabilization, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimizing any reduction in the market price of the Shares, and (b) ancillary stabilization in connection with any primary stabilizing action, including: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) offering or attempting to do anything described in (ii), (iii) or (iv). The Stabilizing Manager may take any one or more of the stabilizing actions described above.

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## STRUCTURE OF THE GLOBAL OFFERING

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Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

### **STOCK BORROWING ARRANGEMENT**

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to borrow up to 15,000,000 Shares from Legend Crown and Plenty Boom equivalent to the maximum number of Shares to be issued on the exercise of the Over-allotment Option in full pursuant to the Stock Borrowing Agreement.

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## STRUCTURE OF THE GLOBAL OFFERING

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The loan of Shares by Legend Crown and Plenty Boom pursuant to the Stock Borrowing Agreement shall not be subject to the restrictions under Rule 10.07(1)(a) of the Listing Rules which restricts the disposal of Shares by the Controlling Shareholders subsequent to the date of this prospectus, subject to compliance with the following requirements in accordance with the provisions of Rule 10.07(3) of the Listing Rules:

- (i) the Stock Borrowing Agreement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the International Placing;
- (ii) the maximum number of Shares which may be borrowed from Legend Crown and Plenty Boom must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Legend Crown and Plenty Boom or their nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised in full, (b) the date on which the Over-allotment Option is exercised in full, and (c) such earlier time as may be agreed in writing between Legend Crown, Plenty Boom and the Stabilizing Manager;
- (iv) the borrowing of Shares pursuant to the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and
- (v) no payments will be made to Legend Crown and Plenty Boom by the Stabilizing Manager in relation to the Stock Borrowing Agreement.

### PRICING

#### Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and the Joint Global Coordinators (for itself and on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Thursday, January 21, 2016 and in any event, no later than Friday, January 22, 2016. The Offer Price will not be more than HK\$2.48 per Offer Share and is expected to be not less than HK\$2.11 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

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## STRUCTURE OF THE GLOBAL OFFERING

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The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process reduce the number of Offer Shares and/or the indicative Offer Price range below that described in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of the reduction in the number of Offer Shares and/or the indicative Offer Price range. Such notice will also be available at the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company at [www.chinarzfh.com](http://www.chinarzfh.com).

Upon issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon among the Joint Global Coordinators (for itself and on behalf of the Underwriters) and us will be fixed within such revised offer price range. In this notice, we will also confirm or revise, as appropriate, the working capital statement as currently disclosed in the section headed “Financial Information – Working capital” in this prospectus, the offering statistics as currently disclosed in the sections headed “Summary” and “Information about this Prospectus and the Global Offering”, the use of proceeds in the section headed “Future Plans and Use of Proceeds” and any other financial information which may change as a result of such reduction. If we do not publish a notice in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) of a reduction in the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus on or before the morning of the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon by us, will be within the indicative Offer Price range as stated in this prospectus.

If we are unable to reach an agreement with the Joint Global Coordinators (for itself and on behalf of the Underwriters) on the Offer Price by Friday, January 22, 2016, the Global Offering will not proceed and will lapse.

We expect to publish an announcement of the Offer Price, together with the level of interest in the International Placing and the level of applications and the basis of allocation of the Hong Kong Offer Shares, on Wednesday, January 27, 2016.

### **Price Payable on Application**

The Offer Price will not be more than HK\$2.48 and is expected to be not less than HK\$2.11, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK\$2.48 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 1,000 Offer Shares, you should pay HK\$2,504.99 at the time of your application.

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## STRUCTURE OF THE GLOBAL OFFERING

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If the Offer Price is lower than HK\$2.48, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed “How to Apply for Hong Kong Offer Shares”.

### UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters and the International Placing is expected to be fully underwritten by the International Underwriters. The Hong Kong Public Offering and the International Placing are subject to the conditions described in the section headed “Underwriting”. In particular, we and the Joint Global Coordinators (for itself and on behalf of the Underwriters), must agree on the Offer Price for the Global Offering. The Hong Kong Underwriting Agreement was entered into on Friday, January 15, 2016 and, is subject to an agreement on the Offer Price between the Joint Global Coordinators (for itself and on behalf of the Underwriters) and us for purposes of the Hong Kong Public Offering. The International Underwriting Agreement including the agreement on the Offer Price among us and the Joint Global Coordinators (for itself and on behalf of the International Underwriters for purposes of the International Placing) is expected to be entered into on Thursday, January 21, 2016, being the Price Determination Date. The Hong Kong Underwriting Agreement and the International Underwriting Agreement are inter-conditional upon each other.

### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on, among other things:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading in our Shares on the Stock Exchange;
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement and the Stock Borrowing Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators on behalf of the Underwriters) and such obligations not being terminated in accordance with the terms of the respective agreements,

in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Global Offering in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the day after such lapse. In such situation, we will return all application monies to the applicants, without interest and on the terms described in the section headed “How to Apply for Hong Kong Offer Shares – 13. Refund of application monies”. In the meantime, we will hold all application monies in a separate bank account or separate bank accounts with the receiving bankers or other banks licenced under the Banking Ordinance.

We expect to despatch Share certificates for the Offer Shares on Wednesday, January 27, 2016. However, these Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, January 28, 2016 provided that:

- the Global Offering has become unconditional in all respects; and
- the right of termination as described in the section headed “Underwriting” has not been exercised.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, January 28, 2016, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, January 28, 2016. The Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 3963.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **white** or **yellow** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

The Company, the Joint Global Coordinators, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **white** or **yellow** Application Form if you or the person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made through an authorized attorney, the Company and the Joint Global Coordinators may accept or reject your application at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of shares in the Company and/or any of its subsidiaries;
- are a director or chief executive officer of the Company and/or any of its subsidiaries;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- are an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **white** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **yellow** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **white** Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. to 5:00 p.m. from Monday, January 18, 2016 to Wednesday, January 20, 2016 and between 9:00 a.m. to 12:00 noon on Thursday, January 21, 2016 from:

1. any of the following offices of the Bookrunners:
  - **Alliance Capital Partners Limited**  
Unit 318, 3/F, Shui On Center, 6-8 Harbour Road, Wanchai, Hong Kong
  - **First Shanghai Securities Limited**  
19/F., Wing On House, 71 Des Voeux Road Central, Hong Kong

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- **Haitong International Securities Company Limited**  
22/F Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong
- **Huatai Financial Holdings (Hong Kong) Limited**  
Room 5808-12, 58F, The Center, 99 Queen's Road Central, Hong Kong

2. Any of the branches and sub-branches of the following receiving banks:

### **Standard Chartered Bank (Hong Kong) Limited**

<b>District</b>	<b>Branch name</b>	<b>Address</b>
<b>Hong Kong Island</b>	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F to 2/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
<b>Kowloon</b>	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok

### **Bank of Communications Co., Ltd. Hong Kong Branch**

<b>District</b>	<b>Branch/Sub-Branch name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Hong Kong Branch	20 Pedder Street, Central
<b>Kowloon</b>	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road

You can collect a **yellow** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Monday, January 18, 2016 until 12:00 noon on Thursday, January 21, 2016 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong, or from your stockbroker.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Lodging Application Forms

Your completed **white** or **yellow** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited – CHINA RONGZHONG Public Offer" or "浩豐代理人有限公司 – 中國融眾公開發售" for the payment, should be deposited in the special collection boxes provided at any of the branches/sub-branches of the receiving banks listed above, at the following times:

- Monday, January 18, 2016 – 9:00 a.m. to 5:00 p.m.
- Tuesday, January 19, 2016 – 9:00 a.m. to 5:00 p.m.
- Wednesday, January 20, 2016 – 9:00 a.m. to 5:00 p.m.
- Thursday, January 21, 2016 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, January 21, 2016, the last application day or such later time as described in paragraph headed "Effect of Bad Weather on the Opening of the Application Lists" in this section.

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or its/their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Memorandum and Articles;
- (b) agree to comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Memorandum and Articles;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (f) agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participate in the International Placing;
- (h) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the Share certificate(s) and/or refund cheque(s) in person;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as his agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **yellow** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in the paragraph headed “Who can apply” in this section, may apply through the **HK eIPO White Form** Service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form**.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, January 18, 2016 until 11:30 a.m. on Thursday, January 21, 2016 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, January 21, 2016, or such later time under the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

## 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**

Customer service centre  
1/F, One & Two Exchange Square,  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **white** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **white** Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as his agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Memorandum and Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **white** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Monday, January 18, 2016 – 9:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Tuesday, January 19, 2016 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Wednesday, January 20, 2016 – 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>
- Thursday, January 21, 2016 – 8:00 a.m.<sup>(1)</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, January 18, 2016 until 12:00 noon on Thursday, January 21, 2016 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, January 21, 2016, the last application day or such later time as described in the paragraph headed “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Bookrunners, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **white** or **yellow** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, January 21, 2016.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **white** or **yellow** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** Service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **white** and **yellow** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **white** or **yellow** Application Form or through the **HK eIPO White Form** Service Provider in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing” in this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, January 21, 2016. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If the application lists do not open and close on Thursday, January 21, 2016 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, January 27, 2016 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on the Company’s website at [www.chinarzfh.com](http://www.chinarzfh.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at [www.chinarzfh.com](http://www.chinarzfh.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than Wednesday, January 27, 2016;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, January 27, 2016 to 12:00 midnight on Tuesday, February 2, 2016;
- by telephone enquiry line by calling 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, January 27, 2016 to Monday, February 1, 2016 on a Business Day (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, January 27, 2016 to Friday, January 29, 2016 at all the receiving bank’s designated branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company, and to become binding when you lodge your Application Form or give **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider and an application has been made by HKSCC Nominees or **HK eIPO White Form** Service Provider on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.



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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**(ii) If the Company or its agents exercise their discretion to reject your application:**

The Company, the Joint Global Coordinators, our Hong Kong Share Registrar, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$2.48 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Global Offering” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, January 27, 2016.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **yellow** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **white** or **yellow** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **yellow** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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Subject to arrangement on despatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on Wednesday, January 27, 2016. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, January 28, 2016 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(a) If You Apply Using a White Application Form:***

If you apply for 1,000,000 Hong Kong Offer Shares or more and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, January 27, 2016 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, January 27, 2016 by ordinary post and at your own risk.

#### ***(b) If You Apply Using a Yellow Application Form:***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, January 27, 2016 by ordinary post and at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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If you apply by using a **yellow** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, January 27, 2016 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you Apply through a Designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

- *If you are Applying as a CCASS Investor Participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, January 27, 2016 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### **(c) If You Apply through the HK eIPO White Form Service**

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, January 27, 2016, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificate/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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**(d) If you apply via *Electronic Application Instructions to HKSCC*:**

*Allocation for Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, January 27, 2016, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, January 27, 2016. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 pm, Wednesday, January 27, 2016 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, January 27, 2016. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

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## HOW TO APPLY FOR HONG KONG OFFER SHARES

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- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/ or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, January 27, 2016.

### **15. ADMISSION OF THE SHARES INTO CCASS**

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.



德勤 • 關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

January 18, 2016

The Directors  
China Rongzhong Financial Holdings Company Limited  
Alliance Capital Partners Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding China Rongzhong Financial Holdings Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for each of the three years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2014 and 2015 (the “Track Record Periods”) for inclusion in the Prospectus of the Company dated January 18, 2016 (the “Prospectus”), in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 5, 2015. Pursuant to a group reorganization, as disclosed in the section headed “History and Reorganization” to the Prospectus (the “Group Reorganization”), the Company became the ultimate holding company of the entities now comprising the Group on December 18, 2015.

The Company and all its subsidiaries have adopted March 31, as their financial year end date, except for Rongzhong International Financial Leasing Co., Ltd, which presented audited financial statements for the years ended December 31, 2012, 2013 and 2014 during the Track Record Periods. At the end of each reporting period and date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ operation	Date of incorporation/ establishment	Particulars of issued and paid up capital/registered capital		Proportion of ownership interest attributable to the Company							Principal activity
					Directly			Indirectly				
					31.3.2013	31.3.2014	31.7.2015	31.3.2013, 2014 & 2015	31.7.2015	As at date of report	31.3.2013, 2014 & 2015	
Rongzhong Capital Holdings Limited (融眾資本集團有限公司) (“Rongzhong Capital”)	British Virgin Islands/ Hong Kong	June 22, 2005	US\$100,000	US\$104,422	US\$104,422	100%	100%	100%	-	-	-	Investment holding

Name of subsidiary	Place of incorporation/ operation	Date of incorporation/ establishment	Particulars of issued and paid up capital/registered capital			Proportion of ownership interest attributable to the Company						Principal activity
						Directly			Indirectly			
			31.3.2013	31.3.2014	31.3.2015 & 31.7.2015	31.3.2013, 2014 & 2015	31.7.2015	As at date of report	31.3.2013, 2014 & 2015	31.7.2015	As at date of report	
			Rongzhong International Finance Lease Holdings Limited (融眾國際融資租賃集團有限公司)	Hong Kong	October 18, 2007	HK\$1	HK\$1	HK\$1	-	-	-	
Rongzhong International Financial Leasing Co., Ltd. (融眾國際融資租賃有限公司#*)	People's Republic of China ("PRC")	May 5, 2008	US\$39,500,000	US\$41,000,000	US\$41,000,000	-	-	-	100%	100%	100%	Provision of financial leasing service

# English translated name is for identification purpose only.

\* This company is a limited company established in the PRC.

No audited financial statements have been prepared for the Company since the date of its incorporation as there is no statutory requirement for their preparation.

We have acted as the auditor of Rongzhong Capital and statutory auditor of Rongzhong International Finance Lease Holdings Limited for each of the three years ended March 31, 2013, 2014 and 2015 respectively. The audited financial statements of these two companies are prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The statutory financial statements of Rongzhong International Financial Leasing Co., Ltd for each of the three years ended December 31, 2014 were prepared in accordance with relevant accounting regulations applicable to enterprises established in the PRC and were audited by Hubei Haixin Certified Public Accountants Co., Ltd. ("湖北海信會計師事務所"), a certified public accountant registered in the PRC.

For the purpose of this report, the directors of Rongzhong Capital have prepared the consolidated financial statements of Rongzhong Capital and its subsidiaries for the Relevant Periods in accordance with accounting policies set out in note 1.2 of Section A below which conform with HKFRS (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing and have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 1.2 of section A below. No adjustments are considered necessary to the Underlying Financial Statements in preparing this report for the inclusion in the Prospectus.



The Underlying Financial Statements are the responsibility of the directors of Rongzhong Capital who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out on note 1.2 of section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at March 31, 2013, 2014 and 2015 and July 31, 2015, and of the financial performance and cash flows of the Group for the Track Record Periods.

The comparative combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the four months ended July 31, 2014 together with notes thereon have been extracted from the Group's unaudited financial information for the same period (the "July 2014 Financial Information") which was prepared by the directors of the Company solely for the purpose of this report. We conducted our review of July 2014 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the July 2014 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we could become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the July 2014 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the July 2014 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRSs.

## (A) FINANCIAL INFORMATION

## Combined Statements of Profit or Loss and Other Comprehensive Income

	NOTES	Year ended March 31,			Four months ended July 31,	
		2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
					(Unaudited)	
Revenue	6	181,817,521	220,376,318	226,942,893	70,915,433	81,228,525
Other income	7	5,385,360	12,893,702	5,816,853	2,116,319	1,196,519
Net exchange loss		–	(36,014)	–	–	–
Staff costs	9	(2,405,590)	(2,950,621)	(4,539,010)	(1,226,815)	(2,820,412)
Impairment losses on finance lease receivable		–	(20,935,766)	(14,667,475)	(3,935,670)	(2,403,562)
Other operating expenses		(9,971,902)	(14,596,769)	(16,554,529)	(2,932,419)	(12,430,888)
Finance costs	8	<u>(85,561,888)</u>	<u>(100,250,047)</u>	<u>(105,234,898)</u>	<u>(32,591,897)</u>	<u>(33,510,488)</u>
Profit before taxation	9	89,263,501	94,500,803	91,763,834	32,344,951	31,259,694
Taxation	11	<u>(22,221,342)</u>	<u>(24,252,940)</u>	<u>(26,200,670)</u>	<u>(8,415,312)</u>	<u>(9,605,477)</u>
Profit for the year/period		67,042,159	70,247,863	65,563,164	23,929,639	21,654,217
<i>Other comprehensive income</i>						
Item that will not be reclassified to profit or loss:						
Exchange differences arising on translation to presentation currency		–	11,192,879	–	–	–
Total comprehensive income for the year/period		<u>67,042,159</u>	<u>81,440,742</u>	<u>65,563,164</u>	<u>23,929,639</u>	<u>21,654,217</u>

## Combined Statements of Financial Position

	NOTES	2013 HK\$	As at March 31, 2014 HK\$	2015 HK\$	As at July 31, 2015 HK\$
<b>Non-current assets</b>					
Equipment	13	635,888	1,290,457	2,136,150	1,850,291
Loan to a related company	14	–	207,487,342	–	–
Finance lease receivable	15	982,322,392	880,173,054	594,676,244	515,633,256
Deferred taxation assets	22	–	5,233,941	8,900,810	9,501,701
Deposit for intangible asset		–	–	–	285,885
		<u>982,958,280</u>	<u>1,094,184,794</u>	<u>605,713,204</u>	<u>527,271,133</u>
<b>Current assets</b>					
Loan to a related company	14	173,271,605	–	73,297,468	175,702,532
Amount due from a related company	14	387,843	371,826	–	–
Finance lease receivable	15	661,099,710	842,070,032	1,343,512,390	1,305,695,175
Prepayments and other receivables		8,596,297	10,910,420	11,293,517	11,074,507
Security deposits	16	17,834,715	13,295,402	23,764,827	29,318,070
Taxation		–	749,400	–	–
Short term bank deposits with original maturity within three months	17	2,500,943	6,000,921	6,019,840	–
Bank balances and cash	17	31,515,363	31,799,779	18,511,614	35,708,433
		<u>895,206,476</u>	<u>905,197,780</u>	<u>1,476,399,656</u>	<u>1,557,498,717</u>
<b>Current liabilities</b>					
Amount due to a related company	14	–	–	469,061	66,478
Other payables and accrued charges	18	10,176,495	67,444,056	10,189,353	14,445,815
Deposits from finance lease customers	15	71,765,901	243,050,028	268,946,687	328,985,867
Deferred income	19	20,858,922	20,834,258	16,936,245	18,394,116
Taxation		716,691	–	6,663,829	7,576,642
Bank borrowings	20	457,605,848	258,629,304	467,810,127	459,653,165
		<u>561,123,857</u>	<u>589,957,646</u>	<u>771,015,302</u>	<u>829,122,083</u>
<b>Net current assets</b>		<u>334,082,619</u>	<u>315,240,134</u>	<u>705,384,354</u>	<u>728,376,634</u>
<b>Total assets less current liabilities</b>		<u>1,317,040,899</u>	<u>1,409,424,928</u>	<u>1,311,097,558</u>	<u>1,255,647,767</u>
<b>Capital and reserves</b>					
Share capital	21	780,000	814,492	814,492	814,492
Reserves		441,148,586	543,008,168	608,571,332	630,225,549
<b>Total equity</b>		<u>441,928,586</u>	<u>543,822,660</u>	<u>609,385,824</u>	<u>631,040,041</u>
<b>Non-current liabilities</b>					
Deposits from finance lease customers	15	291,751,218	215,751,839	152,701,000	114,690,391
Deferred income	19	20,135,971	14,280,809	6,952,507	3,980,626
Bank borrowings	20	563,225,124	635,569,620	540,475,949	505,936,709
Deferred taxation liabilities	22	–	–	1,582,278	–
		<u>875,112,313</u>	<u>865,602,268</u>	<u>701,711,734</u>	<u>624,607,726</u>
		<u>1,317,040,899</u>	<u>1,409,424,928</u>	<u>1,311,097,558</u>	<u>1,255,647,767</u>

## Combined Statements of Changes in Equity

	Share capital HK\$	Share premium HK\$	Statutory surplus reserve HK\$ (Note)	Translation reserve HK\$	Retained profits HK\$	Total HK\$
At April 1, 2012	780,000	311,020,000	3,930,188	814,355	58,341,884	374,886,427
Profit and total comprehensive income for the year	–	–	–	–	67,042,159	67,042,159
Transferred to statutory surplus reserve	–	–	7,470,965	–	(7,470,965)	–
At March 31, 2013	780,000	311,020,000	11,401,153	814,355	117,913,078	441,928,586
Profit for the year	–	–	–	–	70,247,863	70,247,863
Exchange difference arising on translation	–	–	–	11,192,879	–	11,192,879
Total comprehensive income for the year	–	–	–	11,192,879	70,247,863	81,440,742
Issue of ordinary shares	34,492	23,365,508	–	–	–	23,400,000
Expenses incurred in connection with issue of shares	–	(2,946,668)	–	–	–	(2,946,668)
Transferred to statutory surplus reserve	–	–	9,291,387	–	(9,291,387)	–
At March 31, 2014	814,492	331,438,840	20,692,540	12,007,234	178,869,554	543,822,660
Profit and total comprehensive income for the year	–	–	–	–	65,563,164	65,563,164
Transferred to statutory surplus reserve	–	–	6,243,042	–	(6,243,042)	–
At March 31, 2015	814,492	331,438,840	26,935,582	12,007,234	238,189,676	609,385,824
Profit and total comprehensive income for the period	–	–	–	–	21,654,217	21,654,217
At July 31, 2015	814,492	331,438,840	26,935,582	12,007,234	259,843,893	631,040,041
At April 1, 2014	814,492	331,438,840	20,692,540	12,007,234	178,869,554	543,822,660
Profit and total comprehensive income for the period	–	–	–	–	23,929,639	23,929,639
(Unaudited) At July 31, 2014	814,492	331,438,840	20,692,540	12,007,234	202,799,193	567,752,299

Note: Pursuant to the articles of association of the subsidiary established in the PRC, it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory surplus reserve until the balance reaches 50% of its registered capital.

## Combined Statements of Cash Flows

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ <i>(Unaudited)</i>	2015 HK\$
Operating activities					
Profit for the year/period	67,042,159	70,247,863	65,563,164	23,929,639	21,654,217
Adjustments for:					
Taxation	22,221,342	24,252,940	26,200,670	8,415,312	9,605,477
Impairment losses on finance lease receivable	–	20,935,766	14,667,475	3,935,670	2,403,562
Depreciation of equipment	737,994	579,513	433,031	122,415	289,760
Finance costs	85,561,888	100,250,047	105,234,898	32,591,897	33,510,488
Interest income from loan to a related company	(5,198,148)	(4,896,898)	(5,568,377)	(2,061,825)	(1,151,986)
Interest income from bank deposits	(187,212)	(197,728)	(248,476)	(54,494)	(44,533)
Effect of foreign exchange rate changes	–	36,014	–	–	–
Operating cash flows before movements in working capital	170,178,023	211,207,517	206,282,385	66,878,614	66,266,985
Decrease in amount due from a related company	154,213	25,836	371,826	371,826	–
(Increase) decrease in finance lease receivable	(427,963,625)	(58,151,127)	(230,613,023)	(3,637,110)	114,456,641
(Increase) decrease in prepayments and other receivables	(2,975,419)	(2,096,495)	(383,097)	(36,227)	219,010
Decrease (increase) in security deposits	1,595,408	4,990,825	(10,469,425)	(10,540,735)	(5,553,243)
Increase (decrease) in amount due to a related company	–	–	469,061	–	(402,583)
(Decrease) increase in other payables and accrued charges	(1,589,540)	53,380,947	(55,438,579)	(54,939,038)	3,884,296
Increase (decrease) in deferred income	7,029,754	(6,917,672)	(11,226,315)	(6,719,411)	(1,514,010)
Increase (decrease) in deposits from finance lease customers	117,909,135	60,613,849	(65,684,915)	(59,146,331)	11,770,542
Cash (used in) generated from operations	(135,662,051)	263,053,680	(166,692,082)	(67,768,412)	189,127,638
Enterprise Income Tax paid in the PRC	(24,943,323)	(30,952,972)	(20,872,032)	(9,715,800)	(10,875,833)
Net cash (used in) from operating activities	(160,605,374)	232,100,708	(187,564,114)	(77,484,212)	178,251,805

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ <i>(Unaudited)</i>	2015 HK\$
<b>Investing activities</b>					
Interest received from bank deposits	187,212	197,728	248,476	54,494	44,533
Interest received from loan to a related company	1,726,614	1,396,898	1,223,107	1,921,693	–
Advances to a related company	–	(86,708,861)	(175,632,911)	–	(236,582,278)
Repayments from a related company	–	60,379,747	309,822,785	7,607,595	134,177,215
Purchase of equipment	(601,019)	(1,219,109)	(1,278,724)	(11,264)	(3,901)
Payment of deposit for intangible asset	–	–	–	–	(285,885)
<b>Net cash from (used in) investing activities</b>	<b>1,312,807</b>	<b>(25,953,597)</b>	<b>134,382,733</b>	<b>9,572,518</b>	<b>(102,650,316)</b>
<b>Financing activities</b>					
Bank loans raised	637,024,691	303,247,382	499,189,873	193,493,670	60,506,329
Repayment of bank loans	(412,582,402)	(455,415,210)	(385,102,721)	(119,585,823)	(103,202,531)
Issue of ordinary shares	–	23,400,000	–	–	–
Interest paid	(61,857,253)	(71,153,132)	(74,175,017)	(24,490,252)	(21,728,308)
Payment for transaction costs attributable to issue of ordinary shares	–	(2,946,668)	–	–	–
<b>Net cash from (used in) financing activities</b>	<b>162,585,036</b>	<b>(202,867,628)</b>	<b>39,912,135</b>	<b>49,417,595</b>	<b>(64,424,510)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,292,469</b>	<b>3,279,483</b>	<b>(13,269,246)</b>	<b>(18,494,099)</b>	<b>11,176,979</b>
Cash and cash equivalents at beginning of the year/period	30,723,837	34,016,306	37,800,700	37,800,700	24,531,454
Effect of foreign exchange rate changes	–	504,911	–	–	–
<b>Cash and cash equivalents at end of the year/period</b>	<b>34,016,306</b>	<b>37,800,700</b>	<b>24,531,454</b>	<b>19,306,601</b>	<b>35,708,433</b>
<b>Analysis of balances of cash and cash equivalents</b>					
Bank balances and cash	31,515,363	31,799,779	18,511,614	13,297,323	35,708,433
Short term bank deposits with original maturity within three months	2,500,943	6,000,921	6,019,840	6,009,278	–
	<b>34,016,306</b>	<b>37,800,700</b>	<b>24,531,454</b>	<b>19,306,601</b>	<b>35,708,433</b>

## NOTES TO FINANCIAL INFORMATION

### 1.1. CORPORATE INFORMATION

The Company is a private limited company incorporated in the Cayman Islands on June 5 2015. The addresses of the registered office and principal place of business are stated in the "Corporate Information" section of the Prospectus.

The Company is an investment holding company. The principal activities of the Group are provision of financial leasing services in the PRC.

The function currency of the Company and its subsidiaries is Renminbi ("RMB"). The Financial Information is presented in Hong Kong dollar as the Company is seeking listing on the Hong Kong Stock Exchange.

### 1.2. GROUP REORGANIZATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

During the Track Record Periods, the business of the Group was carried out by Rongzhong International Financial Leasing Co., Ltd, a PRC limited liability company substantially owned and jointly controlled by 3 parties, namely Mr. Xie Xiaoqing (through Yong Hua International Limited, Capital Grower Limited and Clifton Rise International Limited) and Ms. Jacqueline Wong (through Legend Crown International Limited and Plenty Boom Investments Limited), Hony Capital Fund 2008, L.P. (through Silver Creation Investments Limited), and Goldbond Group Holdings Limited (through Perfect Honour Limited), who have been jointly controlling business operation, financial management and all other major decisions of Rongzhong International Financial Leasing Co., Ltd since 2011 and therefore are regarded as a group of jointly controlling shareholders of the Group ("Jointly Controlling Shareholders"), the details of which are disclosed in section headed "History and Reorganization" to the Prospectus. In preparation for the listing of the Company's shares on the Stock Exchange, the Group underwent a group restructuring which involved the insertion of a new investment holding company (the "Group Reorganization"). The Group Reorganization was completed on December 18, 2015.

The Group Reorganization only involves the setting up of a new investment holding company between the Jointly Controlling Shareholders and Rongzhong Capital, the holding company of the Group's operating subsidiary, Rongzhong International Financial Leasing Co., Ltd. Accordingly, the Financial Information has been prepared on the basis as if the new group structure had been in existence throughout the Track Record Periods. The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Periods include the results, changes in equity and cash flows of companies within the Group as if the current group structure had been in existence throughout the Track Record Periods, or since their date of establishment, incorporation or acquisition, where applicable. The combined statements of financial position of the Group as at March 31, 2013, 2014 and 2015 and July 31, 2015 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective date of establishment, incorporation or acquisition, where applicable.

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

### Application of new and revised HKFRSs

For the purpose of preparing and presenting the Financial Information for the Track Record Periods, the Group has applied all HKFRSs which are effective for the Group's accounting period beginning on April 1, 2015, consistently throughout the Track Record Periods.

**New and revised HKFRSs in issue but not effective**

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

HKFRS 9	Financial instruments <sup>1</sup>
HKFRS 15	Revenue from contracts with customers <sup>1</sup>
Amendments to HKAS 1	Disclosure initiative <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.

The directors of the Company are in the process of making an assessment of the impact that the new and revised HKFRSs and amendments to HKFRS will have on the Group's financial statements.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Financial Information has been prepared in accordance with the accounting policies set out below which are in conformity with Hong Kong Financial Reporting Standards issued by the HKICPA and included applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these combined financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17.

The principal accounting policies are set out below.

**Basis of consolidation**

The Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.



When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of sales related taxes.

Financial leasing service income mainly consists of finance lease income and is recognized over the period of lease (see accounting policy in respect of leasing below).

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

**Guarantee fee expense**

Guarantee fee expense is recognized over the contract period on a time appointment basis.

**Government grants**

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

**Equipment**

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

**Impairment**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as an income immediately.

**Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in term of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the combined financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

**Borrowing costs**

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

**Retirement benefit costs**

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognized as an expense when employees have rendered service entitling them to the contributions.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

***The Group as lessor***

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

***The Group as lessee***

Operating leases payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before taxation as reported in the combined statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognized in profit or loss.

### **Financial instruments**

Financial assets and financial liabilities are recognized in the combined financial statements when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### ***Financial assets***

The Group's financial assets are all classified as loans and receivables.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis.

#### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including loan to a related company, finance lease receivable, other receivables, amount due from a related company, security deposits, short term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

#### ***Impairment of financial assets***

Financial assets, including finance lease receivable, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Individual impairment allowances are assessed by a discounted cash flow method for finance lease receivable that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as finance lease receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

#### ***Financial liabilities and equity instruments***

Debt and equity instruments issued by an entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

The Group's financial liabilities include amount due to a related company, other payables, deposits from finance lease customers and bank borrowings. These are subsequently measured at amortised cost, using the effective interest method.

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

#### ***Derecognition***

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

##### Estimated impairment of finance lease receivable

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at March 31, 2013, 2014 and 2015 and July 31, 2015, the carrying amounts of finance lease receivable were HK\$1,643,422,102, HK\$1,722,243,086, HK\$1,938,188,634 and HK\$1,821,328,431 respectively.

#### 5. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Track Record Periods, as the Group is principally engaged in providing financial leasing service in the PRC, and the executive directors of the Company, being the chief operating decision maker of the Group, review the combined 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.

Included in revenue arising from financial leasing business, HK\$39,990,083, HK\$39,610,873, HK\$41,866,960, HK\$13,313,437 and HK\$14,248,286 arose from the Group's largest customer for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2014 and 2015 respectively. No other single customer contributed 10% or more to the Group's revenue for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2014 and 2015.

#### 6. REVENUE

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

#### 7. OTHER INCOME

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
				(Unaudited)	
Interest income from loan to a related company	5,198,148	4,896,898	5,568,377	2,061,825	1,151,986
Bank interest income	187,212	197,728	248,476	54,494	44,533
Government subsidies (note)	—	7,799,076	—	—	—
	<u>5,385,360</u>	<u>12,893,702</u>	<u>5,816,853</u>	<u>2,116,319</u>	<u>1,196,519</u>

Note: The non-recurring government subsidies were received unconditionally by the Company's subsidiary in the PRC from local government. The main purpose is to refund the additional tax paid by the Group as a result of the replacement of business tax of 5% by value added tax of 17%.

## 8. FINANCE COSTS

	Year ended March 31,			Four months ended	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Interest on borrowings wholly repayable within five years	62,674,996	70,875,678	72,358,893	22,674,308	21,683,238
Guarantee fee paid to a related company	3,471,534	3,906,435	4,345,270	1,304,247	1,569,221
Imputed interest expense on interest-free deposits from finance lease customers	19,415,358	25,467,934	28,530,735	8,613,342	10,258,029
	<u>85,561,888</u>	<u>100,250,047</u>	<u>105,234,898</u>	<u>32,591,897</u>	<u>33,510,488</u>

## 9. PROFIT BEFORE TAXATION

	Year ended March 31,			Four months ended	
	2013	2014	2015	2014	2015
	HK\$	HK\$	HK\$	HK\$	HK\$
				(Unaudited)	
Profit before taxation has been arrived at after charging:					
Directors' remuneration:					
– Fee	–	120,000	120,000	40,000	40,000
– Short-term benefits	281,944	636,392	743,869	189,840	639,062
– Retirement benefit scheme contributions	–	–	3,038	–	14,549
Salaries, allowances and other staff benefits	2,007,008	2,016,659	3,422,844	931,333	1,992,025
Staff's retirement benefit scheme contributions	116,638	177,570	249,259	65,642	134,776
Total staff costs	<u>2,405,590</u>	<u>2,950,621</u>	<u>4,539,010</u>	<u>1,226,815</u>	<u>2,820,412</u>
Auditor's remuneration	427,160	522,152	916,229	180,000	300,000
Depreciation of equipment	737,994	579,513	433,031	122,415	289,760
Operating lease rentals in respect of properties	589,384	1,332,432	2,465,343	765,002	1,078,944
Listing expenses	–	189,873	6,882,025	–	9,153,429
	<u>–</u>	<u>189,873</u>	<u>6,882,025</u>	<u>–</u>	<u>9,153,429</u>

## 10. EMOLUMENTS OF DIRECTORS AND TOP FIVE HIGHEST PAID INDIVIDUALS

## (a) Directors

Details of emoluments paid by the entities comprising the Group to the directors of the Company who were appointed in June 2015 for the service provided to the Group during the Track Record Periods are as follows:

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
Directors' fee	–	120,000	120,000	40,000	40,000
Retirement benefit scheme contributions	–	–	3,038	–	14,549
Other emoluments: Salaries and other benefits	281,944	636,392	743,869	189,840	639,062

	Directors' fee HK\$	Retirement benefit scheme contributions HK\$	Other emoluments HK\$	Total HK\$
<u>Year ended March 31, 2013</u>				
<u>Executive directors</u>				
Mr. Xie Xiaoqing	–	–	281,944	281,944
Mr. Li Fan	–	–	–	–
<u>Non-executive directors</u>				
Mr. Chen Shuai	–	–	–	–
Mr. Huang Haichen	–	–	–	–
Mr. Ding Chung Keung Vincent	–	–	–	–
Ms. Wong, Jacqueline Yue Yee	–	–	–	–
<u>Independent non-executive directors</u>				
Mr. Nie Yong	–	–	–	–
Mr. Duan Chang Feng	–	–	–	–
Ms. Zou Lin	–	–	–	–
	–	–	281,944	281,944

<u>Year ended March 31, 2014</u>				
<u>Executive directors</u>				
Mr. Xie Xiaoqing	120,000	–	636,392	756,392
Mr. Li Fan	–	–	–	–
<u>Non-executive directors</u>				
Mr. Chen Shuai	–	–	–	–
Mr. Huang Haichen	–	–	–	–
Mr. Ding Chung Keung Vincent	–	–	–	–
Ms. Wong, Jacqueline Yue Yee	–	–	–	–
<u>Independent non-executive directors</u>				
Mr. Nie Yong	–	–	–	–
Mr. Duan Chang Feng	–	–	–	–
Ms. Zou Lin	–	–	–	–
	120,000	–	636,392	756,392

	Directors' fee HK\$	Retirement benefit scheme contributions HK\$	Other emoluments HK\$	Total HK\$
<u>Year ended March 31, 2015</u>				
<u>Executive directors</u>				
Mr. Xie Xiaoqing	120,000	–	569,519	689,519
Mr. Li Fan	–	3,038	174,350	177,388
<u>Non-executive directors</u>				
Mr. Chen Shuai	–	–	–	–
Mr. Huang Haichen	–	–	–	–
Mr. Ding Chung Keung Vincent	–	–	–	–
Ms. Wong, Jacqueline Yue Yee	–	–	–	–
<u>Independent non-executive directors</u>				
Mr. Nie Yong	–	–	–	–
Mr. Duan Chang Feng	–	–	–	–
Ms. Zou Lin	–	–	–	–
	<u>120,000</u>	<u>3,038</u>	<u>743,869</u>	<u>866,907</u>
<u>Period ended July 31, 2014 (Unaudited)</u>				
<u>Executive directors</u>				
Mr. Xie Xiaoqing	40,000	–	189,840	229,840
Mr. Li Fan	–	–	–	–
<u>Non-executive directors</u>				
Mr. Chen Shuai	–	–	–	–
Mr. Huang Haichen	–	–	–	–
Mr. Ding Chung Keung, Vincent	–	–	–	–
Ms. Wong, Jacqueline Yue Yee	–	–	–	–
<u>Independent non-executive directors</u>				
Mr. Nie Yong	–	–	–	–
Mr. Duan Chang Feng	–	–	–	–
Ms. Zou Lin	–	–	–	–
	<u>40,000</u>	<u>–</u>	<u>189,840</u>	<u>229,840</u>
<u>Period ended July 31, 2015</u>				
<u>Executive directors</u>				
Mr. Xie Xiaoqing	40,000	3,837	272,695	316,532
Mr. Li Fan	–	10,712	366,367	377,079
<u>Non-executive directors</u>				
Mr. Chen Shuai	–	–	–	–
Mr. Huang Haichen	–	–	–	–
Mr. Ding Chung Keung, Vincent	–	–	–	–
Ms. Wong, Jacqueline Yue Yee	–	–	–	–
<u>Independent non-executive directors</u>				
Mr. Nie Yong	–	–	–	–
Mr. Duan Chang Feng	–	–	–	–
Ms. Zou Lin	–	–	–	–
	<u>40,000</u>	<u>14,549</u>	<u>639,062</u>	<u>693,611</u>

*Note:* Mr. Chen Shuai and Mr. Huang Haichen resigned as Non-executive directors of the company on October 15, 2015 and September 21, 2015, respectively. Mr. Sun Changyu was appointed as a Non-executive director of the Company on October 15, 2015.



**(b) Highest paid individuals**

The five highest paid individuals of the Group include one, one, two, one and two directors of the Company for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2014 and 2015, respectively, whose emoluments are included in the disclosures above. The emoluments of the remaining four, four, three, four and three individuals for the years ended March 31, 2013, 2014 and 2015 and the four months ended July 31, 2014 and 2015, respectively, are as follows:

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Directors	281,944	756,392	866,907	229,840	693,611
Non-directors	1,040,436	722,896	1,683,379	542,436	417,701
	<u>1,322,380</u>	<u>1,479,288</u>	<u>2,550,286</u>	<u>772,276</u>	<u>1,111,312</u>

Details of the remuneration of the remaining non-director, highest paid employees during the Track Record Periods are as follows:

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Salaries, allowances and other staff benefits	1,002,348	684,508	1,632,569	530,284	382,606
Staff's retirement benefit scheme contributions	38,088	38,388	50,810	12,152	35,095
	<u>1,040,436</u>	<u>722,896</u>	<u>1,683,379</u>	<u>542,436</u>	<u>417,701</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended March 31,			Four months ended July 31,	
	2013	2014	2015	2014 (Unaudited)	2015
Nil to HK\$1,000,000	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>3</u>
	<u>4</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>3</u>

## 11. TAXATION

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
The charge (credit) comprises:					
Current tax					
Enterprise Income Tax in the PRC					
– Provision for the current year/period	22,181,236	29,430,036	28,223,371	9,337,340	10,453,688
– Under (over) provision in prior year	40,106	56,845	61,890	61,890	(247,320)
– Withholding tax	–	–	–	–	1,582,278
	<u>22,221,342</u>	<u>29,486,881</u>	<u>28,285,261</u>	<u>9,399,230</u>	<u>11,788,646</u>
Deferred taxation	–	(5,233,941)	(2,084,591)	(983,918)	(2,183,169)
	<u>22,221,342</u>	<u>24,252,940</u>	<u>26,200,670</u>	<u>8,415,312</u>	<u>9,605,477</u>

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

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 all years/periods.

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

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$ (Unaudited)	2015 HK\$
Profit before taxation	<u>89,263,501</u>	<u>94,500,803</u>	<u>91,763,834</u>	<u>32,344,951</u>	<u>31,259,694</u>
Tax at the domestic income tax rate in the PRC of 25%	22,315,875	23,625,201	22,940,959	8,086,238	7,814,924
Tax effect of income not taxable for tax purposes	(6,158,051)	(7,599,151)	(8,524,778)	(2,668,791)	(2,852,505)
Tax effect of expenses not deductible for tax purposes	6,023,412	8,170,045	10,140,321	2,935,975	4,890,378
Deferred tax recognized (reversed) on undistributed earnings of the Group's PRC subsidiary	–	–	1,582,278	–	(1,582,278)
Under (over) provision in prior year	40,106	56,845	61,890	61,890	(247,320)
Withholding tax levied on dividend declared	–	–	–	–	1,582,278
Taxation charge for the year/period	<u>22,221,342</u>	<u>24,252,940</u>	<u>26,200,670</u>	<u>8,415,312</u>	<u>9,605,477</u>

**12. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Group Reorganization and the presentation of the results for each of the three years ended March 31, 2013, 2014 and 2015 and for the four months ended July 31, 2014 and 2015 on a combined basis as disclosed in note 1.2 above.

**13. EQUIPMENT**

	<b>Furniture, fixtures and other fixed assets</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>COST</b>			
At the beginning of the year	1,396,116	1,997,135	3,266,805
Exchange adjustments	–	50,561	–
Additions	601,019	1,219,109	1,278,724
	<u>1,997,135</u>	<u>3,266,805</u>	<u>4,545,529</u>
<b>ACCUMULATED DEPRECIATION</b>			
At the beginning of the year	623,253	1,361,247	1,976,348
Exchange adjustments	–	35,588	–
Charge for the year	737,994	579,513	433,031
	<u>1,361,247</u>	<u>1,976,348</u>	<u>2,409,379</u>
<b>NET CARRYING VALUES</b>			
At the end of the year	<u>635,888</u>	<u>1,290,457</u>	<u>2,136,150</u>

Four months ended July 31, 2015

	<i>HK\$</i>
<b>COST</b>	
At April 1, 2015	4,545,529
Additions	3,901
	<u>4,549,430</u>
<b>ACCUMULATED DEPRECIATION</b>	
At April 1, 2015	2,409,379
Charge for the period	289,760
	<u>2,699,139</u>
<b>NET CARRYING VALUES</b>	
At July 31, 2015	<u>1,850,291</u>

The above items of equipment are depreciated on a straight-line basis at the rates of 20% to 33 1/3% per annum.

**14. LOAN TO A RELATED COMPANY/AMOUNT DUE FROM/TO A RELATED COMPANY**

As at March 31, 2015 and July 31, 2015, the loan to a related company, being a joint venture of the major shareholder, of HK\$73,297,468 and HK\$175,702,532, respectively, bearing a fixed interest rate of 3% per annum, is unsecured and repayable on demand and expected to be repaid upon listing of the shares on the Hong Kong Stock Exchange.

As at March 31, 2014, the loan to a related company, being a joint venture of the major shareholder, of HK\$207,487,342 bearing a fixed interest rate of 3% per annum, was unsecured and not expected to be repaid within the next twelve months from March 31, 2014.

As at March 31, 2013, the loan to a related company, being a joint venture of the major shareholder, of HK\$173,271,605 bearing a fixed interest rate of 3% per annum, was unsecured and was due in October 2013.

As at March 31, 2013 and 2014, the amount due from a related company, being a joint venture of the major shareholder, of HK\$387,843 and HK\$371,826, respectively, was unsecured, interest free and repayable on demand.

As at March 31, 2015 and July 31, 2015, the amount due to a related company, being a joint venture of the major shareholder, of HK\$469,061, and HK\$66,478, respectively, was unsecured, interest free and repayable on demand.

## 15. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides financial leasing services in the PRC.

	Minimum lease payments				Present value of minimum lease payments			
	as at March 31,		2015	as at	as at March 31,		as at	
	2013	2014		July 31,	2013	2014	July 31,	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Finance lease receivable								
comprise:								
Within one year	778,973,415	1,016,910,590	1,499,499,155	1,486,218,007	661,099,710	857,868,475	1,371,075,228	1,337,705,122
In more than one year but not more than five years	1,068,135,365	952,032,169	672,844,254	591,103,946	982,322,392	885,310,377	602,716,647	521,630,112
	1,847,108,780	1,968,942,759	2,172,343,409	2,077,321,953	1,643,422,102	1,743,178,852	1,973,791,875	1,859,335,234
Less: Unearned finance income	(203,686,678)	(225,763,907)	(198,551,534)	(217,986,719)	-	-	-	-
Present value of minimum lease payment	1,643,422,102	1,743,178,852	1,973,791,875	1,859,335,234	1,643,422,102	1,743,178,852	1,973,791,875	1,859,335,234
Less: Collective impairment allowance	-	(9,967,817)	(18,662,651)	(15,209,661)	-	(9,967,817)	(18,662,651)	(15,209,661)
Individual impairment allowance	-	(10,967,949)	(16,940,590)	(22,797,142)	-	(10,967,949)	(16,940,590)	(22,797,142)
	1,643,422,102	1,722,243,086	1,938,188,634	1,821,328,431	1,643,422,102	1,722,243,086	1,938,188,634	1,821,328,431
Analysed for reporting purposes as:								
Current assets					661,099,710	842,070,032	1,343,512,390	1,305,695,175
Non-current assets					982,322,392	880,173,054	594,676,244	515,633,256
					1,643,422,102	1,722,243,086	1,938,188,634	1,821,328,431

The Group's finance lease receivable are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 6.1% to 25.7%, from 6.1% to 32.8%, from 9.3% to 24.3% and from 9.3% to 24.3% per annum as at March 31, 2013, 2014 and 2015 and July 31, 2015 respectively.

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

	As at March 31,			As at
	2013	2014	2015	July 31,
	HK\$	HK\$	HK\$	2015
				HK\$
Neither past due nor impaired	1,479,218,828	1,390,039,120	820,254,118	566,544,285
Past due but not individually impaired	164,203,274	194,185,368	722,114,115	673,955,728
Past due and individually impaired	—	158,954,364	431,423,642	618,835,221
	<u>1,643,422,102</u>	<u>1,743,178,852</u>	<u>1,973,791,875</u>	<u>1,859,335,234</u>
Subtotal	1,643,422,102	1,743,178,852	1,973,791,875	1,859,335,234
Less: Collective impairment allowance	—	(9,967,817)	(18,662,651)	(15,209,661)
Individual impairment allowance	—	(10,967,949)	(16,940,590)	(22,797,142)
	<u>1,643,422,102</u>	<u>1,722,243,086</u>	<u>1,938,188,634</u>	<u>1,821,328,431</u>

Finance lease receivable 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 contracts. When the lease contract expires, 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. As at March 31, 2013, 2014 and 2015 and July 31, 2015, the customers' deposits of HK\$363,517,119, HK\$458,801,867, HK\$421,647,687 and HK\$443,676,258 respectively were received in advance. Additional collateral may be obtained from customers to secure their repayment obligations under finance leases and such collateral include vessels, commercial and residential properties, equipments and machineries. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognized in all years/periods.

The following is an ageing analysis based on due dates of finance lease receivable which are past due but not individually impaired (instalments which are not yet due at the end of the reporting period are excluded):

	As at March 31,			As at
	2013	2014	2015	July 31,
	HK\$	HK\$	HK\$	2015
				HK\$
Less than one month	5,743	19,392,792	1,611,885	15,933,358
More than one month but less than three months	164,197,531	13,256,941	185,745,898	12,669,703
More than three months but less than one year	—	6,903,718	2,714,989	38,140,598
More than one year	—	—	29,530,084	—
	<u>164,203,274</u>	<u>39,553,451</u>	<u>219,602,856</u>	<u>66,743,659</u>

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at March 31, 2013, 2014 and 2015 and July 31, 2015, aggregate carrying amounts of HK\$164,203,274, HK\$39,553,451, HK\$219,602,856 and HK\$66,743,659 were past due respectively but the Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers. Collective impairment allowance of nil, HK\$1,221,799 and HK\$8,737,576 and HK\$8,263,313 were provided on past due but not individually impaired finance lease receivable as at March 31, 2013, 2014 and 2015 and July 31, 2015 respectively.

Included in the individual impairment allowance are individually impaired finance lease receivable with aggregate balances of nil, HK\$10,967,949, HK\$16,940,590 and HK\$22,797,142 as at March 31, 2013, 2014 and 2015 and July 31, 2015 respectively of which the customers are in financial difficulties.

**16. SECURITY DEPOSITS**

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the financial leasing services in the PRC. The security deposits carry interest at prevailing market rate of 0.35% as at March 31, 2013, 2014 and 2015 and July 31, 2015 respectively.

**17. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH**

All savings deposits of the Group carry interest at prevailing market rates ranging from 0.01% to 0.43%, from 0.01% to 0.40%, from 0.01% to 0.35% and from 0.01% to 0.35% per annum as at March 31, 2013, 2014 and 2015 and July 31, 2015 respectively. The short term bank deposits were denominated in Hong Kong dollar with original maturity within three months.

**18. OTHER PAYABLES AND ACCRUED CHARGES**

As at March 31, 2013, 2014 and 2015 and July 31, 2015, other payables and accrued charges include payables to equipment suppliers of HK\$4,304,805, HK\$63,180,558, HK\$309,087 and HK\$290,542 respectively in relation to certain finance lease arrangements conducted by the Group.

**19. DEFERRED INCOME**

Deferred income from the financial leasing business is amortised and recognized as revenue using effective interest method over the lease period.

## 20. BANK BORROWINGS

	As at March 31,			As at
	2013	2014	2015	July 31,
	HK\$	HK\$	HK\$	2015
				HK\$
Secured	994,905,046	894,198,924	759,551,899	730,146,836
Unsecured	25,925,926	–	248,734,177	235,443,038
	<u>1,020,830,972</u>	<u>894,198,924</u>	<u>1,008,286,076</u>	<u>965,589,874</u>
Carrying amount repayable*:				
Within one year	355,630,539	201,414,114	467,810,127	459,653,165
More than one year, but not exceeding two years	123,854,754	400,417,721	233,640,506	329,185,570
More than two years, but not exceeding five years	439,370,370	235,151,899	306,835,443	176,751,139
	<u>918,855,663</u>	<u>836,983,734</u>	<u>1,008,286,076</u>	<u>965,589,874</u>
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	101,975,309	57,215,190	–	–
	<u>1,020,830,972</u>	<u>894,198,924</u>	<u>1,008,286,076</u>	<u>965,589,874</u>
Less: Amounts shown under current liabilities	<u>(457,605,848)</u>	<u>(258,629,304)</u>	<u>(467,810,127)</u>	<u>(459,653,165)</u>
	<u>563,225,124</u>	<u>635,569,620</u>	<u>540,475,949</u>	<u>505,936,709</u>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at March 31, 2013, 2014 and 2015 and July 31, 2015, the Group's bank borrowings of RMB642,883,087 equivalent to HK\$793,682,824, RMB377,127,150 equivalent to HK\$477,376,139, RMB175,200,000 equivalent to HK\$221,772,152 and RMB170,000,000 equivalent to HK\$215,189,874 respectively were variable-rate borrowings which carry annual interest per annum at the range of 100% to 130%, 100% to 130%, 115% to 120% and 115% to 120% of the benchmark rate offered by the People's Bank of China ("PBOC"). The remaining balance of RMB183,990,000 equivalent to HK\$227,148,148, RMB329,290,000 equivalent to HK\$416,822,785, RMB621,346,000 equivalent to HK\$786,513,924 and RMB592,816,000 equivalent to HK\$750,400,000 were fixed-rate borrowings which carry interest at the rate of 6.15% to 6.65%, 6.15% to 6.65%, 6.15% to 7.69% and 6.15% to 8.05% per annum as at March 31, 2013, 2014 and 2015 and July 31, 2015 respectively.

As at March 31, 2013, 2014 and 2015 and July 31, 2015, the Group's bank borrowings of RMB705,873,087 equivalent to HK\$871,448,256, RMB623,817,150 equivalent to HK\$789,641,962, RMB554,846,000 equivalent to HK\$702,336,709 and RMB536,816,000 equivalent to HK\$679,513,924 were granted by several banks in the PRC respectively and secured by charges over certain finance lease receivable of the Group with aggregate carrying values of HK\$1,261,670,228, HK\$1,277,160,906, HK\$1,003,527,421 and HK\$985,783,943 respectively.

As at March 31, 2013, 2014 and 2015 and July 31, 2015, the Group's bank borrowings of RMB100,000,000 equivalent to HK\$123,456,790, RMB82,600,000 equivalent to HK\$104,556,962, RMB45,200,000 equivalent to HK\$57,215,190 and RMB40,000,000 equivalent to HK\$50,632,912 were

secured by charges over certain bank accounts of the Group with balances of RMB10,296 equivalent to HK\$12,711, RMB9,261 equivalent to HK\$11,723, RMB34,679 equivalent to HK\$43,897 and RMB29,322 equivalent to HK\$37,116 respectively and were guaranteed by a major shareholder of the Company and a director of the Company respectively.

As at March 31, 2013, 2014 and 2015 and July 31, 2015, the Group's bank borrowings of RMB567,400,200 equivalent to HK\$700,494,074, RMB551,116,800 equivalent to HK\$697,616,203, RMB629,846,000 equivalent to HK\$797,273,418 and RMB568,416,000 equivalent to HK\$719,513,924 were guaranteed by a joint venture of a major shareholder of the Company respectively.

As at March 31, 2013, 2014 and 2015 and July 31, 2015, the Group's bank borrowings of RMB83,350,000 equivalent to HK\$102,901,235, RMB45,125,000 equivalent to HK\$57,120,253, RMB121,500,000 equivalent to HK\$153,797,468 and RMB154,400,000 equivalent to HK\$195,443,038 were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company respectively.

The Group's bank borrowings are denominated in RMB which is the functional currency of the relevant group entities.

## 21. SHARE CAPITAL

On June 5, 2015, the Company was incorporated with 37,000,000 authorized ordinary shares of HK\$0.01 each and 1 share was issued upon incorporation.

The share capital presented as at March 31, 2013, 2014 and 2015 represented the share capital of Rongzhong Capital and the share capital presented as at July 31, 2015 represented the aggregate of share capital of Rongzhong Capital and the Company in issue as at those dates respectively.

	Number of shares	Amount US\$
<b>Rongzhong Capital:</b>		
Ordinary share of US\$1 each		
Authorised:		
At April 1, 2012, March 31, 2013, 2014 and 2015 and July 31, 2015	10,000,000	10,000,000
Issued and fully paid:		
At April 1, 2012 and March 31, 2013	100,000	100,000
Issue of shares on June 21, 2013 ( <i>note</i> )	4,422	4,422
At March 31, 2014 and 2015 and July 31, 2015	104,422	104,422
<i>HK\$</i>		
Shown in combined statements of financial position as:		
At March 31, 2013		780,000
Issue of shares on June 21, 2013 ( <i>note</i> )		34,492
At March 31, 2014 and 2015 and July 31, 2015		814,492

*Note:* On June 21, 2013, pursuant to a resolution passed by all shareholders of Rongzhong Capital and a resolution passed by all directors of Rongzhong Capital, Rongzhong Capital issued a total of 4,422 new shares, ranking *pari passu* with the existing issued share in all respects, for a total consideration of US\$3.0 million, equivalent to HK\$23.4 million.



## 22. DEFERRED TAXATION ASSETS/LIABILITIES

The following are the major deferred taxation assets (liabilities) recognized by the Group and movements thereon during the current and prior years/period:

	Allowances for bad and doubtful debts <i>HK\$</i>	Undistributed earnings of a subsidiary <i>HK\$</i>	Total <i>HK\$</i>
At April 1, 2012, March 31, 2013 and April 1, 2013	–	–	–
Credit to profit or loss	5,233,941	–	5,233,941
At March 31, 2014 and April 1, 2014	5,233,941	–	5,233,941
Credit (charge) to profit or loss	3,666,869	(1,582,278)	2,084,591
At March 31, 2015 and April 1, 2015	8,900,810	(1,582,278)	7,318,532
Credit to profit or loss	600,891	–	600,891
Release upon distribution of earnings	–	1,582,278	1,582,278
At July 31, 2015	9,501,701	–	9,501,701

Under the EIT Law, withholding tax of 5% is imposed on dividends declared in respect of profits earned by the subsidiary in the PRC from January 1, 2008 onwards. As at March 31, 2015, the Group provided for deferred taxation liabilities of HK\$1,582,278 in respect of withholding tax imposed on dividend declared after year ended March 31, 2015 by the subsidiary in the PRC of HK\$31,645,570 for payment of professional fee related to initial public offering. Other than that, deferred taxation has not been provided for in the combined financial statements in respect of temporary differences attributable to the retained profits of the subsidiary in the PRC amounting to approximately HK\$111,193,000, HK\$172,078,000, HK\$206,045,000 and HK\$236,294,000 as at March 31, 2013, 2014 and 2015 and July 31, 2015 respectively as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiary in the PRC will not distribute any further dividend in the foreseeable future.

## 23. OPERATING LEASE COMMITMENTS

As at March 31, 2013, 2014 and 2015 and July 31, 2015, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

**As lessee**

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease upon expiry when all terms are re-negotiated.

	As at March 31,			As at July 31,
	2013	2014	2015	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within one year	306,602	1,898,294	2,821,162	1,088,584
After one year but within five years	105,120	2,174,461	1,196,477	265,788
	411,722	4,072,755	4,017,639	1,354,372

## 24. CAPITAL COMMITMENTS

	As at March 31,			As at
	2013	2014	2015	July 31,
	HK\$	HK\$	HK\$	2015
				HK\$
Contracted, but not provided for:				
Capital expenditure for				
acquisition of intangible				
assets	–	–	–	471,710
	<u>–</u>	<u>–</u>	<u>–</u>	<u>471,710</u>

## 25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior years.

The capital structure of the Group consists of bank borrowings as set out in Note 20, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and raise of new loan borrowings.

## 26. FINANCIAL INSTRUMENTS

## Categories of financial instruments

	As at March 31,			As at
	2013	2014	2015	July 31,
	HK\$	HK\$	HK\$	2015
				HK\$
<b>Financial assets</b>				
Finance lease receivable	1,643,422,102	1,722,243,086	1,938,188,634	1,821,328,431
Loans and receivables				
(including cash and				
cash equivalents)	225,865,656	259,591,122	122,483,436	241,462,401
	<u>225,865,656</u>	<u>259,591,122</u>	<u>122,483,436</u>	<u>241,462,401</u>
<b>Financial liabilities</b>				
Deposits from finance				
lease customers	363,517,119	458,801,867	421,647,687	443,676,258
Amortised cost	1,027,682,614	959,871,919	1,011,460,199	969,290,568
	<u>1,027,682,614</u>	<u>959,871,919</u>	<u>1,011,460,199</u>	<u>969,290,568</u>

## Financial risk management objectives and policies

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

**Market risk***Currency risk*

The Group has foreign currency denominated monetary assets, and thus exposing the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets, including short term bank deposits and bank balances at the reporting date were as follows:

		<b>Assets</b>			<b>As at</b>
		<b>As at March 31,</b>			<b>July 31,</b>
<b>Currency</b>		<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Hong Kong dollar	HKD	3,091,631	6,495,397	6,702,559	5,096,343
United States dollar	USD	147,824	142,693	142,707	142,712
		<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD and HKD against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD and HKD. 5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD and HKD against RMB and a negative number below indicates a decrease in profit for the year/period. For a 5% strengthening of USD and HKD against RMB, there would be an equal and opposite impact on the profit for the year/period.

	<b>USD impact</b>			<b>HKD impact</b>			<b>As at</b>		
	<b>As at March 31,</b>			<b>As at</b>	<b>As at March 31,</b>			<b>July 31,</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>	<b>2013</b>	<b>2014</b>		<b>2015</b>	<b>2015</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	
Decrease in profit	<u>(7,391)</u>	<u>(7,135)</u>	<u>(7,135)</u>	<u>(7,136)</u>	<u>(154,582)</u>	<u>(324,770)</u>	<u>(335,128)</u>	<u>(251,512)</u>	

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year/period end exposure does not reflect the exposure during the year/period.

*Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to variable-rate finance lease receivable, security deposits, short term bank deposits, bank balances and bank borrowings (see Notes 15, 16, 17 and 20 for details of these financial instruments respectively). The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risks.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate finance lease receivable, fixed-rate bank borrowings (see Notes 15 and 20 for details of these financial instrument respectively). The Group does not have a fair value interest rate hedging policy.

Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rate offered by the PBOC arising from the Group's RMB denominated financial instruments.

#### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate finance lease receivable and bank borrowings. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period were outstanding for the whole year/period. Each year/period, a 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower in 2013, 2014 and 2015 and all other variables were held constant, the Group's profit for the years ended March 31, 2013, 2014, 2015 and the four months ended July 31, 2015 would increase/decrease by HK\$2,350,780, HK\$4,258,331, HK\$5,149,554 and HK\$1,413,786 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance lease receivable and bank borrowings. Management considered that the interest rate risk exposure to changes in interest rate of bank balances and security deposits is not significant.

The tables below summarize the Group's exposure to interest rate risk of the Group's assets and liabilities, including finance lease receivable categorised by the earlier of contractual interest-rate repricing and maturity dates. The Group measures the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of interest rate gap analysis which shows the Group's interest rate risk arising from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

Interest rate risk table – shown at earlier of contractual interest-rate repricing and maturity dates

	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Non- interest bearing HK\$	Total HK\$
As at March 31, 2013							
<u>Assets</u>							
Finance lease receivable	1,432,248,770	17,012,885	–	17,679,848	176,480,599	–	1,643,422,102
Security deposits	17,834,715	–	–	–	–	–	17,834,715
Short term bank deposits	2,500,943	–	–	–	–	–	2,500,943
Bank balances and cash	31,515,363	–	–	–	–	–	31,515,363
Loan to a related company	–	–	173,271,605	–	–	–	173,271,605
Amount due from a related company	–	–	–	–	–	387,843	387,843
Other receivables	–	–	–	–	–	355,187	355,187
<b>Total</b>	<b>1,484,099,791</b>	<b>17,012,885</b>	<b>173,271,605</b>	<b>17,679,848</b>	<b>176,480,599</b>	<b>743,030</b>	<b>1,869,287,758</b>
<u>Liabilities</u>							
Other payables	–	–	–	–	–	6,851,642	6,851,642
Bank borrowings	794,176,651	987,654	2,962,963	3,950,617	218,753,087	–	1,020,830,972
Deposits from finance lease customers	44,639,255	549,440	26,577,206	167,951,328	123,799,890	–	363,517,119
<b>Total</b>	<b>838,815,906</b>	<b>1,537,094</b>	<b>29,540,169</b>	<b>171,901,945</b>	<b>342,552,977</b>	<b>6,851,642</b>	<b>1,391,199,733</b>
<b>Net position – total financial assets and liabilities</b>	<b>645,283,885</b>	<b>15,475,791</b>	<b>143,731,436</b>	<b>(154,222,097)</b>	<b>(166,072,378)</b>	<b>(6,108,612)</b>	<b>478,088,025</b>
As at March 31, 2014							
<u>Assets</u>							
Finance lease receivable	1,213,187,123	67,860,167	182,663,138	203,091,074	55,441,584	–	1,722,243,086
Security deposits	13,295,402	–	–	–	–	–	13,295,402
Short term bank deposits	6,000,921	–	–	–	–	–	6,000,921
Bank balances and cash	31,799,779	–	–	–	–	–	31,799,779
Loan to a related company	207,487,342	–	–	–	–	–	207,487,342
Amount due from a related company	–	–	–	–	–	371,826	371,826
Other receivables	–	–	–	–	–	635,852	635,852
<b>Total</b>	<b>1,471,770,567</b>	<b>67,860,167</b>	<b>182,663,138</b>	<b>203,091,074</b>	<b>55,441,584</b>	<b>1,007,678</b>	<b>1,981,834,208</b>
<u>Liabilities</u>							
Other payables	–	–	–	–	–	65,672,995	65,672,995
Bank borrowings	81,201,772	57,682,785	119,744,747	400,417,721	235,151,899	–	894,198,924
Deposits from finance lease customers	35,432,197	55,474,663	152,143,168	143,589,508	72,162,331	–	458,801,867
<b>Total</b>	<b>116,633,969</b>	<b>113,157,448</b>	<b>271,887,915</b>	<b>544,007,229</b>	<b>307,314,230</b>	<b>65,672,995</b>	<b>1,418,673,786</b>
<b>Net position – total financial assets and liabilities</b>	<b>1,355,136,598</b>	<b>(45,297,281)</b>	<b>(89,224,777)</b>	<b>(340,916,155)</b>	<b>(251,872,646)</b>	<b>(64,665,317)</b>	<b>563,160,422</b>

	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Non- interest bearing HK\$	Total HK\$
<b>As at March 31, 2015</b>							
<b>Assets</b>							
Finance lease receivable	1,325,004,754	95,580,933	184,782,978	117,579,799	215,240,170	–	1,938,188,634
Security deposits	23,764,827	–	–	–	–	–	23,764,827
Short term bank deposits	6,019,840	–	–	–	–	–	6,019,840
Bank balances and cash	18,511,614	–	–	–	–	–	18,511,614
Loan to a related company	73,297,468	–	–	–	–	–	73,297,468
Other receivables	–	–	–	–	–	889,687	889,687
<b>Total</b>	<b>1,446,598,503</b>	<b>95,580,933</b>	<b>184,782,978</b>	<b>117,579,799</b>	<b>215,240,170</b>	<b>889,687</b>	<b>2,060,672,070</b>
<b>Liabilities</b>							
Other payables	–	–	–	–	–	2,705,062	2,705,062
Bank borrowings	231,772,153	68,455,696	167,582,278	233,640,506	306,835,443	–	1,008,286,076
Deposits from finance lease customers	93,764,051	19,070,599	156,112,037	129,809,692	22,891,308	–	421,647,687
Amount due to a related company	–	–	–	–	–	469,061	469,061
<b>Total</b>	<b>325,536,204</b>	<b>87,526,295</b>	<b>323,694,315</b>	<b>363,450,198</b>	<b>329,726,751</b>	<b>3,174,123</b>	<b>1,433,107,886</b>
<b>Net position – total financial assets and liabilities</b>	<b>1,121,062,299</b>	<b>8,054,638</b>	<b>(138,911,337)</b>	<b>(245,870,399)</b>	<b>(114,486,581)</b>	<b>(2,284,436)</b>	<b>627,564,184</b>
<b>As at July 31, 2015</b>							
<b>Assets</b>							
Finance lease receivable	1,012,192,922	46,271,577	424,083,614	229,041,154	109,739,164	–	1,821,328,431
Security deposits	29,318,070	–	–	–	–	–	29,318,070
Bank balances and cash	35,708,433	–	–	–	–	–	35,708,433
Loan to a related company	175,702,532	–	–	–	–	–	175,702,532
Other receivables	–	–	–	–	–	733,366	733,366
<b>Total</b>	<b>1,252,921,957</b>	<b>46,271,577</b>	<b>424,083,614</b>	<b>229,041,154</b>	<b>109,739,164</b>	<b>733,366</b>	<b>2,062,790,832</b>
<b>Liabilities</b>							
Other payables	–	–	–	–	–	3,634,216	3,634,216
Bank borrowings	229,886,076	106,202,532	123,564,557	329,185,570	176,751,139	–	965,589,874
Deposits from finance lease customers	36,400,388	4,748,818	287,836,661	104,468,464	10,221,927	–	443,676,258
Amount due to a related company	–	–	–	–	–	66,478	66,478
<b>Total</b>	<b>266,286,464</b>	<b>110,951,350</b>	<b>411,401,218</b>	<b>433,654,034</b>	<b>186,973,066</b>	<b>3,700,694</b>	<b>1,412,966,826</b>
<b>Net position – total financial assets and liabilities</b>	<b>986,635,493</b>	<b>(64,679,773)</b>	<b>12,682,396</b>	<b>(204,612,880)</b>	<b>(77,233,902)</b>	<b>(2,967,328)</b>	<b>649,824,006</b>

**Credit risk**

As at March 31, 2013, 2014, 2015 and July 31, 2015, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the combined statement of financial position.

In order to minimise the credit risk in relation to finance lease receivable, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. For loan to a related company and amount due from a related company, the management of the Group participates in daily operation of the related company. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds (i.e. short term bank deposits, security deposits and bank balances and cash) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on finance lease receivable (the "Receivables") as at March 31, 2013, 2014, 2015 and July 31, 2015 included five major counterparties accounting for 24.9%, 26.3%, 33.3% and 43.4% of the Receivables respectively. The Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is generated mostly from customers located in Hubei Province, the PRC. The Group has closely monitored the business performance of these customers in the PRC and will consider diversifying its customer base as appropriate.

The Group's concentration of industrial risk on the Receivables is mainly from the following customers' industries: laser processing, plastics, industrial processing, textile and garment, hotel and leisure and others which accounted for 9.4%, 9.6%, 39.9%, 10.0%, 7.5% and 23.6% as at March 31, 2013, 5.3%, 15.9%, 42.3%, 9.8%, 7.3% and 19.4% as at March 31, 2014, 3.9%, 12.7%, 47.2%, 3.7%, 13.2% and 19.3% as at March 31, 2015 and 2.9%, 12.5%, 51.3%, 3.3%, 14.7% and 15.3% as at July 31, 2015 of the Receivables respectively. The Group has closely monitored the market trend of these industries in the PRC and the business performance of its customers to ensure timely collection of the Receivables.

**Liquidity risk**

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

*Liquidity tables*

	Weighted average effective interest rate %	On demand HK\$	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at March 31, 2013 HK\$
As at March 31, 2013									
<u>Assets</u>									
Finance lease receivable	17.92	164,203,274	49,541,142	121,762,067	443,466,932	564,507,066	503,628,299	1,847,108,780	1,643,422,102
Security deposits	0.35	–	17,839,917	–	–	–	–	17,839,917	17,834,715
Short term bank deposits	0.01 to 0.43	–	2,501,402	–	–	–	–	2,501,402	2,500,943
Bank balances and cash	0.01 to 0.43	31,515,363	–	–	–	–	–	31,515,363	31,515,363
Loan to a related company	3.00	–	–	–	177,170,216	–	–	177,170,216	173,271,605
Amount due from a related company	–	387,843	–	–	–	–	–	387,843	387,843
Other receivables	–	355,187	–	–	–	–	–	355,187	355,187
Total assets		<u>196,461,667</u>	<u>69,882,461</u>	<u>121,762,067</u>	<u>620,637,148</u>	<u>564,507,066</u>	<u>503,628,299</u>	<u>2,076,878,708</u>	<u>1,869,287,758</u>

	Weighted average effective interest rate %	On demand HK\$	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at March 31, 2014 HK\$
As at March 31, 2014									
<u>Assets</u>									
Finance lease receivable	18.91	75,765,308	88,154,208	143,945,884	709,045,190	717,052,614	234,979,555	1,968,942,759	1,722,243,086
Security deposits	0.35	–	13,299,280	–	–	–	–	13,299,280	13,295,402
Short term bank deposits	0.01 to 0.40	–	6,001,946	–	–	–	–	6,001,946	6,000,921
Bank balances and cash	0.01 to 0.40	31,799,779	–	–	–	–	–	31,799,779	31,799,779
Loan to a related company	3.00	–	–	–	–	216,824,272	–	216,824,272	207,487,342
Amount due from a related company	–	371,826	–	–	–	–	–	371,826	371,826
Other receivables	–	635,852	–	–	–	–	–	635,852	635,852
Total assets		<u>108,572,765</u>	<u>107,455,434</u>	<u>143,945,884</u>	<u>709,045,190</u>	<u>933,876,886</u>	<u>234,979,555</u>	<u>2,237,875,714</u>	<u>1,981,834,208</u>



# APPENDIX I

# ACCOUNTANTS' REPORT

	Weighted average effective interest rate %	On demand HK\$	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at March 31, 2015 HK\$
As at March 31, 2015									
<u>Assets</u>									
Finance lease receivable	18.74	384,327,541	104,525,577	196,950,845	813,695,192	457,391,666	215,452,588	2,172,343,409	1,938,188,634
Security deposits	0.35	–	23,771,758	–	–	–	–	23,771,758	23,764,827
Short term bank deposits	0.01 to 0.35	–	6,020,743	–	–	–	–	6,020,743	6,019,840
Bank balances and cash	0.01 to 0.35	18,511,614	–	–	–	–	–	18,511,614	18,511,614
Loan to a related company	3.00	–	–	–	74,396,930	–	–	74,396,930	73,297,468
Other receivables	–	889,687	–	–	–	–	–	889,687	889,687
<b>Total assets</b>		<b>403,728,842</b>	<b>134,318,078</b>	<b>196,950,845</b>	<b>888,092,122</b>	<b>457,391,666</b>	<b>215,452,588</b>	<b>2,295,934,141</b>	<b>2,060,672,070</b>

	Weighted average effective interest rate %	On demand HK\$	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at July 31, 2015 HK\$
As at July 31, 2015									
<u>Assets</u>									
Finance lease receivable	18.97	250,721,180	80,548,023	165,658,480	989,290,324	419,426,398	171,677,548	2,077,321,953	1,821,328,431
Security deposits	0.35	–	29,326,621	–	–	–	–	29,326,621	29,318,070
Bank balances and cash	0.01 to 0.35	35,708,433	–	–	–	–	–	35,708,433	35,708,433
Loan to a related company	3.00	–	–	–	178,338,070	–	–	178,338,070	175,702,532
Other receivables	–	733,366	–	–	–	–	–	733,366	733,366
<b>Total assets</b>		<b>287,162,979</b>	<b>109,874,644</b>	<b>165,658,480</b>	<b>1,167,628,394</b>	<b>419,426,398</b>	<b>171,677,548</b>	<b>2,321,428,443</b>	<b>2,062,790,832</b>

	Weighted average effective interest rate %	On demand HK\$	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at March 31, 2013 HK\$
As at March 31, 2013									
<u>Liabilities</u>									
Other payables	–	–	6,851,642	–	–	–	–	6,851,642	6,851,642
Bank borrowings (note)	6.69	101,975,309	54,402,913	115,315,161	222,526,072	175,483,266	457,285,699	1,126,988,420	1,020,830,972
Deposits from finance lease customers	6.33	–	44,644,370	632,099	27,883,951	185,654,062	145,697,531	404,512,013	363,517,119
<b>Total liabilities</b>		<b>101,975,309</b>	<b>105,898,925</b>	<b>115,947,260</b>	<b>250,410,023</b>	<b>361,137,328</b>	<b>602,983,230</b>	<b>1,538,352,075</b>	<b>1,391,199,733</b>

## APPENDIX I

## ACCOUNTANTS' REPORT

	Weighted average effective interest rate %	On demand HK\$	Within 1 month HK\$	1 to 3 months HK\$	4 to 12 months HK\$	1 to 2 years HK\$	Over 2 years HK\$	Total undiscounted cash flows HK\$	Carrying amount at March 31, 2014 HK\$
<u>As at March 31, 2014</u>									
<u>Liabilities</u>									
Other payables	–	–	65,672,995	–	–	–	–	65,672,995	65,672,995
Bank borrowings (note)	6.66	57,215,190	28,949,833	72,141,556	133,260,262	445,455,512	243,107,740	980,130,093	894,198,924
Deposits from finance lease customers	6.31	–	35,535,534	56,456,856	157,477,709	158,750,633	85,696,203	493,916,935	458,801,867
Total liabilities		<u>57,215,190</u>	<u>130,158,362</u>	<u>128,598,412</u>	<u>290,737,971</u>	<u>604,206,145</u>	<u>328,803,943</u>	<u>1,539,720,023</u>	<u>1,418,673,786</u>
<u>As at March 31, 2015</u>									
<u>Liabilities</u>									
Other payables	–	–	2,705,062	–	–	–	–	2,705,062	2,705,062
Bank borrowings (note)	6.82	–	22,308,658	120,792,310	381,739,867	264,498,983	316,244,320	1,105,584,138	1,008,286,076
Deposits from finance lease customers	6.34	–	93,843,578	19,348,101	163,075,063	142,877,291	26,392,405	445,536,438	421,647,687
Amount due to a related company	–	469,061	–	–	–	–	–	469,061	469,061
Total liabilities		<u>469,061</u>	<u>118,857,298</u>	<u>140,140,411</u>	<u>544,814,930</u>	<u>407,376,274</u>	<u>342,636,725</u>	<u>1,554,294,699</u>	<u>1,433,107,886</u>
<u>As at July 31, 2015</u>									
<u>Liabilities</u>									
Other payables	–	–	3,634,216	–	–	–	–	3,634,216	3,634,216
Bank borrowings (note)	6.79	–	26,742,207	142,203,273	341,178,367	358,256,099	182,830,474	1,051,210,420	965,589,874
Deposits from finance lease customers	6.15	–	36,432,659	4,862,025	298,863,835	114,057,038	11,835,443	466,051,000	443,676,258
Amount due to a related company	–	66,478	–	–	–	–	–	66,478	66,478
Total liabilities		<u>66,478</u>	<u>66,809,082</u>	<u>147,065,298</u>	<u>640,042,202</u>	<u>472,313,137</u>	<u>194,665,917</u>	<u>1,520,962,114</u>	<u>1,412,966,826</u>

*Note:* Bank loans with a repayment on demand clause are included in the “On demand” time band in the above maturity analysis. As at March 31, 2013, 2014 and 2015 and July 31, 2015, the aggregate amounts of these bank loans amounted to HK\$101,975,309, HK\$57,215,190, nil and nil respectively. Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid between one to three years after the end of the

reporting period in accordance with the scheduled repayment dates set out in the loan agreements. Under such circumstance, the aggregate principal and interest cash outflows will amount to HK\$117,153,781, HK\$64,164,219, nil and nil as at March 31, 2013, 2014, 2015 and July 31, 2015 respectively.

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

#### Fair value

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined statement of financial position approximate to their fair values.

#### 27. RELATED PARTY TRANSACTIONS

Saved as disclosed in the combined financial statements, the Group had the following transactions with a related party:

##### Transactions with a related party

	Year ended March 31,			Four months ended July 31,	
	2013 HK\$	2014 HK\$	2015 HK\$	2014 HK\$	2015 HK\$
Interest income received from a related company*	5,198,148	4,896,898	5,568,377	2,061,825	1,151,986
Guarantee fee paid to a related company*	<u>3,471,534</u>	<u>3,906,435</u>	<u>4,345,270</u>	<u>1,304,247</u>	<u>1,569,221</u>

\* A related company represents a joint venture of a major shareholder.

The details of the remuneration paid to the key management personnel are set out in Note 10.

**(B) EVENT AFTER THE REPORTING PERIOD**

The following event took place subsequent to July 31, 2015:

As part of the Group Reorganization, on December 18, 2015, a share swap agreement was entered into among the Company, Perfect Honour Limited, Silver Creation Investments Limited, Yong Hua International Limited, Clifton Rise International Limited, Legend Crown International Limited, Plenty Boom Investments Limited and Capital Grower Limited (collectively as the “Parties”), pursuant to which the Company acquired the entire interest in Rongzhong Capital from the Parties. As a result of the Group Reorganization, each of the Parties hold equity interests of the Company, in the same proportion as the equity interest in Rongzhong Capital held by each of the Parties before the Group Reorganization. Details of the Group Reorganization are disclosed in section headed “History and Reorganization” in this Prospectus.

**(C) SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to July 31, 2015 and up to the date of this report.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") of Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" and the "Accountants' Report" set forth in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company is prepared based on the audited combined net tangible assets of the Group attributable to owners of the Company as at July 31, 2015, as set out in the Accountants' Report, the text of which is set out in Appendix I to this prospectus and adjusted as described below.

The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules, is set out here to illustrate the effect of the Share Offer on the combined net tangible assets of the Group attributable to owners of the Company as at July 31, 2015 as if it had taken place on July 31, 2015. This unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to owners of the Company had the Share Offer been completed as at July 31, 2015 or at any future date.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at July 31, 2015 <i>HK\$'000</i> <i>(note 1)</i>	Estimated net proceeds from Share Offer <i>HK\$'000</i> <i>(note 2)</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company <i>HK\$'000</i>	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share <i>HK\$</i> <i>(note 3)</i>
Based on an Offer Price of HK\$2.11 per Share	631,040	186,785	817,825	2.0
Based on an Offer Price of HK\$2.48 per Share	631,040	222,305	853,345	2.1

*Notes:*

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at July 31, 2015 has been extracted from the audited combined financial information in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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- (2) Estimated net proceeds from the Share Offer are based on 100,000,000 Shares to be issued under the Share Offer and the Offer Price of HK\$2.11 and HK\$2.48 per Offer Share, being the lower end and higher end of the indicated Offer Price range, after deducting underwriting commissions and other estimated expenses payable by the Group in connection with the Share Offer and assuming the Over-allotment Option is not exercised.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company per Share is calculated based on 400,000,000 Shares expected to be in issue assuming that the Reorganization and the Share Offer had been completed on July 31, 2015, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to the audited combined net tangible assets of the Group attributable to the owners of the Company as at July 31, 2015 to reflect any trading result or other transaction of the Group entered into subsequent to July 31, 2015.

- B. The following is the text of a report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**Deloitte.**  
**德勤**

德勤•關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS  
OF CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Rongzhong Financial Holdings Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted net tangible assets as at July 31, 2015 and related notes as set out on pages 1 to 2 of Appendix II to the prospectus issued by the Company dated January 18, 2016 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages 1 to 2 of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the Global Offering on the Group's financial position as at July 31, 2015 as if the Global Offering had taken place at July 31, 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended March 31, 2015 and the four months ended July 31, 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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## **APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at July 31, 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.



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## APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) The pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
January 18, 2016

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## **APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW AND TAXATION**

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Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 5, 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

### **1. MEMORANDUM OF ASSOCIATION**

**1.1** The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

**1.2** By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

### **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on December 18, 2015. The following is a summary of certain provisions of the Articles:

#### **2.1 Shares**

##### ***2.1.1 Classes of shares***

The share capital of the Company consists of ordinary shares.

##### ***2.1.2 Share certificates***

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As

regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every Share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A Share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

## **2.2 Directors**

### ***2.2.1 Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in

the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

***2.2.2 Power to dispose of the assets of the Company or any subsidiary***

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

***2.2.3 Compensation or payments for loss of office***

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

***2.2.4 Loans and provision of security for loans to Directors***

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

***2.2.5 Disclosure of interest in contracts with the Company or with any of its subsidiaries***

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (a) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

- (b) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (d) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; or
- (e) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

#### **2.2.6 Remuneration**

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

#### ***2.2.7 Appointment, retirement and removal***

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

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At each annual general meeting, one-third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (a) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (b) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (c) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;



- (d) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (e) if he is prohibited from being a director by law;
- (f) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (g) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (h) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

#### ***2.2.8 Borrowing powers***

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

**2.2.9 Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**2.2.10 Proceedings of the Board**

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**2.3 Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

**2.4 Variation of rights of existing shares or classes of shares**

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

## **2.5 Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorized by its Articles of Association, by special resolution, reduce its share capital in any way.

## **2.6 Special resolution – majority required**

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

## **2.7 Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation,

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by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- 2.7.1** at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- 2.7.2** any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- 2.7.3** a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

## **2.8 Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

## **2.9 Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the Listing Rules, the Company may send summarized financial statements to shareholders who has, in accordance with the Listing Rules, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the Listing Rules, and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

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The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

### **2.10 Notices of meetings and business to be conducted thereat**

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a Share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorized by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

**2.10.1** in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

**2.10.2** in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

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All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (g) the granting of any mandate or authority to the Board to repurchase securities in the Company.

### **2.11 Transfer of shares**

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

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Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant Share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

### **2.12 Power of the Company to purchase its own shares**

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

### **2.13 Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.



## **2.14 Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

**2.14.1** all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

**2.14.2** all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall

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be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

### **2.15 Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

#### **2.16 Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

### **2.17 Inspection of corporate records**

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

### **2.18 Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

### **2.19 Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3.6 of this Appendix.

## **2.20 Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

**2.20.1** if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

**2.20.2** if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

## **2.21 Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

**2.21.1** all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

2.21.2 upon the expiry of the 12 years and 3 months period (being the 3 months' notice period referred to in paragraph 2.21.3 below), the Company has not during that time received any indication of the existence of the member; and

2.21.3 the Company has caused an advertisement to be published in accordance with the Listing Rules giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

## **2.22 Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

## **3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on June 5, 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### **3.1 Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

### **3.2 Share capital**

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the

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premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- 3.2.1** paying distributions or dividends to members;
- 3.2.2** paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- 3.2.3** any manner provided in section 37 of the Cayman Companies Law;
- 3.2.4** writing-off the preliminary expenses of the company; and
- 3.2.5** writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

### **3.3 Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company’s or a subsidiary’s shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm’s-length basis.

### **3.4 Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorized in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.



### **3.5 Dividends and distributions**

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

### **3.6 Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- 3.6.1** an act which is *ultra vires* the company or illegal;
- 3.6.2** an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- 3.6.3** an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

### **3.7 Disposal of assets**

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, however the directors have certain duties of care, diligence and skill and also fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

### **3.8 Accounting and auditing requirements**

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

### **3.9 Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

### **3.10 Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

**3.10.1** that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

**3.10.2** in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

- (a) on or in respect of the shares, debentures or other obligations of the Company; or
- (b) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from June 23, 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

### **3.11 Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

### **3.12 Loans to directors**

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

### **3.13 Inspection of corporate records**

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### **3.14 Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

### **3.15 Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

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A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

### **3.16 Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

### **3.17 Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

### **3.18 Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

## **4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**FURTHER INFORMATION ABOUT OUR COMPANY****Incorporation**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on June 5, 2015. We have established a principal place of business in Hong Kong at Unit 417, 4/F., Tower 2, Lippo Centre, 89 Queensway, Hong Kong and registered with the Registrar of Companies of Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on July 16, 2015. Mr. Wong Tsz Lun, has been appointed as our authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its registered place of business in Hong Kong.

As we are incorporated in the Cayman Islands, our corporate structure, Memorandum and Articles are subject to the laws of the Cayman Islands. A summary of our constitution and relevant aspects of the Cayman Companies Law are set out in Appendix III in this prospectus.

**Changes in Share Capital of our Company**

- (a) On the date of our incorporation on June 5, 2015, our authorized share capital was HK\$370,000.0 divided into 37,000,000 Shares of HK\$0.01 each. On the same day, one Share of HK\$0.01 was allotted and issued at par value to Reid Services Limited, which was then immediately transferred to Plenty Boom at par value on the same day.
- (b) On December 18, 2015, each of Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Plenty Boom, Legend Crown and Capital Grower, as a vendor and a warrantor, transferred all of their respective equity interest in Rongzhong Capital to our Company, and in consideration of which, our Company allotted and issued, and credited as fully paid at par value 50,055, 29,500, 13,402, 3,685, 3,525, 3,517 and 737 Shares to Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Legend Crown, Plenty Boom and Capital Grower, respectively.
- (c) Pursuant to the resolutions in writing of our Shareholders passed on December 18, 2015, the authorized share capital of our Company was increased from HK\$370,000.0 divided into 37,000,000 Shares to HK\$100,000,000.0 divided into 10,000,000,000 Shares by the creation of an additional 9,963,000,000 new Shares.

As at the Latest Practicable Date, our Company had an authorized share capital of HK\$100,000,000.0 divided into 10,000,000,000 Shares. As at the date of this prospectus, we had an issued share capital of HK\$0.01 divided into one Share, all fully paid or credited as fully paid.

**Share Capital of our Company after the Global Offering and the Capitalization Issue**

Immediately following completion of the Global Offering and the Capitalization Issue but without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$4,000,000.0 divided into 400,000,000 Shares, all fully paid or credited as fully paid, and 9,600,000,000 Shares will remain unissued.

Other than the exercise of the Over-allotment Option, the exercise of any options which may be granted under the Share Option Scheme or the exercise of the general mandate to issue Shares referred to in the paragraph headed “Written Resolutions of our Shareholders passed on December 18, 2015” in this section below, our Directors do not have any present intention to issue any part of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Appendix and the section headed “History and Reorganization” in this prospectus, there has been no alteration in the share capital of our Company since our incorporation.

**1. Written Resolutions of our Shareholders passed on December 18, 2015**

Pursuant to the resolutions in writing passed by our Shareholders on December 18, 2015:

- (a) our Company increased its authorized share capital from HK\$370,000.0 divided into 37,000,000 Shares to HK\$100,000,000.0 divided into 10,000,000,000 Shares by the creation of an additional 9,963,000,000 new Shares, and such additional Shares shall rank *pari passu* in all respects with the existing Shares;
- (b) our Company approved and adopted the amended and restated Memorandum with immediate effect, and conditionally approved and adopted the Articles to take effect on the Listing Date;
- (c) conditional upon the Global Offering becoming unconditional:
  - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares which may be required to be allotted and issued upon the exercise of the Over-allotment Option pursuant to the terms set out in this prospectus;

- (ii) following the increase in the authorized share capital of our Company as set out in paragraph (a) above and conditional upon the share premium account of our Company being credited as a result of the issue of the Offer Shares by our Company under the Global Offering, our Directors were authorized to allot and issue a total of 299,895,578 Shares credited as fully paid at par to the Shareholders whose names appear on the register of members of our Company at close of business on January 26, 2016 (or on another date as our Directors may direct) by way of capitalization of the sum of HK\$2,998,955.78 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares; and
- (iii) the Share Option Scheme be approved and adopted, and our Directors be authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal in Shares pursuant to the exercise of options granted under the Share Option Scheme;
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal in Shares with an aggregate nominal value of not more than 20.00% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be allotted and issued pursuant to any exercise of the Over-allotment Option or the options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first;
- (e) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase on the Stock Exchange, or any other approved stock exchange(s) on which our Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), such number of Shares as will represent up to 10.00% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be allotted and issued pursuant to any exercise of the Over-allotment Option or the options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first; and



- (f) the general mandate mentioned in paragraph (d) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (e) above; provided that such extended amount shall not exceed 10.00% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be allotted and issued pursuant to any exercise of the Over-allotment Option or the options that may be granted under the Share Option Scheme).

#### OUR PRINCIPAL SUBSIDIARIES

The particulars of our principal subsidiaries are provided in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

#### CHANGES IN THE SHARE CAPITAL OF OUR SUBSIDIARIES

For details of the changes in the share capital of our subsidiaries, please refer to the section headed "History and Reorganization" in this prospectus. Save as disclosed in the section headed "History and Reorganization" in this prospectus, there has been no alterations in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

#### FURTHER INFORMATION ABOUT OUR GROUP'S PRC ESTABLISHMENTS

Set out below is a summary of corporate information of each member of our Group established in the PRC:

##### (a) Rongzhong PRC

Name:	Rongzhong International Financial Leasing Co., Ltd. 融眾國際融資租賃有限公司
Date of establishment:	May 5, 2008
Place of establishment:	PRC
Nature:	Limited liability company (wholly-owned by Taiwan, Hong Kong and Macau corporation)

Registered capital:	US\$41.0 million
Total paid-up capital:	US\$41.0 million
Registered owner:	Rongzhong International Finance Lease Holdings Limited 融眾國際融資租賃集團有限公司
Term of business operation:	May 4, 2038
Scope of business:	Finance leasing; leasing; purchasing domestic and overseas leased assets; repairing and disposing residual value of leased properties; finance leasing consultation and guarantee

**(b) Rongzhong PRC Hunan Branch Company**

Name:	Rongzhong International Financial Leasing Co., Ltd. Hunan Branch Company 融眾國際融資租賃有限公司湖南分公司
Date of establishment:	August 1, 2013
Place of establishment:	PRC
Nature:	Branch company of a wholly-foreign-owned enterprise
Term of business operation:	May 4, 2038
Scope of business:	Business development within the scope of business of the head company (business operations which require examination and approval would be operated with approval documents and permits)

**(c) Rongzhong PRC Shanghai Branch Company**

Name:	Rongzhong International Financial Leasing Co., Ltd. Shanghai Branch Company 融眾國際融資租賃有限公司上海分公司
Date of establishment:	November 26, 2013

Place of establishment:	PRC
Nature:	Branch company of a wholly-foreign-owned enterprise
Term of business operation:	May 4, 2038
Scope of business:	Finance leasing; leasing; purchasing domestic and overseas leased assets; repairing and disposing residual value of leased properties; finance leasing consultation; and guarantee (business operations which require examination and approval would be operated with approval documents and permits)

## SHARE REPURCHASE MANDATE

This section includes information relating to the repurchase by our Company of the Shares, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

### 1. Relevant Legal and Regulatory Requirements

The Listing Rules permit a company whose primary listing is on the Stock Exchange to repurchase its securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

#### A. Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to the written resolutions passed by our Shareholders on December 18, 2015, a general unconditional mandate was given to our Directors to exercise all the powers of our Company to repurchase on the Stock Exchange or on any other stock exchange(s) on which our Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) such number of Shares as will represent up to 10.00% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalization Issue (excluding any Shares which may be allotted and issued pursuant to any exercise of the Over-allotment Option or options that may be granted under the Share Option Scheme), such mandate to remain in effect until (i) the conclusion of the next annual general

meeting of our Company, or (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or (iii) such mandate being revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever occurs first (the "Relevant Period").

***B. Source of Funds***

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of our Company, the Listing Rules and applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, such repurchases by our Company may only be made out of our Company's funds which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of Shares made for the purpose of the repurchase. Any amount of premium payable on a purchase over the par value of the Shares to be purchased must have been provided for out of the funds of our Company which would otherwise be available for dividend or distribution or from sums standing to the credit of our Company's share premium account.

***C. Trading Restrictions***

A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5.00% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

***D. Suspension of Repurchase***

Pursuant to the Listing Rules, a listed company may not make any repurchases of shares after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified

to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required by the Listing Rules); and (b) the deadline for a listed company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange unless the circumstances are exceptional.

### ***E. Reporting Requirements***

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

### ***F. Core Connected Persons***

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company on the Stock Exchange.

## **2. Reasons for Repurchases**

Our Directors believe that it is in our Company's and our Shareholders' best interests for our Directors to have general authority from our Shareholders to enable our Company to execute repurchases of the Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value per Share and/or its earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

## **3. Funding of Repurchases**

In repurchasing securities, a listed company may only apply funds legally available for such purpose in accordance with its memorandum of association and articles of association, the Listing Rules and applicable laws of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account our Company's current working capital position, our Directors consider that, if the repurchase mandate were to be exercised in full, it might

have a material adverse effect on our Company's working capital and/or our Company's gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our Company's working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

#### **4. General**

Exercise in full of the current repurchase mandate, on the basis of 400,000,000 Shares in issue immediately following completion of the Global Offering and assuming that the Over-allotment Option is not exercised, could accordingly result in up to approximately 40,000,000 Shares being repurchased by our Company during the Relevant Period.

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, currently intends to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules, our Memorandum and Articles and applicable laws of the Cayman Islands.

If, as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interests, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made immediately after the listing of Shares on the Stock Exchange. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases made pursuant to the repurchase mandate immediately after the listing of the Shares on the Stock Exchange.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25.00% of our Shares then in issue could only be implemented if the Stock Exchange agrees to waive the Listing Rules requirements regarding the public shareholding referred to above. A waiver of this provision is not normally granted other than in exceptional circumstances.

No core connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

Save as disclosed in the paragraph headed "Further information about our Company – Changes in the Share Capital of our Company" of this Appendix, no repurchase of Shares has been made by our Company since its incorporation.

**CORPORATE REORGANIZATION**

For details of the major steps of the Reorganization effected in preparation for the Listing, please refer to the paragraph headed “History and Reorganization – Reorganization” in this prospectus.

**FURTHER INFORMATION ABOUT OUR BUSINESS****1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the Management Subscription Agreement;
- (b) the share purchase agreement (the “SPA”) dated December 18, 2015 entered into among Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Legend Crown, Plenty Boom, Capital Grower, Rongzhong Capital and our Company pursuant to which each of Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Legend Crown, Plenty Boom and Capital Grower agreed to transfer all of their respective equity interest in Rongzhong Capital to our Company in consideration of our Company allotting and issuing, and crediting as fully paid at par value 50,055, 29,500, 13,402, 3,685, 3,525, 3,517 and 737 Shares to Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Legend Crown, Plenty Boom and Capital Grower respectively;
- (c) the deed of warranties dated December 18, 2015 executed by Perfect Honour, Silver Creation, Yong Hua, Clifton Rise, Plenty Boom, Legend Crown and Capital Grower in favor of our Group in respect of certain warranties, representations and undertakings relating to the SPA;
- (d) the Deed of Indemnity;
- (e) the Deeds of Non-Competition;
- (f) the Deed of Undertaking; and
- (g) the Hong Kong Underwriting Agreement.

**2. Our Intellectual Property Rights**



As at the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.


**A. Trademarks**

As at the Latest Practicable Date, the following trademarks which are material to our business have been licensed to our Group by Rongzhong Group and Wuhan Rongzhong Internet Technology Company Limited (“Rongzhong Internet”), a PRC company wholly-owned by Mr. Xie pursuant to the Trademark Licence Agreements:

No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.		35, 36	Rongzhong Group	Hong Kong	300394074	March 29, 2025
2.	RONGZHONG	35, 36	Rongzhong Group	Hong Kong	300394083	March 29, 2025
3.	融众	35, 36	Rongzhong Group	Hong Kong	300394065	March 29, 2025
4.	融眾	35, 36	Rongzhong Group	Hong Kong	300394092	March 29, 2025
5.	融众	35, 36	Rongzhong Group	Hong Kong	301861380	March 16, 2021
6.		36	Rongzhong Internet	PRC	3496729	April 27, 2025
7.		35	Rongzhong Internet	PRC	1952260	December 13, 2022



No.	Trademark	Type and Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
8.		36	Rongzhong Internet	PRC	3496728	March 6, 2025
9.		35	Rongzhong Internet	PRC	1952523	December 13, 2022

Rongzhong Internet has submitted its application to register a trademark  resembling the Hong Kong registered trademark owned by Rongzhong Group (registration number 300394074) in the PRC. Upon successful registration, the new trademark owned by Rongzhong Internet shall be licensed to our Group on the same terms and conditions of the Trademark Licence Agreements pursuant to the provisions of the Trademark Licence Agreements.

#### **B. Domain Names**

As at the Latest Practicable Date, our Group has registered the following domain names which are material to our business.

Domain Name	Owner	Date of Registration	Expiry Date
chinarzfh.com	Rongzhong PRC	July 22, 2015	July 22, 2016
rongzhongleasing.cn	Rongzhong PRC	February 21, 2013	February 21, 2017
rongzhongleasing.com	Rongzhong PRC	February 21, 2013	February 21, 2017
rongzhongleasing.net	Rongzhong PRC	February 21, 2013	February 21, 2017

Information contained in the above websites does not form part of this prospectus.

Save as disclosed above, there are no other copyrights, patents, trademarks or other intellectual property rights which are material in relation to the business of our Company.

### 3. Material Properties

Among our leased properties, one of them is considered material by our Group as we operate our head office thereon. Details of the material property are set out below:

Owner	Property Address	Actual Use	Approximate Area (m <sup>2</sup> )	Restriction on Use	Duration of Lease Term
New World Development (Wuhan) Company Limited	Rooms 5001 to 5003 and 5005 to 5007, First Phase, New World International Trade Building, No. 568 Jianshe Avenue, Jiangnan District, Wuhan, Hubei Province, the PRC	Office	1,288.1	Office use	January 1, 2016 to December 31, 2016

On December 31, 2015, Rongzhong PRC and three subsidiaries of Rongzhong Group (as tenants) entered into a tenancy agreement with New World Development (Wuhan) Company Limited (as lessor), an Independent Third Party to lease an office situated at 50/F, First Phase, New World International Trade Building, No. 568 Jianshe Ave, Jiangnan District, Wuhan, Hubei Province, the PRC (the "Office") with an aggregate gross floor area of 2,576.2 sq.m. for a term commencing on January 1, 2016 and expiring on December 31, 2016 at a monthly rental (the "Monthly Rental") of RMB371,401.01 (including management fee).

On December 31, 2015, Rongzhong PRC and the three subsidiaries of Rongzhong Group entered into an agreement which stipulated that each party shall bear its rental, management fee and deposit in proportion to the areas of the Office that it respectively occupies. Since an aggregate gross floor area of 1,288.1 sq.m. (the "Area"), which represents approximately 50.00% of the total gross floor area of the Office, is exclusively occupied by Rongzhong PRC, Rongzhong PRC shall bear RMB185,700.5 (including management fee) of the Monthly Rental and RMB582,863.51 deposit for rental, management fee and electricity fee, while the rest of the Monthly Rental and deposit shall be borne by the three subsidiaries of Rongzhong Group. According to the agreement, the three subsidiaries of Rongzhong Group are not permitted to use the Area without the written consent of Rongzhong PRC.

The above material property is not related to "property activities" (as defined in the Chapter 5 of the Listing Rules). To the best of our knowledge and belief, except as otherwise disclosed in this prospectus, the above material property does not have any restrictions on its use or conflicts with its actual use.

## FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Disclosure of Interests

#### A. *Disclosure of interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares or debentures of our Company and our associated corporations*

Immediately following the completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), the interests or short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed will be as follows:

Name of Director	Nature of Interest	Number of Shares/underlying Shares held	Shareholding Percentage <sup>(Note 4)</sup>
Mr. Xie <sup>(Note 1)</sup>	Interest in controlled corporation	51,207,600	12.80%
Ms. Jacqueline Wong <sup>(Notes 2 and 3)</sup>	Interest in controlled corporation	164,040,145	41.01%

*Notes:*

- Mr. Xie wholly-owns Yong Hua, Clifton Rise and Capital Grower, which hold in aggregate approximately 12.80% (being 51,207,600 Shares) respectively of the total issued share capital of our Company immediately after the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued and allotted upon the exercise of the options that may be granted under the Share Option Scheme). Mr. Xie is deemed to be interested in all the Shares held by Yong Hua, Clifton Rise and Capital Grower under the SFO.
- Approximately 30.99% of the total issued share capital of Goldbond (being 855,808,725 shares) is held by Allied Luck, the entire share capital of which is held by the Trust A. The Trust A is a discretionary trust with Mr. Wong and Mrs. Wong being the settlors and trustees and Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries.

Approximately 25.92% of the total issued share capital of Goldbond (being 715,846,792 shares) is held by Ace Solomon, which is owned as to 50.00% by Allied Golden and 50.00% by Aceyork. The entire share capital of Allied Golden and Aceyork are held by the Trust B. The Trust B is a

discretionary trust with Ms. Michelle Wong and Ms. Jacqueline Wong being the settlors, Mr. Wong and Mrs. Wong being the trustees and Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries. Mr. Wong and Mrs. Wong have absolute discretion in exercising the voting rights attached to the Goldbond shares held by Allied Luck and Ace Solomon.

In light of the above, each of Mr. Wong, Mrs. Wong and Ms. Jacqueline Wong is deemed to be interested in all the Shares held by Perfect Honour under the SFO.

3. Plenty Boom and Legend Crown, both of which are wholly-owned by Ms. Jacqueline Wong, hold in aggregate approximately 5.06% (being 20,234,242 Shares) respectively of the total issued share capital of our Company immediately after the Global Offering and the Capitalization Issue (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued and allotted upon the exercise of the options that may be granted under the Share Option Scheme).

In light of the above, Ms. Jacqueline Wong is deemed under the SFO to be interested in all the Shares held by Plenty Boom and Legend Crown.

4. The percentages of the shareholding are rounded up to two decimal places.

**B. Disclosure of interests under the SFO and disclosure of interests for Substantial Shareholders**

So far as is known to any Director or chief executive of our Company, immediately following completion of the Global Offering and the Capitalization Issue (without taking into account any Shares which may be issued and allotted pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme), the following persons (other than a Director or chief executive of our Company) will have an interest or short position in the Shares or the underlying Shares which must be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or are, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

<b>Name</b>	<b>Nature of Interest</b>	<b>Number of Shares/underlying Shares held</b>	<b>Shareholding Percentage<sup>(Note 4)</sup></b>
Perfect Honour	Beneficial owner	143,805,903	35.95%
Goldbond <sup>(Note 1)</sup>	Interest in controlled corporation	143,805,903	35.95%
Mr. Wong <sup>(Note 2)</sup>	Interest in controlled corporation	143,805,903	35.95%
Mrs. Wong <sup>(Note 2)</sup>	Interest in controlled corporation	143,805,903	35.95%
Silver Creation	Beneficial owner	84,752,255	21.19%
Hony Capital <sup>(Note 3)</sup>	Interest in controlled corporation	84,752,255	21.19%
Hony Capital Fund 2008 GP, L.P. <sup>(Note 3)</sup>	Interest in controlled corporation	84,752,255	21.19%
Hony Capital Fund 2008 GP Limited <sup>(Note 3)</sup>	Interest in controlled corporation	84,752,255	21.19%

Name	Nature of Interest	Number of Shares/underlying Shares held	Shareholding Percentage <sup>(Note 5)</sup>
Hony Capital Management Limited <sup>(Note 3)</sup>	Interest in controlled corporation	84,752,255	21.19%
Mr. John Huan Zhao <sup>(Note 3)</sup>	Interest in controlled corporation	84,752,255	21.19%
Yong Hua	Beneficial owner	38,503,380	9.62%

## Notes:

1. Perfect Honour is wholly-owned by Goldbond, which is deemed to be interested in all the Shares held by Perfect Honour under the SFO.
2. Approximately 30.99% of the total issued share capital of Goldbond (being 855,808,725 shares) is held by Allied Luck, the entire share capital of which is held by the Trust A. The Trust A is a discretionary trust with Mr. Wong and Mrs. Wong being the settlors and trustees and Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries.

Approximately 25.92% of the total issued share capital of Goldbond (being 715,846,792 shares) is held by Ace Solomon, which is owned as to 50.00% by Allied Golden and 50.00% by Aceyork. The entire share capital of Allied Golden and Aceyork are held by the Trust B. The Trust B is a discretionary trust with Ms. Michelle Wong and Ms. Jacqueline Wong being the settlors, Mr. Wong and Mrs. Wong being the trustees and Ms. Michelle Wong and Ms. Jacqueline Wong and their children being the beneficiaries. Mr. Wong and Mrs. Wong have absolute discretion in exercising the voting rights attached to the Goldbond shares held by Allied Luck and Ace Solomon.

In light of the above, each of Mr. Wong and Mrs. Wong are deemed to be interested in all the Shares held by Perfect Honour under the SFO.

3. Silver Creation is wholly-owned by Hony Capital. Hony Capital is controlled by its sole general partner Hony Capital Fund 2008 GP, L.P., which in turn is controlled by its sole general partner, Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Capital Management Limited, which in turn is owned as to 20.00% by Legend Holdings Corporation (through its wholly-owned subsidiary, Right Lane Limited) and 80.00% by Mr. John Huan Zhao (through Hony Managing Partners Limited, a company wholly owned by him). Legend Holdings Corporation is ultimately owned as to 36.00% by the Chinese Academy of Sciences (whose interests in Legend Holdings Corporation are held through its wholly-owned subsidiary, Chinese Academy of Sciences Holdings Co., Ltd.), 24.00% by 北京聯持志遠管理諮詢中心(有限合夥) (Beijing Lian Chi Zhi Yuan Management Consulting Center Limited Partnership), 20.00% by China Oceanwide Holdings Group Co. Ltd., 8.90% by 北京聯恒永信投資中心(有限合夥) (Beijing Lian Heng Yong Xin Investment Center Limited Partnership), 3.40% by Mr. Liu Chuanzhi (柳傳志), 2.40% by Mr. Zhu Linan (朱立南), 1.80% by Mr. Ning Min (寧旻), 1.50% by Mr. Huang Shaokang (黃少康), 1.00% by Mr. Chen Shaopeng (陳紹鵬) and 1.00% by Mr. Tang Xudong (唐旭東).

In light of the above, Hony Capital, Hony Capital Fund 2008 GP, L.P., Hony Capital Fund 2008 GP Limited, Hony Capital Management Limited and Mr. John Huan Zhao are deemed to be interested in all the Shares held by Silver Creation under the SFO.

4. The percentages of the shareholding are rounded up to two decimal places.

As at the Latest Practicable Date, so far as is known to our Directors, other than our Company, no other persons were interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our subsidiaries.

## 2. Directors' Service Contracts

Each of our Executive Directors has entered into a service contract with our Company for a fixed term of three years commencing from the Listing Date which can be terminated before the expiration of the term by not less than three months' notice in writing served by either party on the other.

Each of our Non-executive Directors and Independent Non-executive Directors has signed an appointment letter with our Company for a term of two years with effect from the Listing Date. Under their respective appointment letters, each of the Independent Non-executive Directors is entitled to a fixed directors fee of HK\$240,000.0 per annum.

Their appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has entered into a service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

## 3. Directors' Remuneration

The aggregate remuneration (including fees, salaries, contributions to pensions schemes, expenses, allowances, performance-based or discretionary bonuses) paid to our Directors for the three years ended March 31, 2015 and the four months ended July 31, 2015 were approximately HK\$281,944.0, HK\$756,392.0, HK\$866,907.0 and HK\$693,611.0, respectively.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of the three years ended March 31, 2015 and the four months ended July 31, 2015.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended March 31, 2015 and the four months ended July 31, 2015 by any member of our Group to any of our Directors.

Under the arrangements currently in force, our Company estimates the aggregate remuneration (excluding any discretionary bonuses) payable to our Directors in respect of the year ending March 31, 2016 to be approximately HK\$3.2 million.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest-paid individuals as an inducement to join or upon joining our Company. Save for the compensation paid to one of the five highest-paid individuals in December 2014 in the amount of RMB98,441.0, no compensation was paid by us to, or receivable by, our Directors, former Directors or the five highest-paid individuals for each year of the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

#### **4. Personal Guarantees**

Save as disclosed in the section headed “Relationship with our Controlling Shareholders – Independence from our Controlling Shareholders – Financial Independence” in this prospectus, our Directors have not provided any personal guarantees in favor of any lenders in connection with banking facilities granted to us.

#### **5. Agency Fees or Commission Received**

Save as disclosed in this prospectus, no commissions, discounts, agency fees brokerages or other special terms have been granted in connection with the issue or sale of any of our capital within the two years ended on the date of this prospectus.

#### **6. Connected and Related-Party Transactions**

During the two years preceding the date of this prospectus, we were engaged in related party transactions as described under note 27 to the Accountants’ Report set out in Appendix I to this prospectus.

#### **7. Disclaimers**

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10.00% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;



- (c) none of our Directors nor any of the persons listed in the paragraph headed “Other Information – Qualification of Experts” below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions of which is significant in relation to the business of our Group;
- (e) save in connection with the Underwriting Agreements, none of the persons listed in the paragraph headed “Other Information – Qualification of Experts” below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) save for the Underwriting Agreements, none of the persons listed in the paragraph headed “Other Information – Qualification of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (g) so far as is known to our Directors, none of our Directors or their close associates or any Shareholder (which to the knowledge of our Directors owns 5.00% or more of the issued share capital of our Company) has any interest in any of the five largest suppliers or customers of our Group.

#### **SHARE OPTION SCHEME**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by written resolutions of our Shareholders on December 18, 2015. The terms of our Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form, nor is intended to be part of the Share Option Scheme nor should it be taken as affective the interpretation of the rules of the Share Option Scheme. For the purpose of the Share Option Scheme, references to “Board” shall mean the Board of Directors or a committee thereof appointed for the purpose of administering the Share Option Scheme; references to “Participant” shall mean any director (including executive directors, non-executive directors and independent non-executive directors) and full-time employees of any member of our Group; references to “Grantee” shall mean any Participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal personal representative of such person.

**1. Purpose**

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of our Company and its Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Participants.

**2. Who may join**

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Participant as the Board may in its absolute discretion select.

**3. Administration**

The Share Option Scheme shall be subject to the administration of the Board. The Board shall have the right to:

- (a) interpret and construe the provisions of the Share Option Scheme;
- (b) determine the persons who will be offered options under the Share Option Scheme, the number of Shares and the subscription price, subject to paragraph 6 below, in relation to such options;
- (c) subject to paragraphs 14 and 15 below, make such appropriate and equitable adjustments to the terms of the options granted under the Share Option Scheme as it deems necessary; and
- (d) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

**4. Grant of options**

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of our Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine. The offer shall specify the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board other terms imposed (or not imposed) either on a case by case basis or generally.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option during the period commencing one month immediately preceding the earlier of:

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of, its results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. For the avoidance of doubt, the period during which no option shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

#### **5. Payment on acceptance of option offer**

An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date of the offer. HK\$1.0 is payable by the Grantee to our Company on acceptance of the offer of the option.

#### **6. Subscription price**

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine and notified to the Participant in the offer letter at the time of grant of the relevant option but the subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed that may be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

#### **7. Option period**

The period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

**8. Rights are personal to grantee**

An option shall be personal to the Grantee and shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any option, except for the transmission of an option on the death of the Grantee to his personal representative(s) on the terms of the Share Option Scheme. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such Grantee without incurring any liability on the part of our Company.

**9. Rights attaching to Shares allotted**

The Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum and Articles of our Company for the time being in force and will rank *pari passu* with the fully paid Shares in issue on the date the name of the Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of the Shares to be issued upon the exercise of the option.

**10. Exercise of option**

Subject to the terms and conditions upon which an option is granted, an option may be exercised by the Grantee at any time during the option period, provided that:

- (a) in the event the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for (i) any reason other than his or her death or retirement or (ii) on one or more of the grounds of termination of employment or engagement specified in paragraph 11(f) below, the option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless the Board otherwise determines in which event the option shall be exercisable to the extent and within such period as the Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not;
- (b) in the event the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph 11(f) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;

- (c) if a general offer by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 10(d) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;
- (d) if a general offer for Shares by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company;
- (e) in the event a notice is given by our Company to its Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option; and
- (f) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 10(d) above, between our Company and its members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to its members and/or creditors to consider such a scheme or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

**11. Lapse of option**

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (a) the expiry of the option period;
- (b) the date or the expiry of the periods for exercising the option as referred to in paragraph 10 above;
- (c) subject to the scheme of arrangement (referred to in paragraph 10(d) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph 10(d) above;
- (d) subject to paragraph 10(e) above, the date of the commencement of the winding-up of our Company;
- (e) the date on which the Grantee commits a breach of paragraph 8 above;
- (f) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty, or on any other ground on which an employer would be entitled to terminate his or her employment summarily;
- (g) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;
- (h) where the Grantee is an employee, director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and
- (i) unless the Board otherwise determines, and other than in the circumstances referred to in paragraph 10(a) or (b) above, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment or engagement or relationship from one member of our Group to another member of our Group shall not be considered as a cessation of employment, engagement or relationship.

**12. Cancellation of option**

Any options granted but not exercised may be cancelled if the Grantee so agrees and new options may be granted to the Grantee provided such new options are granted within the limits prescribed by paragraph 13 below and otherwise comply with the terms of the Share Option Scheme.

**13. Maximum number of Shares subject to options**

- (a) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30.00% of the Shares in issue from time to time (“Scheme Limit”);
- (b) The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10.00% of the aggregate of the Shares in issue on the date the Shares commence trading on the Stock Exchange and any Shares which may be allotted and issued by our Company pursuant to the Over-allotment Option (the “Scheme Mandate Limit”). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;
- (c) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders’ approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10.00% of the Shares in issue as at the date of the aforesaid Shareholders’ approval. Options previously granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed;
- (d) Our Company may also seek separate Shareholders’ approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders’ meeting where such approval is sought;
- (e) The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1.00% of the Shares in issue (the “Individual Limit”). Any further grant of options to a Participant which would result in the Shares issued and to be issued upon

exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders' approval in advance with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting; and

- (f) The maximum number of Shares referred to in this paragraph 13 shall be adjusted, in such manner as the auditors or the financial advisers of our Company retained for such purpose shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph 14 below by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of Shares, reduction of the share capital of our Company.

#### **14. Reorganization of capital structure and special dividends**

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable by way of capitalization of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (i) the number or nominal amount of Shares subject to the option so far as unexercised; or (ii) the subscription price; or (iii) the method of exercise of the option; or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards to any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

#### **15. Alteration of the Share Option Scheme**

- (a) Subject to paragraph 15(b) below, the Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);
- (b) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Participants, and no changes to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration of the



terms of the Share Option Scheme shall be made, without the prior approval of the Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules; and

- (c) Notwithstanding any approval obtained pursuant to paragraph 15(a) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

#### **16. Termination of Share Option Scheme**

Our Company by ordinary resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

#### **17. Offers made to a Director, chief executive or employee who is also a Substantial Shareholder of our Company or any of their respective associates**

Each grant of options to any Director, chief executive or Substantial Shareholder of our Company (or any of their respective associates) (as the aforesaid terms are defined in rule 14A.06(2) of the Listing Rules) shall be subject to the prior approval of the Independent Non-executive Directors of our Company (excluding any Independent Non-executive Director who is a proposed recipient of the grant of options). Where any grant of options to a Substantial Shareholder or an Independent Non-executive Director of our Company, or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

- (a) representing in aggregate over 0.10% (or such other percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

- (b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5.0 million (or such other amount as may from time to time be specified by the Stock Exchange).

Such grant of options shall be subject to the prior approval by the Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

#### **18. Conditions of Share Option Scheme**

The Share Option Scheme shall take effect subject to:

- (a) the Listing Committee granting approval of the Share Option Scheme and the granting of options thereunder;
- (b) the Listing Committee granting approval of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of options under the Share Option Scheme; and
- (c) the commencement of dealings in the Shares on the Stock Exchange.

#### **19. Present status of the Share Option Scheme**

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 40,000,000 Shares in total.

### **OTHER INFORMATION**

#### **Litigation**

As at the Latest Practicable Date, save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

#### ***Sole Sponsor***

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of the Sole Sponsor's services for the Listing is approximately HK\$5.5 million.

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

***No Material Adverse Change***

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since July 31, 2015 (being the date to which the latest audited combined financial statements of our Group were prepared).

***Tax***

*A. Tax on Dividends*

No tax is payable in Hong Kong in respect of dividends paid by us.

*B. Profits*

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.50% on corporations and at a rate of 15.00% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

*C. Stamp Duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.20% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

*D. Estate Duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of AIAIO Estate Duty) Ordinance 2005 which came into effect on February 11, 2006. The estate of a person who died before February 11, 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong),

and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including July 15, 2005 to February 11, 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. Our Directors have been advised that no material liability for estate duty under the laws of the PRC or Hong Kong would be likely to fall upon any member of our Group.

*E. Deed of Indemnity*

Pursuant to the Deed of Indemnity given by each of the Indemnifiers in favor of our Company (and its subsidiaries) and conditional on the fulfilment of the conditions stated in the paragraph headed “Structure of the Global Offering – Conditions of the Global Offering” in this prospectus, the Indemnifiers have agreed and undertaken to each of the members of our Group on a several basis that they would indemnify and at all times keep the same indemnified on demand from and against any taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the Listing Date or any event, transaction, act or omission occurring or deemed to occur on or before the Listing Date whether alone or in conjunction with any other event, act or omission occurring or deemed to occur on or before the Listing Date and whether or not such taxation is chargeable against or attributable to any other person, firm or company. For the avoidance of doubt, such provision shall require the Indemnifiers to indemnify and at all times keep each of the members of our Group indemnified, in each case, in respect of any additional taxation which may fall on our Company or any other member of our Group in respect of a taxation claim resulting from a reassessment or similar action by a taxation authority against any member of our Group of taxation due and whether or not such reassessment is effected in respect of taxation which our Company or any other members of our Group had previously reached agreement with a taxation authority in proportion to their respective shareholding in our Company as at the date of the Deed of Indemnity.

However, the indemnities given by the Indemnifiers under this section do not cover, and the Indemnifiers shall be under no liability in respect of, any liability on taxation and taxation claim:

- (a) to the extent that provision has been made in the audited combined accounts of our Group and/or the unaudited combined accounts of our Group for an accounting period ended on or before July 31, 2015;

- (b) falling on any members of our Group in respect of any accounting period commencing on or after July 31, 2015 unless such liability would not have arisen but for some act or omission of, or transaction entered into by, the Indemnifiers or any members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than:
  - (i) in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the Listing Date; or
  - (ii) pursuant to a legally binding commitment created on or before the date of the Deed of Indemnity or pursuant to any statement of intention made in this prospectus;
- (c) to the extent that such liability arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof by any statutory or governmental authority (in Hong Kong or elsewhere), including without limitation the Inland Revenue Department, having retrospective effect coming into force after the Listing Date or to the extent that such liability arises or is increased by an increase in rates of taxation or other penalties after the Listing Date with retrospective effect;
- (d) to the extent that such liability is discharged by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of such liability; or
- (e) to the extent of any provision or reserve made for such liability in the audited accounts referred to in clause (a) above which is finally established to be an overprovision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the Indemnifiers' liability in respect of such liability shall not be available in respect of any such liability arising thereafter.

*F. Consultation with professional advisers*

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Sole Sponsor, the Underwriters, any of their respective directors, or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares.

**Miscellaneous**

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) neither our Company nor any of our subsidiaries has issued or agreed to issue any founder Shares, management Shares or deferred Shares;
  - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group; and
  - (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of any member of our Group;
- (b) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (c) our Company has no outstanding convertible debt securities;
- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;
- (e) our Directors have been advised that, under the Cayman Companies Law, the use of a Chinese name by our Company does not contravene the Cayman Companies Law;
- (f) there is no arrangement under which future dividends are waived or agreed to be waived;
- (g) no company within our Group is presently listed on any stock exchange or traded on any trading system; and

- (h) our principal register of members will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd. in the Cayman Islands and our Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

### ***Qualification of Experts***

The following are the qualifications of experts who have opined or advised on information contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Alliance Capital Partners Limited	A corporation licensed under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
Deloitte Touche Tohmatsu	Certified Public Accountants
Global Law Office	PRC legal adviser
Appleby	Cayman Islands attorneys-at-law
Euromonitor International	Industry Consultant

### ***Consents of Experts***

Each of Alliance Capital Partners Limited, Deloitte Touche Tohmatsu, Global Law Office and Appleby has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

### ***Promoter***

Our Company has no promoter for the purposes of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

***Preliminary Expenses***

The preliminary expenses incurred by our Company were approximately US\$10,000.00 and were payable or paid by our Company.

***Binding Effect***

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of binding all persons concerned by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

***Bilingual Prospectus***

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).



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**APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **white, yellow** and **green** Application Forms;
- (b) the written consents of the experts referred to in the section headed “Statutory and General Information – Other Information – Consents of Experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and General Information – Further Information About Our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Howse Williams Bowers at 27/F, Alexandra House, 18 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the audited combined financial statements of our Group for each of the three years ended March 31, 2015 and for the four months ended July 31, 2015 included in the Accountants’ Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report on unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (d) the legal opinions issued by Global Law Office, our PRC legal adviser, in respect of certain aspects of our Group and the property interests of our Group;
- (e) the letter of advice prepared by Appleby, our Cayman Islands legal adviser, summarizing the constitution of our Company and certain aspects of Cayman Companies Law referred to in Appendix III to this prospectus;
- (f) the market research report prepared by Euromonitor International, an independent industry consultant, in respect of finance leasing market in China and Hubei Province;

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**APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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- (g) the Cayman Companies Law;
- (h) the rules of Share Option Scheme;
- (i) the material contracts referred to in the section headed “Statutory and General Information – Further Information About Our Business – 1. Summary of Material Contracts” in Appendix IV to this prospectus;
- (j) the written consents of the experts referred to in the section headed “Statutory and General Information – Other Information – Consents of Experts” in Appendix IV to this prospectus; and
- (k) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information – Further Information about our Directors and Substantial Shareholders – 2. Directors’ Service Contracts” in the Appendix IV to this prospectus.



**China Rongzhong Financial Holdings Company Limited**

*(incorporated in the Cayman Islands with limited liability)*