



# China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03963



Interim Report  
**2016/2017**

## COMPANY NAME

China Rongzhong Financial Holdings Company Limited

## STOCK CODE

03963

## BOARD OF DIRECTORS

### *Executive Directors*

Mr. Xie Xiaoqing (*Chairman*)  
Mr. Yao Feng

### *Non-Executive Directors*

Mr. Ding Chung Keung Vincent  
Mr. Sun Changyu  
Ms. Wong Jacqueline Yue Yee

### *Independent Non-Executive Directors*

Mr. Duan Chang Feng  
Mr. Nie Yong  
Ms. Zou Lin

## AUDIT COMMITTEE

Mr. Nie Yong (*Chairman*)  
Mr. Ding Chung Keung Vincent  
Mr. Duan Chang Feng  
Mr. Sun Changyu  
Ms. Zou Lin

## NOMINATION COMMITTEE

Mr. Xie Xiaoqing (*Chairman*)  
Mr. Duan Chang Feng  
Mr. Nie Yong  
Mr. Sun Changyu  
Ms. Zou Lin

## REMUNERATION COMMITTEE

Mr. Duan Chang Feng (*Chairman*)  
Mr. Ding Chung Keung Vincent  
Mr. Nie Yong  
Mr. Sun Changyu  
Ms. Zou Lin

## RISK MANAGEMENT COMMITTEE

Mr. Xie Xiaoqing (*Chairman*)  
Mr. Yao Feng  
Mr. Duan Chang Feng  
Mr. Nie Yong  
Ms. Zou Lin

## COMPANY SECRETARY

Mr. Wong Tsz Lun

## REGISTERED OFFICE

PO Box 1350, Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Room 3001, 3005, 3006, 3007, 3008  
Office Tower  
No. 889-1 Luoyu Road  
East Lake Development Zone  
Wuhan, Hubei Province  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 417, 4/F, Tower 2, Lippo Centre  
89 Queensway  
Hong Kong

## COMPANY WEBSITE

[www.chinarzfh.com](http://www.chinarzfh.com)

## AUDITOR

Deloitte Touche Tohmatsu  
Certified Public Accountants

## LEGAL ADVISER

JTC Solicitors

## PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street, PO Box 1350  
Grand Cayman  
Cayman Islands

## HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKER

China Everbright Bank Xinhua Branch, Wuhan  
Bank of Communications Co., Ltd. Hong Kong Branch  
China Everbright Bank, Hong Kong Branch

## COMPLIANCE ADVISOR

Alliance Capital Partners Limited

## Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors" and each a Director) of China Rongzhong Financial Holdings Company Limited (the "Company"), together with its subsidiaries (the "Group"), I am pleased to present the unaudited interim results of the Group for the six months ended 30 September 2016 (the "Reporting Period") to our shareholders.

During the first half of 2016, in view of the ever changing complex economic environment domestically and internationally, the Chinese government had implemented a series of effective macro-economic policies to maintain the stability and progressive development momentum of the overall economy in China. As a result of the challenging operation environment and the continuation of slow and divergent economic recovery across nations, we strive to maintain our operations at a similar level in comparison to the previous corresponding period ended 30 September 2015. Although the result had slightly declined, we were able to control our cost while conservatively promoting business amongst customers of high caliber and creditability in order to achieve our own stability and progressive development.

In the second half of 2016, despite the many challenges ahead, the Group will continue with its prudent approach in adapting to this new economic environment and will be committed to accomplishing various tasks based on stronger risk prevention management and tighten internal control. It will also continue to seek out opportunities in other industries which requires financial leasing as an alternative means to meeting their funding need, including transportation, medical, educational, cultural and art related industries.

Finally, on behalf of all members of the Board and management, I would like to extend our sincere gratitude to all shareholders, business partners, customers, and all staff of the Group for their continued support and encouragement.

**Xie Xiaoqing**

*Chairman of the Board*

Wuhan, 25 November 2016

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

## **BUSINESS OVERVIEW**

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

### **Use of proceeds from the initial public offering**

The Company was listed on the main board of the Stock Exchange of Hong Kong Limited (“the Stock Exchange”) on 28 January 2016. The net proceeds from the Company’s issue of new shares (including the proceeds from the exercise of the over-allotment option) were approximately HK\$197.6 million (after deducting expenses relating specifically to the issue of new shares in the listing and expenses relating generally to the listing of all the shares of the Company (the “Shares”), whether existing or new). As at 30 September 2016, the net proceeds from the initial public offering has been utilized in accordance with the proposed allocations as set out in the section headed “Future Plans and Use of Proceeds” in the Company’s prospectus dated 18 January 2016 (the “Prospectus”), the remaining balance of approximately HK\$16.4 million is placed in short-term bank deposit.

## **FINANCIAL REVIEW**

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

### **Revenue**

We have one principal business segment, financial leasing, and our two services derived are financial leasing services and our financial advisory services provided as a valued added service to our leasing customers, which in turns generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Our advisory income is determined solely on the advisory services we provide and since our advisory services are normally provided in conjunction with our leasing services, we record both types of income as a single item in our financial statements. The Group realized revenue for the Reporting Period of approximately HK\$103.4 million, representing a decrease of approximately 9.3% from approximately HK\$114.0 million as recorded in the previous corresponding period ended 30 September 2015. This was mainly due to the Group’s prudent and conservative strategy to promote business amongst customers of high caliber and creditability during the static economy in order to safeguard our asset.

### **Staff costs**

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

### **Other operating expenses**

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

## Impairment losses on finance lease receivables

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

## Other income

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

## Finance costs

Finance costs of the Group comprised of interest on bank borrowings and imputed interest expense on interest-free deposits from finance lease customers. During the Reporting Period, finance costs of the Group amount to approximately HK\$32.1 million, representing a decrease of approximately 33.2% from approximately HK\$48.0 million in the previous corresponding period. This is mainly due to the decrease in the amounts of bank borrowings and the lapse of bank borrowings guaranteed by a related company. The guarantee provided by a related company had lapsed on the date of global offering, 28 January 2016.

As at 30 September 2016, the outstanding bank borrowings guaranteed by related parties amount to approximately HK\$150.0 million and the guarantee fee payable to the related parties amount to Nil. For further information, please refer to the section headed "Exempt Continuing Connected Transaction", sub-section headed "The Bank Guarantee Agreements" on page 16 of this report.

## Profit for the period attributable to the owners of the Company

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

## Interim dividend

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

## Liquidity, financial resources and capital resources

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

As at 30 September 2016, the Group's bank borrowings with maturity within one year amount to approximately HK\$515.5 million (31 March 2016: approximately HK\$353.4 million) and the Group's bank borrowings with maturity exceed one year amount to approximately HK\$233.4 million (31 March 2016: approximately HK\$462.9 million). For particulars of bank borrowings of the Group as at 30 September 2016, please refer to note 15 of the condensed consolidated financial statements.

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

## **Loan receivable**

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

## **Charges on group assets**

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

## **Capital commitments**

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

## **Employees and remuneration policy**

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

In Hong Kong, we participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant monthly income subject to a cap, which is currently set at HK\$1,500.

PRC employees are covered by the mandatory social security schemes operated by the PRC government. The Group is required by the PRC laws to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits.

## **RISK FACTORS AND MANAGEMENT**

### **Credit risk of small medium enterprises ("SMEs") in China**

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

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

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

## **Foreign exchange risk**

Even though substantially all of our revenue and expenses are denominated in Renminbi (“RMB”), fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. In particular, distributions to holders of our Shares are made in Hong Kong dollars. The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, our management will continue to monitor the related foreign currency exposure closely and will consider appropriate measures should the need arise.

## **CONTINGENT LIABILITIES**

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

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

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

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the rules governing the listing of securities on the Stock Exchange Hong Kong Limited (“Listing Rules”). During the Reporting Period, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code.

## **BOARD COMPOSITION AND RESPONSIBILITIES**

The Board is responsible for the setting of the Company’s corporate strategies, supervising and monitoring its implementation and reviewing the overall operational and financial performance of the Group by making decisions in major aspects of the Company’s matters, including but not limited to the approving and monitoring of key policies, material transactions, business plans, annual budgets, internal control and risk management, annual and interim results.

The Board is entrusted with the overall responsibility of managing the Company’s business and affairs and ultimately responsible for the day-to-day management of the Company which is delegated to the chairman of the Board (the “Chairman”), the chief executive officer (the “Chief Executive Officer”) and the senior management (the “Senior Management”) of the Company. The roles of the Chairman and the Chief Executive Officer are separated.

The Chairman is responsible for the overall management and operations of the Group and the proposing and reviewing of corporate directions and strategies of the Group, while the Chief Executive Officer works with the Senior Management team to ensure proper implementation of these strategies throughout the development of the Group.

The Board is consisted of eight Directors, comprising of two executive Directors (the “Executive Directors” and each an Executive Director), three non-executive Directors (the “Non-Executive Directors” and each a Non-Executive Director) and three independent non-executive Directors (the “Independent Non-Executive Directors” and each an Independent Non-Executive Director, INED).

Each of the Non-Executive Directors of the Company is appointed for a specific term which may be extended as each of the Non-Executive Directors and the Company may agree, unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director’s service contract. Pursuant to the memorandum and articles of association of the Company (the “Articles”), at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

During the Reporting Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board; one of the INEDs is required to possess appropriate professional qualifications of accounting or related financial management expertise.

## **BOARD DIVERSITY POLICY**

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



## BOARD COMMITTEES

The Company established four Board committees on 18 December 2015, namely audit committee (the “Audit Committee”), nomination committee (the “Nomination Committee”), remuneration committee (the “Remuneration Committee”) and risk management committee (the “Risk Management Committee”). The terms of reference of the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee are posted on the websites of the Company and the Stock Exchange.

### Audit Committee

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

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

### Nomination Committee

The Nomination Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with Code Provision A.5 of the CG Code. The primary duties of the Nomination Committee include but not limited to selecting and recommending candidates for directorship, review of the structure, size and composition of the Board and assessment of the independence of the INEDs and 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. As at the date of this report, the Nomination Committee consisted of one Executive Director: Mr. Xie Xiaoqing, one Non-Executive Director: Mr. Sung Changyu, and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong and Ms. Zou Lin. The chairman of the Nomination Committee is Mr. Xie Xiaoqing.

### Remuneration Committee

The Remuneration Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and Code Provision B.1 of the CG Code. The primary duties of the Remuneration Committee including but not limited to regular monitoring of the remuneration of all the Directors and senior management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consisted of two Non-Executive Directors: Mr. Ding Chung Keung Vincent, Mr. Sun Changyu and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong, and Ms. Zou Lin. The chairman of the Remuneration Committee is Mr. Duan Chang Feng.

## **Risk Management Committee**

The Risk Management Committee was established by the Board on 18 December 2015. The primary duties of the Risk Management Committee are to formulate and monitor the implementation of our major risk management policies and systems, ensuring necessary measures 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 in our operations that may have a material impact on our business. As at the date of this report, the Risk Management Committee consisted of two Executive Directors: Mr. Xie Xiaoqing and Mr. Yao Feng; and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong, and Ms. Zou Lin. The chairman of the Risk Management Committee is Mr. Xie Xiaoqing.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 September 2016, the interests or short positions in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (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 the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange; were as follows:

#### Long positions in shares ("Shares")/underlying Shares of the Company

Name of Director	Capacity/ nature of interest	Number of Shares/underlying Shares				Approximate % of issued shares
		Personal Interest	Corporate Interest	Other Interest	Total Interest	
Mr. Xie Xiaoqing ("Mr. Xie")	Interest of controlled corporations	–	12,704,220 (Note 1) 38,503,380 (Note 2)	–	51,207,600	12.41%
Mr. Yao Feng ("Mr. Yao")	Beneficial Owner	84,000 (Note 3)	–	–	84,000	0.02%
Mr. Ding Chung Keung Vincent ("Mr. Ding")	–	–	–	–	–	–
Mr. Sun Changyu ("Mr. Sun")	–	–	–	–	–	–
Ms. Wong Jacqueline Yue Yee ("Ms. Wong")	Interest of controlled corporations/founder of a discretionary trust and beneficiary of a trust	–	20,234,242 (Note 4)	143,805,903 (Note 5)	164,040,145	39.77%
Mr. Duan Chang Feng ("Mr. Duan")	–	–	–	–	–	–
Mr. Nie Yong ("Mr. Nie")	–	–	–	–	–	–
Ms. Zou Lin ("Ms. Zou")	–	–	–	–	–	–

### Notes:

1. Such interests include 2,117,370 Shares held by Capital Grower Limited (“Capital Grower”), and 10,586,850 shares held by Clifton Rise International Limited (“Clifton Rise”), which are all companies owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Capital Grower and Clifton Rise under the SFO.
2. Such Shares are held by Yong Hua International Ltd. (“Yong Hua”), a company owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Yong Hua under the SFO.
3. Such Shares are held by Mr. Yao.
4. Such interests include 10,127,176 Shares held by Legend Crown International Limited (“Legend Crown”) and 10,107,066 Shares held by Plenty Boom Investments Limited (“Plenty Boom”). Ms. Wong founded the discretionary trust (the ‘Ace York Management Trust’) of which the property included the entire issued share capital of Legend Crown and Plenty Boom. The trustee of the Ace York Management Trust is Ace York Investment Management Limited (“Ace York Management”, a company owned as to 50% by Ms. Wong), where the beneficiaries are Ms. Michelle Yat Yee Wong (“Ms. Michelle Wong”) and Ms. Wong and their respective issue(s). By virtue of the above, both Ms. Wong and Ace York Management are taken to have a duty of disclosure in relation to the said Shares held by Legend Crown and Plenty Boom under the SFO.
5. Such Shares are held by Perfect Honour Limited (“Perfect Honour”) which is a wholly owned subsidiary of Goldbond Group Holdings Limited (“Goldbond”). Mr. Wong Charles Yu Lung and Mrs. Wong Fang Pik Chun, parents of Ms. Michelle Wong and Ms. Wong established the Allied Luck Trust (as defined below) and Ms. Michelle Wong and Ms. Wong established the Aceyork Trust (as defined below), where both with Ms. Michelle Wong and Ms. Wong and their respective issue(s) being the beneficiaries. The assets of the Allied Luck Trust include all the Goldbond shares held by Allied Luck Trading Limited (“Allied Luck”, a company wholly-owned by the Allied Luck Trust), being approximately 30.99% of the total issued share capital of Goldbond, (the “Allied Luck Trust”), and the assets of the Aceyork Trust included all the Goldbond shares held by Ace Solomon Investments Limited (“Ace Solomon”) being approximately 25.92% of the total issued share capital Goldbond. Ace Solomon is a company jointly owned by Allied Golden Investment Limited (“Allied Golden”) and Aceyork Investment Limited (“Aceyork”), which (in each of the cases of Allied Golden and Aceyork) in turn are wholly-owned by the Aceyork Trust (“the Aceyork Trust”). Ms. Wong being a beneficiary of the Allied Luck Trust and the Aceyork Trust, in turn, holds approximately 34.86% of our issued share capital through Perfect Honour. By virtue of the above, Ms. Wong is taken to have a duty of disclosure in relation to the said Shares held by Perfect Honour under the SFO.
6. As at 30 September 2016, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2016, none of the Directors or the chief executives of the Company had any interests or short positions in the Shares, underlying Shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2016, to the best knowledge of any Director or chief executives of the Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

#### Long Positions in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares	Total Interest	Approximate % of issued shares
Ms. Wong Jacqueline Yue Yee ("Ms. Wong")	(i) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (Note 1)		
	(ii) Beneficiary of a trust	143,805,903 (Note 2)	164,040,145	39.77%
Mr. Wong Charles Yu Lung ("Mr. Wong")	Trustee	143,805,903 (Note 2)		34.86%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Trustee	143,805,903 (Note 2)		34.86%
Perfect Honour Limited ("Perfect Honour")	Beneficial Owner	143,805,903 (Note 2)		34.86%
Goldbond Group Holdings Limited ("Goldbond")	Interest in controlled corporation	143,805,903 (Note 2)		34.86%
Mr. Zhao John Huan ("Mr. Zhao")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Silver Creation Investments Limited ("Silver Creation")	Beneficial Owner	84,752,255 (Note 3)		20.55%
Hony Capital Fund 2008, L.P. ("Hony Capital")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Hony Capital Fund 2008 GP, L.P. ("Hony GP, L.P.")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Hony Capital Fund 2008 GP Limited ("Hony GP")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares	Total Interest	Approximate % of issued shares
Hony Group Management Limited ("Hony Management")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Hony Managing Partners Limited ("Hony Partners")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Exponential Fortune Group Limited ("Exponential Fortune")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Mr. Xie Xiaoqing ("Mr. Xie")	Interest in controlled corporation	12,704,220 (Note 4)	51,207,600	12.41%
Yong Hua International Limited ("Yong Hua")	Beneficial Owner	38,503,380 (Note 5)		

## Notes:

- Reference to the 20,234,242 Shares relate to the same block of Shares held by Legend Crown and Plenty Boom. Please refer to Note 4 on page 11 of this report for further details. By virtue of the above, Ms. Wong is taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.
- The five references to the 143,805,903 Shares relate to the same block of Shares held by Perfect Honour. Please refer to Note 5 on page 11 of this report for further details. By virtue of the above, Ms. Wong, Mr. Wong, Mrs. Wong, Perfect Honour and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour.
- The eight references to the 84,752,255 Shares relate to the same block of Shares held by Silver Creation Investments Limited ("Silver Creation"). Silver Creation is wholly-owned by Hony Capital Fund 2008, L.P.. 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 Group Management Limited, which is owned as to approximately 80.00% by Hony Managing Partners Limited. Hony Managing Partners Limited is 100% owned by Exponential Fortune Group Limited, which is a company owned as to approximately 49% by Mr. Zhao. By virtue of the above, Mr. Zhao, Silver Creation, Hony Capital, Hony GP, L.P., Hony GP, Hony Management, Hony Partners, and Exponential Fortune are taken to have a duty of disclosure in relation to these Shares held by Silver Creation.
- References to the 12,704,220 Shares relate to the same block of Shares held by Capital Grower and Clifton Rise. Please refer to Note 1 on page 11 of this report for further details. By virtue of the above, Mr. Xie, is taken to have duty of disclosure in relation to these Shares held by Capital Grower and Clifton Rise.
- Reference to the 38,503,380 Shares relate to the same block of Shares held by Yong Hua. Please refer to Note 2 on page 11 of this report for further details. By virtue of the above, Mr. Xie, is taken to have duty of disclosure in relation to these Shares held by Yong Hua.
- As at 30 September 2016, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2016, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

*Expressions used in the sections headed “Connect Persons”, “Exempted Continuing Connected Transactions”, “Non-Competition Deeds” and “Deed of Undertakings” shall have the same meanings given to them in the Company’s prospectus date 18 January 2016*

### CONTINUING CONNECTED TRANSACTIONS

#### CONNECTED PERSONS

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

Goldbond, as our Controlling Shareholder 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.

##### ***Wuhan Rongzhong Internet Technology Company Limited and Rongzhong Capital Investments Group Limited***

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 (also referred to as joint venture of a major shareholder in the consolidated financial statements) wholly-owns Wuhan Rongzhong Investment Guarantee Company Limited 武漢市融眾投資擔保有限公司 (“Wuhan Rongzhong”). Pursuant to the Listing Rules, Rongzhong Internet, Rongzhong Capital Investments and Wuhan Rongzhong are associates of Mr. Xie and therefore are connected persons of our Company.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### Trademarks Licence Agreements

On 15 June 2015, Rongzhong Capital Holdings Limited (“Rongzhong Capital”), our wholly-owned subsidiary, entered into trademarks licence agreements (the “Trademarks Licence Agreements” and each Trademarks Licence Agreement) with each of Rongzhong Group and Rongzhong Internet pursuant to which Rongzhong Group and Rongzhong Internet agreed to grant a licence, on a perpetual and nonexclusive basis, to Rongzhong Capital and its affiliates at a consideration of HK\$1.00 and RMB1.00, respectively to use certain trademarks registered in their names as set out in the paragraph headed “Further Information about our Business – 2. Our Intellectual Property Rights” in Appendix IV of our Prospectus subject to the terms and conditions therein. During the term of the Trademarks Licence Agreements, Rongzhong Capital and its affiliates are entitled to use the trademarks listed therein as their corporate logos and for conducting any of their publicity related activities. Further, Rongzhong Group and Rongzhong Internet will not transfer or license or grant any rights to use the trademarks listed in the Trademarks Licence Agreements to any third party whose business competes or is likely to compete with the business of Rongzhong Capital or dispose such trademarks unless prior written consent is obtained from Rongzhong Capital. Where Rongzhong Group and Rongzhong Internet obtain registration of any other trademarks containing the words “RONGZHONG”, “RONG ZHONG”, “融眾” or “融众” under their name, Rongzhong Group and Rongzhong Internet will license the use of such other registered trademarks to Rongzhong Capital and its affiliates by entering into a separate licence agreement with Rongzhong Capital on the same terms and conditions as the Trademarks Licence Agreements. The Trademarks Licence Agreements are terminable in the event that the trademarks listed therein have been legally transferred to Rongzhong Capital or upon the winding-up or liquidation of Rongzhong Capital or otherwise agreed by the parties in writing.

### **Finance Lease Guarantee Agreements**

For all our finance leases, in addition to the leased assets, we normally require our customers to provide additional securities to us to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the “Additional Assets”) as we are a wholly-foreign invested finance leasing entity. In this regard, Rongzhong International Financial Leasing Co., Ltd (“Rongzhong PRC”), our main operating entity, entered into (i) one finance lease guarantee agreement with Wuhan Rongzhong on 15 May 2015 and (ii) six finance lease guarantee agreements with Wuhan Jinhong on 10 May 2014, 13 January 2016, 30 March 2016, 31 March 2016, 31 March 2016 and 18 May 2016 respectively (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 further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

### **Litigation Guarantee Framework Agreements**

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, entered into a litigation guarantee framework agreement with each of Wuhan Jinhong and Wuhan Rongzhong, collectively as the “Litigation Guarantee Framework Agreements” on 29 December 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 Bank Guarantee Agreements

On 22 February 2016, Mr. Xie and Rongzhong Capital Investments had each entered into a bank guarantee agreement with the bank (collectively as the “Bank Guarantee Agreements”) pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantee in favor of the bank for its grant of loans to Rongzhong PRC. The Bank Guarantee Agreements expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for their provision of guarantee services under the Bank Guarantee Agreements.

As at 30 September 2016, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to bank for its grant of loans to the Rongzhong PRC.

<b>Guarantor(s)</b>	<b>As at 30 September 2016</b>	<b>As at 31 March 2016</b>
	<i>(HK\$' million approximately)</i>	
Mr. Xie	150.0	153.6
Rongzhong Capital Investments	150.0	153.6

The Trademarks License Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements, and the Bank Guarantee Agreements are in favorable terms 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 Trademarks Licence Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee Agreements qualified as continuing connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

**NON-COMPETITION DEEDS**

In order to protect the Group from potential competition from our shareholders and executive directors, on 18 December 2015, the Company had entered into a deed of non-competition with each of the following parties respectively (collectively as the “Deeds of Non-Competition”):

- a. Rongzhong Group (other than through member of the Group)
- b. Mr. Wong, Mrs. Wong, Legend Crown and Plenty Boom (except for Rongzhong Group and its close associates)
- c. Mr. Xie, Yong Hua, Clifton Rise and Capital Grower (except Rongzhong Group and its close associates)

collectively referred to as the “Covenantors” and each “Covenantor”

Each of the Covenantors has given an irrevocable non-competition undertaking in favour of our Company pursuant to which each of the Covenantors, among other matters has irrevocable and unconditionally undertake to the Company 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:

- (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 the Group including but not limited to the provision of direct leasing, sale leaseback and financial leasing related advisory services to SMEs in the PRC (the “Restricted Activity”) (other than the small loan business operated by Yancheng Goldbond Technology Small Loan Company Limited (the “Yancheng Goldbond”) and Rongzhong Credit (Hubei) Limited (the “Rongzhong Small Loan”), unless pursuant to the exception set out below;
- (ii) not to 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 to invest or participate in any Restricted Activity unless pursuant to the exceptions set out below; and
- (vi) to 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.

### **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 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 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 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
- (b) neither the Covenantor nor its subsidiaries and/or close associates (as applicable) has board or management control of the Subject Company.

## Other Information

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.

Each of the Covenantor confirms that they have each complied with the terms of their Deed of Non-competition respectively.

### DEED OF UNDERTAKING

Although the geographic location, approval requirements, potential customers and under the qualification of the currently applicable PRC laws differentiate our Group with the small loan business operated by Yancheng Goldbond, however, in order to ensure that there is no conflicts and competition between the business of the Group and Yancheng Goldbond, the Company and Goldbond have entered into a Deed of Undertaking on 18 December 2015 pursuant to which Goldbond has irrevocably and unconditionally undertake 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 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 our Group is qualified and is interested in taking on the new customer, both Yancheng Goldbond and our Group 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 or 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 customer if the new customer selects its service over those of Yancheng Goldbond and or 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, collectively referred to as the "Conflict Check Undertakings").

The Conflict Check Undertakings 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.

### **SHARE OPTION SCHEME**

On 18 December 2015, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide any Directors and full time employees of any member(s) of our Group (the "Participant(s)") with the opportunity to acquire proprietary interest in our Company and to encourage them to work towards enhancing the value of our Company and its Shares for the benefit of the Company and its shareholders as a whole. 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 number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 40,000,000 Shares in total.

There were no share options outstanding under the Share Option Scheme for the six months ended 30 September 2016 nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme during the Reporting Period.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the Period.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 September 2016.

### OTHERS

#### Change of Directors/Other Directorship/Major Appointment

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes and updated information regarding the Directors since the Company's last published annual report and up to the date of this interim report are set out below:

On 29 August 2016, Mr. Yao Feng ("Mr. Yao") was appointed as an Executive Director of the Company. Mr. Yao has entered into a service contract with the Group for his appointment as an Executive Director for an initial term of two years commencing from 29 August 2016, subject to re-election at the next annual general meeting of the Company and retirement by rotation in accordance with the provisions of the Articles. The fixed remuneration of Mr. Yao is RMB492,000 per annum, which was determined by the Board based on the recommendation of the Remuneration Committee of the Company with reference to his duties and responsibilities with the Group and the market rate for similar position. On the date of his appointment as an Executive Director of the Company, Mr. Yao has a personal interest of 84,000 shares of the Company within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong).

With effect from 1 September 2016, Mr. Li Fan ("Mr. Li"), the former Executive Director, Chief Executive Officer ("CEO") and a member of the Risk Management Committee of the Company, submitted a written resignation to resign as an Executive Director of the Company and from the position of CEO and has ceased to be a member of the Risk Management Committee of the Company due to his decision to devote more time to pursue his personal business.

Following the resignation of Mr. Li, Mr. Yao has been appointed as the CEO and a member of the Risk Management Committee, in each case with effect from 1 September 2016.

#### Change of Directors' Remuneration

<b>Name of Director</b>	<b>Details of Change</b>
Mr. Li Fan	Monthly remuneration revised to the total of RMB30,000 and HK\$50,000 with effect from 1 May 2016



**TO THE BOARD OF DIRECTORS OF 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)*

## **INTRODUCTION**

We have reviewed the condensed consolidated financial statements of China Rongzhong Financial Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 24 to 40, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, 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 would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 September 2015 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim Financial Information Performed by the Independent Auditor of the Entity".

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

25 November 2016



# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2016

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

# Condensed Consolidated Statement of Financial Position

At 30 September 2016

	Notes	30.9.2016 HK\$'000 (Unaudited)	31.3.2016 HK\$'000 (Audited)
<b>Non-current assets</b>			
Equipment	9	3,058	1,292
Finance lease receivables	10	599,158	647,370
Deposit for equipment		–	437
Deposits for other assets		13,953	–
Deferred tax assets	11	12,548	10,689
		<b>628,717</b>	<b>659,788</b>
<b>Current assets</b>			
Finance lease receivables	10	1,222,480	1,107,846
Loan receivable	12	10,186	–
Prepayments and other receivables		9,431	10,867
Security deposits	13	12,030	6,672
Short term bank deposits with original maturity within three months		30,008	51,007
Bank balances and cash		27,744	182,032
		<b>1,311,879</b>	<b>1,358,424</b>
<b>Current liabilities</b>			
Deposits from finance lease customers	10	197,262	204,276
Other payables and accrued charges	14	32,756	48,178
Deferred income		6,551	8,360
Tax liabilities		26,054	14,325
Bank borrowings	15	515,533	353,436
		<b>778,156</b>	<b>628,575</b>
<b>Net current assets</b>		<b>533,723</b>	<b>729,849</b>
<b>Total assets less current liabilities</b>		<b>1,162,440</b>	<b>1,389,637</b>

# Condensed Consolidated Statement of Financial Position

At 30 September 2016

	Notes	30.9.2016 HK\$'000 (Unaudited)	31.3.2016 HK\$'000 (Audited)
<b>Capital and reserves</b>			
Share capital	16	4,125	4,125
Reserves		857,390	838,673
<b>Total equity</b>		<b>861,515</b>	<b>842,798</b>
<b>Non-current liabilities</b>			
Deposits from finance lease customers	10	64,166	78,551
Deferred income		3,337	5,349
Bank borrowings	15	233,422	462,939
		<b>300,925</b>	<b>546,839</b>
		<b>1,162,440</b>	<b>1,389,637</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (note)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	814	331,439	26,936	12,007	238,191	609,387
Profit for the period	–	–	–	–	31,405	31,405
Exchange difference arising on translation	–	–	–	(23,297)	–	(23,297)
Total comprehensive (expense) income for the period	–	–	–	(23,297)	31,405	8,108
At 30 September 2015 (unaudited)	814	331,439	26,936	(11,290)	269,596	617,495
At 1 April 2016 (audited)	4,125	552,818	32,053	(30,864)	284,666	842,798
Profit for the period	–	–	–	–	39,073	39,073
Exchange difference arising on translation	–	–	–	(20,356)	–	(20,356)
Total comprehensive (expense) income for the period	–	–	–	(20,356)	39,073	18,717
At 30 September 2016 (unaudited)	4,125	552,818	32,053	(51,220)	323,739	861,515

Note: Pursuant to the articles of association of the subsidiary established in the People's Republic of China ("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 period to the statutory surplus reserve until the balance reaches 50% of its registered capital.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(77,506)	256,799
INVESTING ACTIVITIES		
Interest received from bank deposits	165	84
Repayments from a related company	–	136,294
Interest received from loan to a related company	–	2,047
Purchase of equipment and deposit paid for equipment	(2,534)	(365)
Advances of loan receivable	(10,000)	–
Deposits paid for other assets	(14,285)	–
Advances to a related company	–	(243,830)
NET CASH USED IN INVESTING ACTIVITIES	(26,654)	(105,770)
FINANCING ACTIVITIES		
Bank loans raised	–	60,506
Repayment of bank loans	(49,214)	(170,029)
Interest paid	(21,189)	(28,882)
Guarantee fee paid to a related company	–	(2,304)
NET CASH USED IN FINANCING ACTIVITIES	(70,403)	(140,709)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(174,563)	10,320
CASH AND CASH EQUIVALENTS AT 1 APRIL	233,039	24,532
Effect of foreign exchange rate changes	(724)	(908)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	57,752	33,944
Analysis of balances of cash and cash equivalents		
Bank balances and cash	27,744	28,944
Short term bank deposits with original maturity within three months	30,008	5,000
	57,752	33,944

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

## 3. REVENUE AND SEGMENT INFORMATION

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

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the reporting period, as the Group is principally engaged in providing financial leasing services in the PRC, and the executive directors of the Company, being the chief operating decision maker of the Group, review the consolidated financial position and results of the Group as a whole for the purposes of allocating resources and assessing performance of the Group.

The Company is an investment holding company and the principal place of the Group’s operation is in the PRC. All the Group’s revenue and non-current assets are principally attributable to the PRC.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 4. FINANCE COSTS

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

## 5. TAXATION

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
The charge comprises:		
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current period	16,181	14,646
– Under (over) provision in prior period	21	(247)
– Withholding tax	–	1,582
	<b>16,202</b>	<b>15,981</b>
Deferred tax (Note 11)	<b>(2,107)</b>	<b>(2,876)</b>
	<b>14,095</b>	<b>13,105</b>

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

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

No withholding tax has been provided for the current interim period in the condensed consolidated financial statements, and details are set out in note 11.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

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

## 7. DIVIDENDS

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

## 8. EARNINGS PER SHARE

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

The basic and diluted earnings per share is calculated based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares for the periods ended 30 September 2015 and 2016 on the assumption that the group reorganisation had been effective since 1 April 2015.

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 9. MOVEMENTS IN EQUIPMENT

During the current interim period, the Group acquired equipment of RMB2,542,000 equivalent to HK\$2,971,000 (six months ended 30 September 2015: RMB66,000 equivalent to HK\$80,000).

## 10. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides financial leasing services in the PRC.

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

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 9.3% to 23.9% (31 March 2016: 9.3% to 25.0%) per annum as at 30 September 2016.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 10. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS (continued)

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

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	<b>375,724</b>	702,093
Past due but not individually impaired	<b>706,272</b>	404,733
Past due but individually impaired	<b>789,833</b>	691,147
Subtotal	<b>1,871,829</b>	1,797,973
Less: Collective impairment allowance	<b>(18,385)</b>	(16,292)
Individual impairment allowance	<b>(31,806)</b>	(26,465)
	<b>1,821,638</b>	1,755,216

Finance lease receivables are mainly secured by leased assets which are used in laser processing, plastics, industrial processing, textile and garment, hotel and leisure and other industries, customers' deposits and leased assets repurchase arrangement where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in portion over the lease contract or in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 30 September 2016, the customers' deposits of HK\$261,428,000 (31 March 2016: HK\$282,827,000) are 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, equipment and machineries. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both periods.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 10. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS (continued)

The following is an ageing analysis based on due dates of finance lease receivables which are past due but not individually impaired (instalments which are not yet due at the end of the reporting period are excluded):

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Less than one month	1,283	1,810
More than one month but less than three months	11,173	2,578
More than three months but less than one year	72,845	52,942
	<b>85,301</b>	57,330

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 30 September 2016, an aggregate carrying amount of HK\$85,301,000 (31 March 2016: HK\$57,330,000) was past due 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 HK\$12,001,000 (31 March 2016: HK\$5,957,000) was provided on past due but not individually impaired finance lease receivables accordingly.

Included in the individual impairment allowance are individually impaired finance lease receivables with an aggregate balance of HK\$31,806,000 (31 March 2016: HK\$26,465,000) of which the customers are in financial difficulties.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 11. DEFERRED TAX ASSETS

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

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

Under the EIT Law, withholding tax of 5% is imposed on dividends declared in respect of profits earned by the subsidiary in the PRC from 1 January 2008 onwards. As at 1 April 2015, the Group provided for deferred tax liability of HK\$1,582,000 in respect of withholding tax imposed on dividend declared after the year ended 31 March 2015 by the subsidiary in the PRC of HK\$31,646,000 for the payment of professional fee relating to initial public offering. Other than that, deferred taxation has not been provided for in the condensed consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiary in the PRC amounting to approximately HK\$ 317,981,000 (31 March 2016: HK\$275,784,000) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiary in the PRC will not distribute any further dividend in the foreseeable future.

## 12. LOAN RECEIVABLE

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 13. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the finance lease services in the PRC. The security deposits carry interest at 0.35% (31 March 2016: 0.35%) per annum.

## 14. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Payables to finance lease equipment suppliers	8,419	25,107
Interest payable	5,137	1,794
Advance receipt from customers	10,681	6,049
Other tax payables	6,404	10,019
Accrued charges	1,872	5,165
Other payables	243	44
	<b>32,756</b>	<b>48,178</b>

## 15. BANK BORROWINGS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Secured	635,002	699,708
Unsecured	113,953	116,667
	<b>748,955</b>	<b>816,375</b>
Carrying amount repayable*:		
Within one year	515,533	353,436
More than one year, but not exceeding two years	166,887	357,835
More than two years, but not exceeding five years	66,535	105,104
	<b>748,955</b>	<b>816,375</b>
Less: amounts shown under current liabilities	<b>(515,533)</b>	<b>(353,436)</b>
	<b>233,422</b>	<b>462,939</b>

\* The amounts due are based on scheduled repayment dates set out in the loan agreements.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 15. BANK BORROWINGS (continued)

The exposure of the Group's variable-rate borrowings and fixed-rate borrowings are as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Variable-rate borrowings	150,000	153,572
Fixed-rate borrowings	598,955	662,803
	<b>748,955</b>	<b>816,375</b>

As at 30 September 2016, the Group's variable-rate borrowings carry interest rate per annum at the range of 100% (31 March 2016: 100%) of the benchmark rate offered by the People's Bank of China ("PBOC"). The remaining balance of fixed-rate borrowings carry interest at the rate of 5.44% to 8.05% (31 March 2016: 5.94% to 8.05%) per annum.

As at 30 September 2016, the Group's bank borrowings of RMB546,101,000 equivalent to HK\$635,002,000 (31 March 2016: RMB587,755,000 equivalent to HK\$699,708,000) were granted by several banks in the PRC and secured by charges over certain finance lease receivables of the Group with an aggregate carrying values of HK\$705,598,000 (31 March 2016: HK\$809,902,000).

As at 30 September 2016, the Group's bank borrowings of RMB129,000,000 equivalent to HK\$150,000,000 (31 March 2016: RMB129,000,000 equivalent to HK\$153,571,000) were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company.

The Group's bank borrowings are denominated in RMB which is the functional currency of the relevant group entities.

## 16. SHARE CAPITAL

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 5 June 2015 (date of incorporation) (note i)	37,000,000	370
Increase in authorised capital (note ii)	9,963,000,000	99,630
At 31 March and 30 September 2016	10,000,000,000	100,000
<b>Issued:</b>		
Issued on date of incorporation (note i)	1	–
Issued on date of reorganisation (note ii)	104,421	1
Issue of shares upon listing of the Company's shares on the Stock Exchange on 28 January 2016 (note iii)	399,895,578	3,999
Issue of shares on the exercise of over-allotment option (note iv)	12,509,000	125
At 31 March and 30 September 2016	412,509,000	4,125

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 16. SHARE CAPITAL (continued)

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Shown in the condensed consolidated statement of financial position	4,125	4,125

Notes:

- (i) The Company was incorporated in the Cayman Islands on 5 June 2015 as an exempted company and was registered as a non-Hong Kong Company under Part 16 of the new Company Ordinance (Cap.622) on 16 July 2015. At incorporation, the Company had an authorised capital of HK\$370,000, divided into 37,000,000 shares of HK\$0.01 each. On the date of incorporation, 1 share of HK\$0.01 each of the Company was allotted and issued to Reid Services Limited at par value, then transferred to Plenty Boom Investments Limited on the same date.
- (ii) Pursuant to the resolution passed by the shareholders of the Company on 18 December 2015, the authorised share capital of the Company was increased from HK\$370,000 to HK\$100,000,000 by the creation of additional 9,963,000,000 ordinary shares of HK\$0.01 each.

On the same date, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between the Company (as purchaser), and each of Perfect Honour Limited, Silver Creation Investments Limited, Yong Hua International Ltd., Clifton Rise International Limited, Legend Crown International Limited, Plenty Boom Investments Limited and Capital Grower Limited (collectively as the "Vendors"), pursuant to which the Company acquired 104,422 shares of US\$1.00 each (the "Sale Shares") in Rongzhong Capital, representing the entire issued share capital of Rongzhong Capital, which were legally and beneficially held by the Vendors. In consideration of the Vendors agreeing to sell the Sale Shares to the Company, the Company allotted, issued, and credited as fully paid the aggregate of 104,421 ordinary shares of HK\$0.01 each in the Company for the Vendors' sale of the Sale Shares to the Company. As a result of the group reorganisation, each of the Vendors holds equity interests of the Company, in the same proportion as the equity interest in Rongzhong Capital held by each of the Vendors before the group reorganisation.

- (iii) On 28 January 2016, the Company issued a total of 100,000,000 ordinary shares of HK\$0.01 each at the HK\$2.11 pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 299,895,578 ordinary shares of HK\$0.01 each credited as fully paid to the shareholders by capitalising an amount of HK\$2,998,956 from the share premium account of the Company.
- (iv) On 23 February 2016, the Company issued a total of 12,509,000 ordinary shares of HK\$0.01 each at the HK\$2.11 pursuant to the exercise of over-allotment option. The proceeds of HK\$125,090 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK\$26,268,900, before issuing expenses, were credited to share premium account of the Company.
- (v) All the shares issued during the reporting period ranked pari passu in all respects with the then existing shares in issue.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 17. OPERATING LEASE COMMITMENTS

As at 30 September 2016, the total future minimum lease payment under non-cancellable operating leases are 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.

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Within one year	1,485	2,284
After one year but within five years	804	59
	<b>2,289</b>	2,343

## 18. CAPITAL COMMITMENTS

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Contracted, but not provided for: Capital expenditure for acquisition of equipment	–	249



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2016

## 19. RELATED PARTY TRANSACTIONS

Save as disclosed in the condensed consolidated financial statements, the Group had the following transactions with related parties during both periods.

### (a) Related party transactions

Nature of transactions	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest income received from a related company*	–	2,047
Guarantee fee paid to a related company*	–	2,304

\* A related company represents a joint venture of a major shareholder.

### (b) Compensation of key management personnel

During the reporting period, the remunerations of key management personnel which represent the directors of the Company and senior management were as follows:

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Salaries and other allowances	2,210	1,897
Retirement benefit scheme contributions	150	116
	<b>2,360</b>	<b>2,013</b>

The remuneration of directors of the Company is determined having regard to the performance of individuals and market trends.