RONGZHONG

China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03963

2017
Annual Report

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Corporate Information

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 (resigned on 3 July 2017)
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 (resigned on 3 July 2017)
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 (resigned on 3 July 2017)
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

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

COMPLIANCE ADVISOR

Alliance Capital Partners Limited

RESULTS

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**183,746**	205,010	226,943	220,376	181,818
(Loss) profit before taxation	**(236,609)**	74,181	91,764	94,501	89,263
Taxation	**(40,551)**	(22,587)	(26,201)	(24,253)	(22,221)
(Loss) profit for the year	**(277,160)**	51,594	65,563	70,248	67,042
Other comprehensive (expense) income	**(49,978)**	(42,871)	–	11,193	–
Total comprehensive (expense) income for the year	**(327,138)**	8,723	65,563	81,441	67,042

ASSETS AND LIABILITIES

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,505,163**	2,018,212	2,082,113	1,999,383	1,878,165
Total liabilities	**(989,503)**	(1,175,414)	(1,472,727)	(1,455,560)	(1,436,236)
Total equity	**515,660**	842,798	609,386	543,823	441,929

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 hereby to present the annual results of the Group for the year ended 31 March 2017 (the "Reporting Period") to the shareholders of the Company (the "Shareholders").

During the year, we continued to strive to maintain our operations at a similar level in comparing to the previous year, although we were able to accomplish part of our development plan and entered into a few relatively new industries which required financial leasing as an alternative funding source; we saw the volatile economic environment continued to exert its material impact on many small and medium sized enterprises (the "SME"); and as a result, the Group's operation was also affected. Nevertheless, during the year, the Group continued to improve its internal management structure, placed stronger focus on risk control and mitigate credit risks, in order to safeguard the Group's assets and positively respond to the adverse economic and industrial environment. The Group continued to adopt a prudent and conservative approach to promote business and select customers of high caliber and creditability. In addition, we have initiated a few finance lease restructuring for customers with exceptionally high creditability, during the process we have secured additional collateral from these customers in order to minimize our risk.

Looking forward in 2017, the Group is likely to face more challenges from the overall protracting economic downturn, leading to the possibility of deterioration of assets quality and short-term liquidity, which in turn creates higher risks for our existing customers as well as the difficulties on risk assessments towards possible new business opportunities. However, with various regional stimulus policies being implemented in the Hubei province, the management is confident with the future development of the Group in spite of the macro-economic downturn and the intensifying competition in the industry. While enforcing stringent risk management procedures, the Group will make continuous effort to further develop its operations in Hubei Province and will continue to strengthen its competitive position in other regions in the People's Republic of China ("PRC") with similar dynamics to Wuhan and Hubei Province.

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, 29 June, 2017

BOARD OF DIRECTORS

Executive Directors

Mr. XIE Xiaoqing ("Mr. Xie"), aged 57, is the founder of our Group. He was appointed as an Executive Director (as defined herein) and the chairman of our Company on June 23, 2015 and is primarily responsible for our Group's development, strategic planning, positioning and overall operational management. Mr. Xie has over 15 years of experience in investment and finance industry. In 2001, Mr. Xie founded the Rongzhong guarantee companies in the PRC to engage in the provision of loan guarantee services for personal consumption loans. Mr. Xie graduated from Guanming Chinese Medicine University 光明中醫函授大學 in June 1989 and obtained the qualification of senior operator from Hubei Labour Department in May2000. He is a representative of the 11th and 12th Hubei Provincial People's Congress, the chairman of the Wuhan Pawn Association, an arbitrator of the Wuhan Arbitration Commission, a member of the board of directors of Wuhan University and the head of the Beijing Success Cultural Exchange Centre (Central China area).

Mr. Xie is interest in and also the sole director of Capital Grower Limited, Clifton Rise International Limited and Yong Hua International Limited, all being companies which had interests in the shares of the Company ("Shares"). Mr. Xie was taken to be interested in a total of 51,207,600 underlying Shares within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("SFO").

Save as disclosed in this annual report, Mr. Xie does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

Mr. YAO Feng ("Mr. Yao"), aged 42, was appointed as an Executive Director (as defined herein) on 29 August, 2016 and the chief executive officer and a member of the Risk Management Committee (as defined herein) of our Company on September 1, 2016 and he is primarily responsible for our Group's development, strategic planning, positioning and overall operational management. Mr. Yao first graduated from Central China Normal University in June 1995 majoring in economics management, then in June 1997 majoring in computer technology and application. In June 1997, he graduated from Zhongnan University of Economics majoring in business administration. In August 2004, he obtained the qualification of senior operator from the Hubei Labour and Social Security Department. Before joining the Group, Mr. Yao worked as an administrative management officer for Zhongxing Electric Appliances Factory from 1996 to 1997, from 1998 to 1999 he worked as a manager assistant for Wuhan Xinhongeng Trading Co., Ltd. and from 2000 to 2001 he worked in the sales department of Zhangjiang Securities Co, Ltd.

Mr. Yao first joined Rongzhong PRC (as defined herein) as deputy general manager on May 2010 and was appointed as the chief risk officer on November 2015. Mr. Yao was responsible for overseeing the risk management and asset preservation of our Group as well as supervising certain sales and development divisions.

Mr. Yao has personal interest in 84,000 Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Yao does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

Non-executive Directors

Mr. DING Chung Keung Vincent ("Mr. Ding"), aged 47, was appointed as a Non-executive Director (as defined herein) on June 23, 2015 and resigned as a Non-executive Director with effect from 3 July 2017. Mr. Ding was primarily responsible for advising on strategic development and corporate governance of our Group. Mr. Ding graduated from The Chinese University of Hong Kong in 1991 with a bachelor degree in business administration, he is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ding has more than 20 years of experience in investment, audit and finance industries.

During the Reporting Period, Mr. Ding was the director of three (3) subsidiaries of the Company. Mr. Ding is a director of Perfect Honour Limited ("Perfect Honour"), a wholly-own subsidiary of Goldbond Group Holdings Limited ("Goldbond"). Mr. Ding is also an executive director and the chief executive officer of Goldbond, (a company listed on the Stock Exchange of Hong Kong Limited ("Stock Exchange") with stock code 00172) since 2005 and 2010 respectively, and a director of most of Goldbond's subsidiaries.

Mr. Ding was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Ding did not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

Mr. SUN Changyu ("Mr. Sun"), aged 47, was appointed as a Non-executive Director (as defined herein) on October 15, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group.

Mr. Sun graduated from Tsinghua University with a bachelor degree in modern applied physics in 1993 and obtained his master of business administration degree and his doctor of philosophy degree in industrial economics from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in 1998 and 2004 respectively. Mr. Sun has over 15 years of experience in financial industry, he worked in China Construction Bank Hainan Branch as an assistant to the general manager in the technology department from August 1993 to August 2001. In August 2005 to November 2011, Mr. Sun worked firstly as a senior manager in the Renminbi investment management section and then as a senior manager in the project management section of the investment management department of China Life Insurance Company Limited (a company listed on the Stock Exchange with stock code 2628).

Mr. Sun is currently the director of Hony Capital and has been a supervisor of the Bank of Chengdu Co., Ltd. since September 2013. On 28 March 2017, Mr. Sun was appointed as the director of the Shanghai SMI Holding Co., Ltd (a company listed on the Shanghai Stock Exchange with the stock code SHSE: 600649).

Mr. Sun was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Sun does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

Ms. WONG, Jacqueline Yue Yee ("Ms. Wong"), aged 31, was appointed as a Non-executive Director (as defined herein) on June 23, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group. Ms. Wong graduated from the University of Southern California in May 2007 with a bachelor of arts degree in political science. Since 2014, Ms. Wong has been an executive director of Wah Link Investments Limited, a company which principally engaged in property investment and her role in Wah Link Investments Limited mainly involves acquiring, managing and maintaining residential and commercial real estate projects in Asia and in United States.

Ms. Wong is interested in Legend Crown International Limited and Plenty Boom Investments Limited which had interest in the shares of the Company. Ms. Wong is also the founder of a discretionary trust and the beneficiary of a trust. Ms. Wong was taken to be interested in a total of 164,040,145 underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Ms. Wong does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

Independent Non-executive Directors

Mr. DUAN Chang Feng ("Mr. Duan"), aged 65, was appointed as an Independent Non-executive Director (as defined herein) on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Duan has 20 years of experience in banking and finance industries. From December 1992 to July 2012, he worked for China Merchants Bank first as the deputy general manager of the administration department (head office) and later as the president of several branches and sub-branches.

Mr. Duan was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Duan does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

Mr. NIE Yong ("Mr. Nie"), aged 55, was appointed as an Independent Non-executive Director (as defined herein) on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Nie has over 18 years of experience in audit and finance. He completed the associate degree programme in industrial accounting from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in July 1993 and a bachelor degree in monetary banking from Southwestern University of Finance and Economics in July 1998. From November 1980 to January 1989, Mr. Nie was a soldier with the Wuhan Military. From August 1989 to August 2007, Mr. Nie worked for the Wuhan Office of the China National Audit Office (the "CNAO Wuhan Office") first as an officer and rose to the rank of senior officer in 1994. In December 1995, Mr. Nie was qualified as a statistician by the Middle-Level Qualification Committee of Statistic Profession of Hubei Province. During his service with the CNAO Wuhan Office, Mr. Nie had led and participated in the audit of many state-owned entities and government departments.

Mr. Nie was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Nie does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

Ms. ZOU Lin ("Ms. Zou"), aged 53, was appointed as an Independent Non-executive Director (as defined herein) on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Ms. Zou is a qualified PRC lawyer. Ms. Zou obtained her master degree in civil law from China University of Political Science and Law in November 1999. She is also an arbitrator of Wuhan Arbitration Committee and a qualified tax agent. From October 1982 to June 1990, Ms. Zou worked for the Wuchang Branch of Wuhan Bureau of Public Security. From June 1990 to August 1994, Ms. Zou worked for the Department of Justice in Hubei Province.

Ms. Zou has been working in Hubei Pengzhan Law Office as a lawyer since September 2000. Ms. Zou was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Ms. Zou does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited (“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 OF DIRECTORS

During the Reporting Period, 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).

Composition

During the Reporting Period and up to the date of this report, the composition of the Board is as follow:

Executive Director and Chairman

Mr. Xie Xiaoqing

Executive Director and Chief Executive Officer

Mr. Li Fan (resigned on 1 September 2016)
Mr. Yao Feng (appointed on 29 August 2016 and 1 September 2016 respectively)

Non-executive Directors

Mr. Ding Chung Keung Vincent (resigned on 3 July 2017)
Mr. Sun Changyu
Ms. Wong Jacqueline Yue Yee

Independent Non-executive Directors (“INEDs”)

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

Responsibilities of the Board

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 monitoring the Company’s business and affairs and ultimately responsible for the 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 managements (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 Chief Executive Officer and Senior Management are responsible for the day-to-day operations of the Group under the leadership of the Chairman.

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. The Board received from each of the INEDs a written annual confirmation of his/her independence in compliance with guidelines set out in Rule 3.13 of the Listing Rules. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his/her independence. The Company is of the view that all INEDs meet the independence guidelines as set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

Non-executive Directors

Each of the Non-executive Directors 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.

Board Meetings and Attendance

In accordance with Appendix 14 of the Listing Rules, Code Provision A1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with actively participation of a majority of the Directors, either in person or through other electronic means of communication.

During the Reporting Period, the Company did not hold any extraordinary general meeting ("EGM").

During the Reporting Period, the Board held four regular Board meetings and one annual general meeting ("AGM").

During the Reporting Period, the record of each Director attended/being eligible to attend, at the Board meetings, general meetings and committee meetings are set out below:

Directors	Regular Board Meeting	AGM	EGM	Nomination Committee	Remuneration Committee	Audit Committee	Risk Management Committee
Executive Director and Chairman							
Mr. XIE Xiaoqing	4/4	1/1	N/A	1/1	N/A	N/A	2/2
Executive Director and Chief Executive Officer							
Mr. LI Fan (resigned on 1 September 2017)	2/2	1/1	N/A	N/A	N/A	N/A	1/1
Mr. YAO Feng	2/2	1/1	N/A	N/A	N/A	N/A	1/1
Non-executive Directors							
Mr. DING Chung Keung Vincent (resigned on 3 July 2017)	4/4	1/1	N/A	N/A	2/2	2/2	N/A
Mr. SUN Changyu	4/4	1/1 (Note 1)	N/A	1/1	2/2	2/2	N/A
Ms. WONG Jacqueline Yue Yee	4/4	1/1	N/A	N/A	N/A	N/A	N/A
Independent Non-executive Directors							
Mr. DUAN Chang Feng	4/4	1/1	N/A	1/1	2/2	2/2	2/2
Mr. NIE Yong	4/4	1/1	N/A	1/1	2/2	2/2	2/2
Ms. ZOU Lin	4/4	1/1	N/A	1/1	2/2	2/2	2/2

Note 1: Mr. Sun had appointed a representative to attend this meeting on his behalf during his absence.

The Board having considered the attendance records of the Directors is satisfied that each Director spends sufficient time performing his/her responsibilities.

Induction and Continuous Professional Development

The Company encourages all Directors to participate in continuous professional development to further enhance and refresh their knowledge and skills, as well as to receive updates on developments in corporate governance practices. In addition, every newly appointed director is provided with a package comprising the induction materials such as the duties and responsibilities of directors under the Listing Rules and the Chapter 622 of the Laws of Hong Kong ("Hong Kong Companies Ordinance"), guidelines for directors issued by the Companies Registry of Hong Kong, legal and other new regulatory requirements and the governance policies of the Company. During the Reporting Period, one Director was appointed and the Company has arranged briefings given by external legal counsel to the new Director.

The Directors received the following training for the year ended 31 March, 2017 (based on the records provided by the Directors):

Directors	Reading materials/ regulatory updates/ management monthly updates	Attending seminars
Executive Director and Chairman		
Mr. XIE Xiaoqing	✓	✓
Executive Director and Chief Executive Officer		
Mr. YAO Feng	✓	✓
Non-executive Directors		
Mr. DING Chung Keung Vincent (resigned on 3 July 2017)	✓	✓
Mr. SUN Changyu	✓	✓
Ms. WONG Jacqueline Yue Yee	✓	✓
Independent Non-executive Directors		
Mr. DUAN Chang Feng	✓	✓
Mr. NIE Yong	✓	✓
Ms. ZOU Lin	✓	✓

Directors' Securities Transactions

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' Insurance

The Directors and officer are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the Directors and officers of the Company. The Directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

Directors' Remuneration

The remuneration of Directors is determined by the Board based on the recommendation of the Remuneration Committee of the Company with reference to their respective duties and responsibilities within the Group and the benchmarks from similar position and prevailing market conditions.

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 March 2017 is set out below:

Name of Directors	Directors' Fee HK$'000	Retirement benefit scheme contributions HK$'000	Other emoluments mainly salaries and other benefits HK$'000	Total HK$'000
For the year ended 31 March 2017				
Executive Directors:				
Mr. Xie Xiaoqing	176	48	1,002	1,226
Mr. Li Fan (Note i)	131	18	288	437
Mr. Yao Feng (Note ii)	–	15	301	316
Non-executive Directors:				
Mr. Sun Changyu	240	–	–	240
Mr. Ding Chung Keung Vincent (Note iii)	240	–	–	240
Ms. Wong, Jacqueline Yue Yee	240	–	–	240
Independent Non-executive Directors:				
Mr. Nie Yong	240	–	–	240
Mr. Duan Chang Feng	240	–	–	240
Ms. Zou Lin	240	–	–	240
	1,747	81	1,591	3,419

Notes:

(i) Mr. Li Fan resigned as Executive Director and Chief Executive Officer of the Company on 1 September 2016. He was the Chief Executive Officer of the Company during 1 April 2016 to 1 September 2016 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer during his tenure.

(ii) Mr. Yao Feng was appointed as Executive Director on 29 August 2016 and Chief Executive Officer of the Company on 1 September 2016 and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

(iii) Mr. Ding Chung Keung Vincent resigned as a Non-executive Director with effect from 3 July 2017.

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 include 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. During the Reporting Period and 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. Mr. Ding Chung Keung Vincent has ceased to be a member of the Audit Committee with effect from 3 July 2017.

A meeting of the Audit Committee, the management of the Company and the external auditor of the Company was held to review the accounting principles and policies adopted by the Group; the financial reporting matters and the audited results of the Group for the Reporting Period and proposed adoption of the same by the Directors.

During the Reporting Period, the Company held a total of two Audit Committee meetings in June and November 2016 respectively. The attendance records are set out under the section headed "Board Meetings and Attendance" in this report.

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.

During the Reporting Period, one Nomination Committee meeting were held in August 2016, among other matters, to make recommendations to the Board on appointment of Executive Director and Chief Executive Officer; and to review the structure, size and composition of the Board. The attendance records are set out under the section headed "Board Meetings and Attendance" in this report.

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 include 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. During the Reporting Period and 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. Mr. Ding Chung Keung Vincent has ceased to be a member of the Remuneration Committee with effect from 3 July 2017.

During the Reporting Period, the Company held two Remuneration Committee meetings in May and August 2016 respectively, to review the remuneration package of the Board and senior management. The attendance records are set out under the section headed "Board Meetings and Attendance" in this report.

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.

During the Reporting Period, two Risk Management Committee meetings was held in May and December 2016, which among other matters, reviewed and recommended to the Board finance lease arrangement proposal that is RMB100.0M or larger. The attendance records are set out under the section headed "Board Meetings and Attendance" in this report.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The company has appointed Deloitte Touche Tohmatsu ("Deloitte") as the Company's external auditor during the year. The Audit Committee has been notified of the scope, nature and the service charges of the audit and non-audit services performed by Deloitte and considered that these audit and non-audit services have no adverse effect on the independence of Deloitte. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of Deloitte.

The remuneration paid/payable to Deloitte in respect of audit and non-audit services for the year ended 31 March 2017 is set out below:

Nature of services provided by Deloitte	**Amount of Fees** HK$'000 approximately
Audit fee for final results	800
Fee for review of interim results	280
Total	1,080

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for each financial period with a true and fair presentation of the financial position of the Group. The Company's financial statements are prepared in accordance with all statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and the related interpretations, adjustments and estimates made are prudent and reasonable and have prepared the accounts on a going concern basis. The Directors are aware of conditions indicating to the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as going concern. The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain an effective risk management and internal control system in order to safe guard the Group's assets and investments and the Shareholders' interest. During the Reporting Period, the Board had conducted review of the effectiveness of the risk management and internal control system of the Company in aspects of the Group's financial, operational, compliance controls and risk management functions before the date of this report through effort of the Audit Committee.

The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's internal control system was in place and effective.

COMPANY SECRETARY

On 19 October 2015, Mr. Wong Tsz Lun, was appointed as the Company Secretary of the Company, is a full time employee of the Group and has substantial knowledge of the Company's day-to-day affairs. For the Reporting Period ended 31 March 2017, Mr. Wong had complied with Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training.

SHAREHOLDERS' COMMUNICATION POLICY

The Company adopted a shareholders' communication policy on 18 December 2015. Under this policy, the Company communicates with its shareholders and the investment community through various means: timely publication of the Company's interim and annual financial reports, annual general meetings and other general meetings that maybe convened, making available all the disclosures submitted to the Stock Exchange and any of the Company's corporate communications and publications on the Company's website.

The annual general meeting and other general meetings of the Company are a primary forum for communication between shareholders and the Board. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Company's articles and the Listing Rules and the Company encourages its Shareholders to attend and participate in general meetings. The Chairman of the Board and other chairmen of all the Board committees, or their delegates, and external auditor will attend the annual general meeting to answer any questions from shareholders.

SHAREHOLDERS' RIGHTS

– **Procedures for shareholders to convene extraordinary general meetings**

  Pursuant to Article 64 of the Articles, one or more shareholder(s) holding not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the board of directors or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition (the "Requisition").

The Requisition shall be made either in hard copy form by post to the Company's principal place of business in Hong Kong at Unit 417, 4/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong for the attention of the Board of Directors/Company Secretary or in electronic form by email to: kennethwong@rongzhong.cn.

Pursuant to Article 64 of the Articles, the Board is required to hold the extraordinary general meeting within two months after the deposit of the Requisition.

Pursuant to Article 64 of the Articles, if the Board fails to proceed to convene the general meeting within 21 days of the deposit of the Requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed toe the requisitionist(s) by the Company.

– **Procedures for shareholders to raise enquiries**

Shareholders shall direct their questions about their shareholdings, share transfer, share registration and payment of dividend to Tricor Investor Services Limited ("Tricor"), the Company's Hong Kong share registrar. Contact details of Tricor are set out below:

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Telephone: +852 2980 1333
Fax: +852 2810 8185

Shareholders may at any time raise any enquiries in respect of the Company at the following designated contacts, correspondence address, email address an enquiry hotlines of the Company:

Address: Unit 417, 4/F., Tower 2, Lippo Centre, 89 Queensway, Hong Kong
Email: kennethwong@rongzhong.cn
Telephone: +852 2899 2189
Fax: +852 2899 2029
Attention: Company Secretary/Board of Directors

Shareholders are reminded to lodge their enquiries together with their detailed contact information as it deems appropriate for prompt responses from the Company.

As a channel to promote effective communication, the Group maintains a website at www.chinarzfh.com where information on the Company's announcements, financials information and other information are posted.

– **Procedures for shareholders to put through proposals at general meetings**

Pursuant to Article 113 of the Articles, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the Company's headquarter. The period for lodgment of the notices required under this Article will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least seven days.

The Directors of the Company hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The Group is engaged in the provision of financial leasing services in Hubei Province, PRC, with the longest operating history amongst Hubei-based financial leasing companies.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Board of Directors does not recommend the payment of any final dividend for the year ended 31 March 2017.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and the published prospectus of the Company dated 18 January 2016 (the "Prospectus"), are set out on page 3. This summary does not form part of the audited consolidated financial statements.

EQUIPMENT

Movements in equipment are set out in note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2017 are set out in note 22 to the consolidated financial statements.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2017.

RESERVES AND DISTRIBUTABLE RESERVES

Details of movements in the reserves and distributable reserves of the Company during the year ended 31 March 2017 are set out in note 32 to the consolidated financial statements. As at 31 March 2017, details of movements in the reserves and distributable reserves of the Group is set out in the consolidated statement of changes in equity on page 50.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2017 are set out in note 23 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, our five largest customers accounted for approximately 43.8% (2016: approximately 46.7%) of the Group's total revenue and our largest customer accounted for approximately 21.2% (2016: approximately 18.8%) of our total revenue.

Due to the nature of our business, we do not have any significant contribution from major suppliers during the normal course of our business. However, we relied substantially on interest-bearing bank loans to operate our business and we have established strong relationships with various national and local commercial banks.

To the knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the Shareholders of the Company who own more than 5% of the Company's issued shares has any interest in any of the Group's five largest customers or suppliers or lenders.

DIRECTORS AND SERVICE CONTRACTS

During the Reporting Period and up to the date of this report the composition of the Board of Directors is as follow:

Executive Directors

Mr. Xie Xiaoqing
Mr. Li Fan (resigned on 1 September 2016)
Mr. Yao Feng (appointed on 29 August 2016)

Non-executive Directors

Mr. Ding Chung Keung Vincent (resigned on 3 July 2017)
Mr. Sun Changyu
Ms. Wong Jacqueline Yue Yee

Independent Non-executive Directors

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

Pursuant to article 108 of the articles of association of the Company (the "Articles"), Messrs. Yao Feng, Sun Changyu, and Duan Chang Feng shall retire from the Board at the forthcoming 2017 annual general meeting (the "2017 AGM"). All retiring Directors, being eligible and offering themselves for re-election at the 2017 AGM. Details of the retiring Directors standing for re-election are set out in the circular to the Company's shareholders sent together with this report.

The Company has received, from each of the Independent Non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

None of the Directors being proposed for re-election or election at the 2017 AGM has or will have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Changes of Directors

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

With effect from 3 July 2017, Mr. Ding Chung Keung Vincent, the former Non-executive Director, a member of the Audit Committee and the Remuneration Committee of the Company, submitted a written resignation to resign as an Non-executive Director of the Company and has ceased to be a member of the Audit Committee and the Remuneration Committee of the Company due to his decision to devote more time to his other business engagements.

INDUSTRY OVERVIEW

2016 was filled with the ampleness of political surprises across the globe, casting an even greater shadow over the economy with more challenges and uncertainties. The market competitiveness, risk management, and various elements such as fund raising channels, leading to product development, driven by sales and receivables, together had shaken up the financial stability of the SMEs; all of which are continuously challenging our SME customers. Despite which, the Chinese government had actively implemented a series of macro-economic policies to maintain the stability and progressive development momentum of the overall economy in China.

Following the document issued by the Office of the State Council in 2015 in regards to the guidance on accelerating the development of the leasing industry in PRC, the Hubei Provincial People's Government had issued an opinion on accelerating the development of financial leasing industry in the second quarter of 2016, with the aim to fully support and speed up the process of implementation towards the opinion issued by the central government. The Hubei Provincial People's Government had issued a series of policy measures including the improvement of the financial leasing related tax policies, in addition encouraging financial institutions to cautiously and gradually increase financial supports and additional financing channels to the related enterprises within the financial leasing industry while thoroughly assessing the underlying risks factors in order to maintain a healthy and stable growth.

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. The Group mainly offers two categories of financial leasing services to our customers; namely: (i) sales and leaseback; and (ii) direct financial leasing. In addition, value-added services such as advisory and consultancy services are also offered to our finance lease customers.

FINANCIAL REVIEW

The following discussion and analysis 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 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. 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$183.7 million, representing a decrease of approximately 10.4% from approximately HK$205.0 million as recorded in the previous corresponding period ended 31 March 2016. This was mainly due to the Group's prudent and conservative strategy to promote business during the static economy in order to safeguard our asset.

Staff costs

Staff costs of the Group amounted to approximately HK$9.2 million for the Reporting Period, representing a decrease of approximately 5.3% from approximately HK$9.7 million recorded in the previous corresponding period ended 31 March 2016. This was mainly due to decrease in the number of staffs.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$26.6 million, which is decreased by approximately 16.5% compared with approximately HK$31.9 million recorded in the corresponding period last year. This was mainly due to non-recurring listing expenses recorded in previous corresponding period in 2016.

Impairment losses on finance lease receivables

The impairment losses on finance lease receivables is approximately HK$333.6 million for the Reporting Period, representing an increase of approximately HK$324.1 million from approximately HK$9.5 million recorded in the previous corresponding period in 2016. Such increase is mainly due to the Group has experienced a significant slow-down in the collection of these receivables in the overall protracting economic down-turn.

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$5.1 million, which is an increase of approximately 45.8% from approximately HK$3.5 million recorded in the previous corresponding period in 2016.

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$59.2 million, representing a decrease of approximately 32.5% from approximately HK$87.7 million in the previous corresponding period. This is mainly due to the decrease in the amounts of bank borrowings.

As at 31 March 2017, the outstanding bank borrowings guaranteed by related parties amount to approximately HK$192.1 million (2016: approximately HK$153.6 million) and the guarantee fee paid to the related parties during the Reporting Period amount to Nil (2016: approximately HK$3.6 million). For further information, please refer to the section headed "Exempt Continuing Connected Transaction", sub-section headed "The Bank Guarantee Agreements" on page 30 of this report.

(Loss) Profit for the year

Loss for the period of the Company amounted to approximately HK$277.2 million, representing a decrease of approximately 637.2% from approximately HK$51.6 million profit recorded in the previous corresponding period ended 31 March 2016. This was mainly due to increase in the recognition of provision for the impairment losses of finance lease receivables.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2017. The proposal is subject to the approval of shareholders of the Company at the 2017 annual general meeting (the "2017 AGM") to be held on 22 August 2017.

Liquidity, financial resources and capital resources

As at 31 March 2017, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK$43.3 million (2016: approximately HK$233.0 million), representing a decrease of approximately HK$189.7 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$101.8 million (2016: approximately HK$729.8 million) and approximately HK$515.7 million (2016: approximately HK$842.8 million).

As at 31 March, 2017 the Group's bank borrowings with maturity within one year amount to approximately HK$675.0 million (2016: approximately HK$353.4 million) and the Group's bank borrowings with maturity exceed one year amount to approximately HK$7.4 million (2016: approximately HK$462.9 million). For particulars of bank borrowings of the Group as at 31 March, 2017, please refer to note 22 of the consolidated financial statements.

Our gearing ratio (total bank borrowings/total equity) as at 31 March 2017 is approximately 132.3% (2016: approximately 96.9%).

Loan receivable

As at 31 March 2017, the unsecured loan receivable to a third party, of HK$10.0 million bearing a fixed interest rate of 10% per annum, was due on 24 May 2017 and extended to 24 March 2018.

Charges on group assets

As at 31 March 2017, the Group's finance lease receivables with an aggregate carrying value of approximately HK$621.8 million (2016: approximately HK$809.9 million) was pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.

Capital commitments

As at 31 March 2017, the Group has no capital commitments (2016: approximately HK$0.2 million).

Employees and remuneration policy

As at 31 March 2017, the Group had 24 staffs located in both Hong Kong and the PRC, their remuneration is determined based on the employees' performance, experience and prevailing industry practices. The Group also offers other benefits such as medical insurance, retirement scheme and training subsidies to our employees.

In Hong Kong, we participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant monthly income subject to a cap, which is currently set at HK$1,500.

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

RISK FACTORS AND MANAGEMENT

Credit risk of SMEs in China

Our business is positioned to fulfill the financing needs of SMEs in Hubei Province of the PRC and the sustainability of our business and future growth depend on our ability to manage our credit risk effectively. As such, any deterioration in our asset quality or collectability of our finance lease receivables could adversely affect our business, prospects and financial conditions. Due to the continuation of downturn economic pressure in PRC, it is inevitable for some corporations to face with a greater risk on default, especially the SMEs. Most SMEs customers in general have less financial resources in terms of capital or fund raising capability when comparing to larger corporations, they are more likely to be adversely affected by changes in market conditions, which poses increasing risk of default to our Group. Our management has been monitoring the changes of our customers' credit risk, and we had, in fact, in some cases requested additional collaterals and pledge assets from customers as a form of additional precautionary measures. We will continue to closely monitor the value of the related leased assets and the collaterals securing our leases, in order to take effective additional precautionary measure to minimize our risk of exposure to such credit risk.

Risk relating to funding sources and interest rate

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

Foreign exchange risk

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

CONTINGENT LIABILITIES

As at 31 March 2017, the Group did not have any material contingent liabilities of guarantees (2016: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control to monitor the on-going compliance with relevant laws and regulations.

Under the Measures of Foreign Investment in the Leasing Industry announced by the Ministry of Commerce of the PRC (the "MOFCOM"), foreign-invested financial leasing companies may:

i) conduct the following business:

- financial leasing business;
- leasing business;
- purchase of domestic and overseas leased assets;
- disposal of the residual value of and maintenance of leased property;
- lease transaction consultancy and security services; and
- other business approved by MOFCOM

ii) may be carry out financial leasing activities by ways of:

- direct leasing;
- sub-leasing;
- sale-leaseback;
- leveraged leasing;
- entrusted leasing; and
- joint leasing

In addition, financial leasing companies shall according to the requirements of MOFCOM, report the relevant data in a timely and truthful manner through the National Finance Leasing Enterprise Management Information System within 15 working days after the end of each quarter, submitting:

i) the statistics on and summary of its operation in the preceding quarter;

ii) the statistics on and summary of its operation in the preceding year

The audited financial and accounting report for the preceding year together with appended notes thereto should also be submitted prior to 30 April of each year. During the year, the operating entity engaged in provision of financial leasing had complied with the above key statutory requirements and restrictions.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 31 March 2017, 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 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

		Number of Shares/underlying Shares				
Name of Director	**Capacity/ nature of interest**	**Personal Interest**	**Corporate Interest**	**Other Interest**	**Total Interest**	**Approximate % of issued shares**
Mr. Xie Xiaoqing	Interest of controlled corporations	–	12,704,220 (Note 1)	–		
			38,503,380 (Note 2)	–	51,207,600	12.41%
Mr. Yao Feng	Beneficial Owner	84,000 (Note 3)	–	–	84,000	0.02%
Mr. Ding Chung Keung Vincent (resigned on 3 July 2017)	–	–	–	–	–	–
Mr. Sun Changyu	–	–	–	–	–	–
Ms. Wong Jacqueline Yue Yee	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. Nie Yong	–	–	–	–	–	–
Ms. Zou Lin	–	–	–	–	–	–

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.

As at 31 March 2017, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 31 March 2017, 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 31 March 2017, 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	(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	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:

1. 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 23 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.

2. 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 23 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.

3. 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.

4. 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 23 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.

5. 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 23 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 31 March 2017, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 31 March 2017, 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.

SUBSIDIARIES

The name of every person who was a director of the Company's subsidiaries (the "Subsidiaries") during the Reporting Period and up to the date of the report and the principal activities of the Subsidiaries were disclosed below.

Name of the Subsidiary	Name of Directors	Principal Activities
Rongzhong Capital Holdings Limited ("Rongzhong Capital")	Wong Charles Yu Lung Ding Chung Keung Vincent (resigned on 3 July 2017) Chen Shuai Xie Xiaoqing	Investments holdings
Rongzhong International Finance Lease Holdings Limited ("Rongzhong HK") 融眾國際融資租賃集團有限公司	Wong Charles Yu Lung Ding Chung Keung Vincent (resigned on 3 July 2017) Chen Shuai Xie Xiaoqing Wong Emilie Hoi Yan	Investment holding
Rongzhong International Financial Leasing Co., Ltd ("Rongzhong PRC") 融眾國際融資租賃有限公司	Ding Chung Keung Vincent (resigned on 2 July 2017) Chen Shuai Xie Xiaoqing Wong Emilie Hoi Yan Cai Hanming	Provision of financial leasing services

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year end 31 March 2017, the following Directors declared their interest in the following companies with business which may compete or may likely to compete, either directly or indirectly, with the business of the Group:

Name of Directors	Name of Companies	Nature of Business Considered to Compete or Likely to Compete with the Business of the Group	Nature of Interest of the Directors in the Companies
Xie Xiaoqing	Rongzhong Group Limited and its subsidiaries *Note 1*	Investment holding	Having certain deemed interest and a director of Rongzhong Group Limited and certain of its subsidiaries
	Rongzhong Capital Investments Group Limited	Provision of financial consultancy/advisory service and project financing.	Having certain deemed interest and a director of Rongzhong Capital Investment Group Limited and its subsidiaries

Name of Directors	Name of Companies	Nature of Business Considered to Compete or Likely to Compete with the Business of the Group	Nature of Interest of the Directors in the Companies
Ding Chung Keung Vincent (resigned on 3 July 2017)	Goldbond Group Holdings Limited and its subsidiaries	Provision of non-bank financial services to SME in China	A director, chief executive officer and directors of certain of its subsidiaries
	Rongzhong Group Limited and its subsidiaries Note 1	Investment holding	A director of Rongzhong Group Limited (resigned on 3 July 2017) and certain of its subsidiaries
	Rongzhong Capital Investments Group Limited and its subsidiaries	Provision of financial consultancy/advisory service and project financing.	A director of Rongzhong Capital Investments Group Limited and certain of its subsidiaries
Sun Changyu	Hony Capital Fund 2008, L.P.	Private equity firm engaged in investment holding	Managing Director
	Rongzhong Group Limited and its subsidiaries Note 1	Investment holding	A director of certain subsidiaries of Rongzhong Group Limited
	Rongzhong Capital Investments Group Limited and its subsidiaries	Provision of financial consultancy/advisory service and project financing.	A director
Wong Jacqueline Yue Yee	Legend Crown International Limited	Investment holding	Having certain deemed interest and a director
	Plenty Boom Investments Limited	Investment holding	Having certain deemed interest and a director

Note 1: As at 31 March 2017, Rongzhong Group Limited is owned as to 40% by Goldbond through Perfect Honour, 40% by Hony Capital through Silver Creation, approximately 12.42% by Yong Hua, approximately 3.79% by Legend Crown and approximately 3.79% by Plenty Boom.

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, 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, 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 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 "融眾" under their name, Rongzhong Group and Rongzhong Internet will license the use of such other registered trademarks to Rongzhong Capital and its affiliates by entering into a separate licence agreement with Rongzhong Capital on the same terms and conditions as the Trademarks Licence Agreements. The Trademarks Licence Agreements are terminable in the event that the trademarks listed therein have been legally transferred to Rongzhong Capital or upon the winding-up or liquidation of Rongzhong Capital or otherwise agreed by the parties in writing.

Finance Lease Guarantee Agreements

For all our financial leasing arrangements, in addition to the leased assets, we normally require our customers to provide additional securities to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the "Additional Assets") as we are a wholly-foreign invested financial leasing entity. In this regard, our main operating entity, Rongzhong PRC 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" and each a Finance Lease Guarantee Agreement) pursuant to which Wuhan Rongzhong and Wuhan Jinhong acted as a guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance lease agreement entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinghong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

Litigation Guarantee Framework Agreements

Legal proceedings arising in the ordinary course of our operations generally involve claims initiated by us to recover lease payments from our customers. In some cases, we have applied to the PRC courts to freeze the assets of our customers in order to recover the outstanding lease payments due to us (the "Freezing Application"). Under the applicable PRC laws and regulations, we are required to provide a guarantee to the PRC courts in respect of the Freezing Application. In this regard, Rongzhong PRC, entered into a litigation guarantee framework agreement with each of Wuhan Jinhong and Wuhan Rongzhong, collectively as the "Litigation Guarantee Framework Agreements" on 29 December 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 28 December 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.

On 31 March 2017, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantee in favor of the bank for its grant of loan to Rongzhong PRC, such guarantees expire two years upon the settlement of the loan and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 31 March 2017, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for its grant of loans to the Rongzhong PRC.

Guarantor(s)	As at 31 March 2017	As at 31 March 2016
	(HK$' million approximately)	
Mr. Xie	192.1	153.6
Rongzhong Capital Investments	192.1	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 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.

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 are 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.

Save as disclosed in this annual report, there has been no other transaction, arrangement or contract of significance subsisting during the Reporting Period in which a Director or an entity connected with a Director is or was either directly or indirectly materially interested in.

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 provisions of Chapter 17 of the Listing Rules.

Purpose

The purpose of the Share Option Scheme is to provide any director and full-time employees of any member of our Group (the "Participant(s)") with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Share Option Scheme will provide the Company with a flexible means of retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Participants.

Eligible participants to the share option scheme

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, the Board may offer to grant an option to any Participant as the Board may in its absolute discretion select.

Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of our Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine. No offer shall be made and no option shall be granted to any Participant after inside information has come to the Company's knowledge until it has announced the information. In particular, the Company shall not grant any option during the period commencing one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the Listing Rules); and

(b) the deadline for our Company to publish an announcement of, its results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. For the avoidance of doubt, the period during which no option shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

Payment on acceptance of option offer

An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date of the offer. HK$1.0 is payable by the Grantee to our Company on acceptance of the offer of the option.

Subscription price

The subscription price in respect of any particular option shall be such price as the Board may in its absolute discretion determine and notified to the Participant in the offer letter at the time of grant of the relevant option but the subscription price shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

Option period

The period within which the Shares must be taken up under an option shall be the period of time to be notified by the Board to each Grantee at the time of making an offer, which shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed ten years from the date of grant of the relevant option.

Exercise of option

An option may be exercised in accordance with the terms of the Share Option Schemes at any time during a period as the Board may in it absolution discretion determine which shall not be more than ten years from the date of grant of the option and the Board may at its discretion determine the minimum period for which the option has to be held for restrictions before the exercise of the subscription right attaching to an option.

Maximum entitlement

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including exercised, cancelled and outstanding options) in any 12 months period shall not exceed 1.00% of the Shares in issue.

Remaining life of the Share Option Scheme

The remaining life of the Share Option Scheme is approximately 8 years.

Present status of the Share Option Scheme

As at the Latest Practicable Date, there were no options outstanding under the Share Option Scheme nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme. The Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme shall not exceed 10% of the aggregate of the Shares in issue, being 40,000,000 Shares in total.

EQUITY-LINKED AGREEMENTS

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

PERMITTED INDEMNITY AND PROVISION

Pursuant to Article 191 of the Articles, the Directors, managing directors, alternate Directors, auditors, secretary and other officers of the Company acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, breach of duty, recklessness or breach of trust proven against them.

The Company has taken out and paid the premium and other moneys for the maintenance of insurance for the benefit either of the Company, the Directors and/or other officers to indemnify the Company, the Directors and/or other officers named therein for the purpose against any loss, damage, liability and claim which they may suffer or sustain in connection to any Directors and/or other officers carrying out their duties as Directors and/or officers of the Company. The Directors and/or officers shall not be indemnified where there is any fraud, dishonesty, breach of duty, recklessness or breach of trust proven against them.

CORPORATE GOVERNANCE

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the CG Code as set out in Appendix 14 to the Listing Rules. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report Contained in this annual report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles or the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and within the knowledge of the Directors, the Company has sufficient public float as required under Rule 8.08 of the Listing Rules.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

PROSPECTS

Looking forward in 2017, the Group is likely to face more challenges from the overall protracting economic downturn, which also continued to affect many corporations and SMEs with short term liquidity pressure due to the tightening of credit policies and collections on receivables. As our business operation relies substantially on interest-bearing bank loan, during the cycle of the interest rate hike, it is likely that either the Group's borrowing cost will increase or we can minimize our interest rate risk exposure by shifting this increase in cost to our clients. This in turn will create a greater short-term funding pressure for our customers.

Despite these challenges and uncertainties, the Company will strive to uphold our high standards in management as to maintain our leading position among the industry.

On behalf of the Board

Xie Xiaoqing
Chairman of the Board

Wuhan, 29 June 2017

Environmental, Social and Governance Report

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

The Group values the importance of sustainable development and is committed to responsible operation and value creation for stakeholders and community by integrating environmental and social factors into its management considerations. Sustainability strategy is based on the compliance of the legal requirements applicable to us and opinions from stakeholders and is crucial for the Group's growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor the risks related to environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this Report.

ABOUT THIS REPORT

China Rongzhong Financial Holdings Company Limited (the "Company" together with its subsidiaries as the "Group") is pleased to present the first Environmental, Social and Governance Report (the "Report") to provide an overview of our commitment in achieving environmental, social and governance goals through our sustainability pillars and provide information on the policies and practices implemented.

Preparation Basis and Scope

This Report is prepared in accordance with Environmental, Social and Governance ("ESG") Reporting Guide set out by Appendix 27 of the Main Board Listing Rules and has complied with the "comply or explain" provisions. It summarizes the Group's performance in respect of corporate social responsibility during the Reporting Period, covering the Group's core businesses – provision of financial leasing services in the People Republic of China ("PRC"). The Group will continue to optimize and improve the disclosure of indicators. This Report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This Report demonstrates our sustainability initiatives during the Reporting Period from 1 April 2016 to 31 March 2017.

Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us by email to kennethwong@rongzhong.cn.

STAKEHOLDERS ENGAGEMENT

Stakeholders engagement is essential to the formulation of strategies for sustainable development. It allows the Group to understand risks and opportunities. The Group has identified key stakeholders that are important to our business and established various channels for communication.

Stakeholder	Expectation	Engagement channel
Government	– To comply with the laws – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks, – Research and discussion through work conferences, work reports preparation and submission for approval – Published information on HKEXnews website, such as annual, interim reports and announcements – Company's Website
Shareholders and Investors	– Low risk – Return on the investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders	– Annual general meeting and other shareholder meetings – Published information on HKEXnews website, such as annual, interim reports and announcements – Meeting with investors and analysts
Employees	– Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualization – Health and safety	– Conference – Trainings, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails
Customers	– Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics	– Website, brochures and published information on HKEXnews website, such as annual, interim reports and announcements – Email and customer service hotline – Feedback forms – Regular meeting
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair, open – Information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process
Peer/Industry Associations	– Experience sharing – Coorporations – Fair competition	– Industry conference – Site visit
Financial Institution	– Compliance with the laws and regulations – Information disclosure	– Consulting – Reports
Public and communities	– Community involvement – Social responsibilities	– Volunteering – Charity and social investment

Key measures to response to the corresponding stakeholders are as follows:

1. **Government**

   The Group has operated, and managed according to laws and regulations, strengthened safety management, cooperating the government's supervision, inspection and evaluation (if any), and actively undertook social responsibilities.

2. **Shareholders and Investor**

   The Group has issued notices of general meeting and proposed resolutions according to regulations, disclosed the Group's information by publishing announcements/circulars and periodic reports. The Group has carried out different forms of investor activities with an aim to improve investors' recognition, such as results briefing. The Group also disclosed its contact details on website and in reports and ensured all communication channels available and effective

3. **Employees**

   The Group has provided a healthy and safe working environment, developed a fair mechanism for promotion, provided communication platforms for employees and organized employee activities

4. **Customers**

   The Group has developed customer feedback system in order to evaluate the service provided.

5. **Suppliers/Partners**

   The Group has invited tenders publicly to select best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors

6. **Peer/Industry Association**

   The Group has stuck to fair play, cooperated with peers to realize win-win, shared experiences and attended about a dozen of seminars of the industry so as to promote sustainable development of the industry.

7. **Financial Institution**

   The Group has complied with regulatory requirements in a strict manner, disclosed and reported true information in a timely and accurate manner according to law.

8. **Public and communities**

   The Group has given priority to local people seeking jobs from the Group so as to promote community building and development and maintained communication channels open between the Group and the communities.

ENVIRONMENTAL ASPECTS

Emissions

The Group is committed to the continuous improvement for our environmental sustainability, we strive to achieve our responsibility to reduce the impact of our operations and minimize the consumption of resources and material during the course of our business.

The Group provides services which mainly involves operations within office premises. The Group's "Environmental Office Practices" encompasses our general approach towards controlling environmental impacts of office activities. The Group's most significant environmental impacts are greenhouse gas ("GHG") emissions from the electricity consumption in our offices. The Group's businesses are mostly carried out locally in offices in Hong Kong and PRC. In line with our policy to minimize emissions, the Group has implemented energy saving practices which are mentioned in the section of "Use of Resources" in order to reduce the GHG emissions. Moreover, offices are equipped with audio conferencing facilities to minimize the need for face to face meetings, keeping business travelling to a minimum and currently only a small percentage of employees travel for business. There are no relevant laws and regulations applicable to our business on this aspect.

Use of Resources

The Group places high priority on the efficient use of resources. As stipulated in the Group's "Environmental Office Practice", the Group strives to improve the efficient use of natural resources, such as minimize waste streams and emissions and implement effective recycling program. Practical measures are implemented as follows:

Paper Saving

We encourage the employee to use both sides of paper and use suitable font size/shrinkage mode to minimise pages, if possible. Besides, electronic media is recommended for circulation/communication, to minimize using paper.

Electricity Conservation

Electrical appliances should be set as energy saving mode where possible. For computers, the idle automatically mode is 20 minutes or less. The room temperature should be set in a range from 20˚C to 26˚C. Also, power supply should be switched off when they are not in use.

Green Pantry

Employee are encouraged to use reusable cutleries, cups and glasses and environmental friendly cleaning products (e.g. biodegradable or phosphate free detergent, refillable soap, etc.).

Materials Re-use and Stationery Conservation

Waste papers are used as fillers for packing and/or reduce using fillers, if possible. Employee should handle and store materials carefully to reduce breakage and wastage. Boxes/fillers/other materials are reused for packaging/storage/delivery. Environmental friendly stationery is suggested to use. Cord binder, envelopes and other materials or stationery should be reused until worn out.

The Environment and Natural Resources

According to the Group's "Environmental Policy", the Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst our customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Emission" and "Use of Resource", the Group strives to minimize the impacts to the environment and natural resources.

SOCIAL ASPECTS

Employment and Labour Practice

Employment

Being in the financial services industry, our employees are our most valuable asset that drives the long-term development and sustainability of the Group. The Group has established and implemented a set of human resources management policies and procedures in place with the aim to provide ideal working environment to its staff in order to comply with local employment laws and regulations, such as Employment Ordinance in Hong Kong, Labor Law of the PRC. The Group's Staff Handbook sets out the Group's standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The remuneration management aims to attract potential employees and motivate current staff. Employees receive social welfare benefits and other benefits. All employees are treated equally and their employment, remuneration and promotion opportunities will not be affected by their nationality, race, age, religion and marital status.

We provide competitive and attractive remuneration package to reward and retain our employees. The package includes basic salary, allowance, Mandatory Provident Fund (MPF) and required social security benefits to variable incentive-based remuneration such as discretionary bonus.

During the Reporting Period, no non-compliance regarding employment brought against the Group or its employees were noted.

Health and Safety

In the daily operation of the Group, there is no significant operational hazards as compared to industries like manufacturing and mining etc. The Group aims to enhance wellness of the employee by providing a harmonious and comfortable environment. The Group has adhered with related laws and regulations, such as Occupational Safety and Health Ordinance in Hong Kong, Law of the PRC on the Prevention and Control of Occupational Diseases. As stipulated in the Group's "Guidelines on Occupational Health and Safety", the Group have implemented measure in the following aspects.

Lighting

Good lighting conditions in the workplace enable the staff to see comfortably and avoid possible danger. Fluorescent lights recessed into the false ceiling and fitted with louver or diffuser to control glare and distribution of light. Blinds or curtains should be used to prevent glare and control the lighting level. Anti-glare filters can be used if necessary to reduce screen reflection and improve visual quality of the display.

Indoor Air Quality and Ventilation

Smoking is prohibited in all workplace and indoor area of the office. The indoor temperature and humidity are controlled in an optimum level to make the workplace more comfortable and help preventing bacteria from flourishing. Air outlets to be cleaned regularly in the office to reduce the dust level of indoor air and increase efficiency of the ventilation system.

Office Furniture/Working Posture

Staffs are provided with adjustable chairs to allow them to adjust the seat height. To enable the staff having a comfortable work office, staffs should assume correct seated posture so as to avoid musculoskeletal injury.

Office Equipment

Carbon powder used in photocopiers may contain harmful substances. During photocopying, it is necessary to place the cover properly to prevent eye irritation from the strong light. All office equipment will be properly maintained in good conditions as well.

Manual Work Handling

Heavy manual work handling relates to moving items either by lifting, lowering, carrying, pushing or pulling. These works should be minimized in the office. Risk assessment should be conducted for unavoidable manual handling operations before it is undertaken.

Others Safety Measures

All the fire safety equipment are checked regularly and complied with the fire safety rules in the office. First aid box has been placed in the office. The items as required to be provided in the first aid box are in compliance with the regulation of Occupational Safety and Health Council as issued by the Labor Department.

During the Reporting Period, there was no related work injuries or fatalities and no legal case regarding health and safety brought against the Group.

Development and Training

The Group provides comprehensive training to employees based on the Group's Staff Handbook and other related internal policies. The Group provides diversified on-the-job training to employees. Orientation training is offered to new employee, skill and attitude training. Orientation training allows new employee to familiar with the corporate culture and the background of the company. Skill and trainings are offered to employee depending on their job duties and the development of the company. Continuous assessment is conducted to keep track on the performance of employee.

The training covers a wide variety of topics in order to cater the needs for employees from different departments. For instance, management skills, filling procedures. The Group believes development of employee is crucial to the sustainable development of the business. The Group will enhance the training system in order to improve the personal development of employee.

Labour Standards

According to the Group's "Code of Conduct" in the Staff Handbook, the Group strives to provide a fair, equal opportunity, respectful and pleasant work environment to all employees. All practices are designed to ensure that all individuals of the corporation are recruited, hired, assigned, trained, promoted, compensated and retained on the basis of their qualifications, experience and/or the terms and conditions, and treated equally in these respects without regard to race, color, creed, religion, sex, sexual orientation, age, marital status, national origin, disability or family status. The Group requires that the office work environment be free from all forms of discrimination and harassment. There is no significant risk related to recruitment of child labour as the Group's business requires employee equipped with specialized skills and adequate educational background. The Group has been in strict compliance with the requirements of the legislation on antidiscrimination in Hong Kong, including Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination and Race Discrimination Ordinance. During the Reporting Period, no non-compliance regarding labour standard brought against the issuer or its employees were noted.

Operating Practices

Supply Chain Management

The Group's business nature is service-orientated. Therefore, we have relatively fewer suppliers and a less complicated supply chain. Our main suppliers are only involved in third-party services providers such as information technology service, property management service, advertising service, legal and consulting service, office equipment, printing and stationery suppliers. The Group has established "Environmental Purchasing Policy" to support the purchase of recycled and environmentally preferred products in order to minimize environmental impacts relating to our work.

The Group has been encouraging our suppliers to use recycled paper to print our annual reports and interim reports and opting the use of sustainable and energy saving electronic appliance with grade 1 energy label in our procurement.

During engagement with new supplier such as new system and software vendor selection, we have policies and procedures to ensure that the new system is compatible with our current system to minimise undesirable replacements and reassure the new system security by multiple rounds of testing. To provide a fair overview on supplier selection, we opt to select more than one supplier for comparison purpose during the primary engagement process.

Product Responsibility

Providing efficient and high-quality service to customers are the utmost concern for the Group. Our aim is for our customers to have confidence in our services, and sufficient information to make informed choices. Therefore, the Group has a set of policies and procedures to oversee and manage issues related to quality management, compliant handling and customer data information protection and privacy.

Quality Management

The Group has established "Quality Management Policy" with aims to add value for our clients through our business processes that support the services offered. To enhance our service quality, the Group collects customers' feedback on services provided and reported to management by designated staff. The Group has also issued operational manual for its staff and organised training sessions to familiarize its staff with the standard operational procedures. The Group is committed to provide quality service to its customers through improving the administrative ability of its senior management and the functional capability of its operation staff.

Customer Data Protection and Privacy

The Group upholds a belief that information security and privacy is the key principle for operation. According to the Group's Staff Handbook, employee is required protect all the customers' information. Information only can be used in authorized business activities. If employee disclose those information to other parties, it is considered as data theft. The related employee's employment will be terminated.

Anti-Corruption

In the Group's "Staff Handbook", one of the most important rules that the Group requires all employee to avoid any relationship, influence, interest or activity that could compromise the best interest of the Group. As part of their responsibility, all employees should avoid any position whereby their judgment, decision or influence on behalf of the Group may give rise to their personal interests, finance and/or other means of interest. They should ensure that dealings with clients, suppliers, contractors, job applicants, colleagues or any other third party are met with good judgment, careful observance of all applicable laws and regulations, and the highest standard of integrity at all times.

As stipulated in the Group's "Whistleblowing Policy", employees could raise concerns about any suspected misconduct or malpractice verbally or in writing. The Group will make every effort to treat all reporting in a strictly confidential manner. The identity of the employee making the report and complaint will not be disclosed without such employee's consent, unless the Group is legally obliged to reveal the employee's identity and other information. In cases of suspected corruption or other criminal offences, a report will be made to the Independent Commission Against Corruption (ICAC) or the appropriate authorities.

The Group has been in strict compliance with Prevention of Bribery Ordinance in Hong Kong, Anti-Unfair Competition Law of the PRC and Anti-Money Laundering Law of the PRC. During the Reporting Period, there was no any legal case regarding corrupt practices brought against the Group or its employees.

Community

Community Investment

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group also actively encourage employees to join various community activities. For instance, employees participated in charity run organized by New World China Land Limited (Wuhan), which aimed to promote exercise and healthy lifestyle, in order to raise fund for the local social welfare center. Recently, the Group has organised a wide variety of sports and art activities for employees, which creates an energetic working environment, strengthens cohesion and sense of belonging of employees.

Furthermore, the Group has made donation of HK$1.0 million to The Community Chest of Hong Kong in 2016. The Group will continue to contribute to the sustainable development of the community by building a healthy and dynamic community.

Deloitte. 德勤

TO THE SHAREHOLDERS 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)

DISCLAIMER OF OPINION

We were engaged to audit the 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 47 to 88, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

We draw attention to note 1 to the consolidated financial statements, which indicates that (a) the Group reported a net loss attributable to the owners of the Company of HK$277,160,000 and had a net operating cash outflow of approximately HK$22,466,000 during the year ended 31 March 2017; (b) the Group's bank borrowings of RMB87,326,000 (equivalent to HK$98,119,000) were overdue as at 31 March 2017; and (c) if this condition were to be identified as an act of default under the relevant cross-default terms contained in the Group's other borrowing agreements, this situation would cause an aggregate amount of borrowings up to RMB479,485,000 (equivalent to HK$538,747,000) to become immediately repayable.

In order to improve its liquidity and financial position, the Group has negotiated with the relevant bank to refinance its existing debts and estimates to obtain a sufficient new banking facility in the near future. The Group has also been negotiating with its other bank to avoid cross-default. However, written and binding new banking facility letter and written agreement of waivers from cross-default have not been executed or received by the Group as at the date of this report.

In addition, we also draw attention to note 16 to the consolidated financial statements which indicates that the majority of the Group's finance lease receivables were past due as at 31 March 2017. The Group has experienced a significant slow-down in the collection of these receivables and an impairment of HK$373,682,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 31 March 2017 have not yet been collected as at the date of this report. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

As stated in note 1 to the consolidated financial statements, should the Group be unable to obtain banking facilities to refinance its existing debt; to obtain a formal waiver of cross-default and to collect a substantial amount of the financial lease receivables, the Group would be unable to meet its financial commitments based on the current level of its cash resources. Due to the significance of the uncertainties associated with this matter, we disclaim our opinion in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA and to issue an auditor's report 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. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Revenue	6	**183,746**	205,010
Other income	7	**5,141**	3,526
Other gains and losses	8	**3,093**	4,402
Staff costs	11	**(9,215)**	(9,727)
Impairment losses on finance lease receivables		**(333,612)**	(9,481)
Other operating expenses		**(26,597)**	(31,852)
Finance costs	9	**(59,165)**	(87,697)
(Loss) profit before taxation		**(236,609)**	74,181
Taxation	10	**(40,551)**	(22,587)
(Loss) profit for the year	11	**(277,160)**	51,594
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(49,978)**	(42,871)
Total comprehensive (expense) income for the year		**(327,138)**	8,723
(Loss) earnings per share			
Basic and diluted (HK cents)	14	**(67)**	16

Consolidated Statement of Financial Position

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Equipment	15	**2,167**	1,292
Finance lease receivables	16	**465,319**	647,370
Deposit for equipment		**–**	437
Deferred tax assets	24	**–**	10,689
		467,486	659,788
Current assets			
Finance lease receivables	16	**970,647**	1,107,846
Loan receivable	17	**10,685**	–
Prepayments and other receivables		**5,654**	10,867
Security deposits	18	**7,435**	6,672
Short term bank deposits with original maturity within three months	19	**30,015**	51,007
Bank balances and cash	19	**13,241**	182,032
		1,037,677	1,358,424
Current liabilities			
Deposits from finance lease customers	16	**207,764**	204,276
Other payables and accrued charges	20	**16,198**	48,178
Deferred income	21	**3,671**	8,360
Tax liabilities		**33,247**	14,325
Bank borrowings	22	**675,003**	353,436
		935,883	628,575
Net current assets		**101,794**	729,849

	Notes	2017 HK$'000	2016 HK$'000
Non-current liabilities			
Deposits from finance lease customers	16	**44,287**	78,551
Deferred income	21	**1,954**	5,349
Bank borrowings	22	**7,379**	462,939
		53,620	546,839
Net assets		**515,660**	842,798
Capital and reserves			
Share capital	23	**4,125**	4,125
Reserves		**511,535**	838,673
Total equity		**515,660**	842,798

The consolidated financial statements on pages 47 to 88 were approved and authorised for issue by the board of directors on 29 June 2017 and are signed on its behalf by:

Mr. Xie Xiaoqing
Director

Mr. Yao Feng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note i)	Statutory surplus reserve HK$'000 (note ii)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2015 (note i)	814	331,439	–	26,936	12,007	238,189	609,385
Profit for the year	–	–	–	–	–	51,594	51,594
Exchange difference arising on translation	–	–	–	–	(42,871)	–	(42,871)
Total comprehensive income for the year	–	–	–	–	(42,871)	51,594	8,723
Transferred to statutory surplus reserve (note ii)	–	–	–	5,117	–	(5,117)	–
Issue of new shares (note 23)	1,125	236,269	–	–	–	–	237,394
Transaction costs attributable to issue of new shares	–	(12,704)	–	–	–	–	(12,704)
Arising from reorganisation (note 23)	1	332,252	(332,253)	–	–	–	–
Issue of shares by capitalisation of share premium account (note 23)	2,999	(2,999)	–	–	–	–	–
Transfers on reorganisation (note i)	(814)	(331,439)	332,253	–	–	–	–
At 31 March 2016	4,125	552,818	–	32,053	(30,864)	284,666	842,798
Loss for the year	–	–	–	–	–	(277,160)	(277,160)
Exchange difference arising on translation	–	–	–	–	(49,978)	–	(49,978)
Total comprehensive expense for the year	–	–	–	–	(49,978)	(277,160)	(327,138)
At 31 March 2017	**4,125**	**552,818**	**–**	**32,053**	**(80,842)**	**7,506**	**515,660**

Notes:

(i) The amounts of HK$814,000 and HK$331,439,000 represented the share capital and share premium, respectively, of Rongzhong Capital Holdings Limited ("Rongzhong Capital"), a subsidiary of the Company, prior to the completion of the group reorganisation. The capital reserve represents the difference between i) the share capital and share premium of Rongzhong Capital and ii) the net asset value of Rongzhong Capital on the date of the group reorganisation.

(ii) 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 year to the statutory surplus reserve until the balance reaches 50% of its registered capital.

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
(Loss) profit for the year	**(277,160)**	51,594
Adjustments for:		
Taxation	**40,551**	22,587
Impairment losses on finance lease receivables	**333,612**	9,481
Impairment losses on other assets	**13,483**	–
Depreciation of equipment	**1,736**	848
Finance costs	**59,165**	87,697
Interest income from loan to a related company	**–**	(3,288)
Interest income from bank deposits	**(201)**	(237)
Interest income from a loan receivable	**(685)**	–
Loss on disposal of equipment	**2**	–
Effect of foreign exchange rate changes	**(3,095)**	(4,402)
Operating cash flows before movements in working capital	**167,408**	164,280
(Increase) decrease in finance lease receivables	**(117,902)**	64,406
(Increase) decrease in security deposits	**(1,581)**	15,977
Decrease (increase) in prepayments and other receivables	**3,836**	(4,898)
(Decrease) increase in other payables and accrued charges	**(31,100)**	40,636
Decrease in amount due to a related company	**–**	(469)
Decrease in deferred income	**(7,546)**	(8,951)
Decrease in deposits from finance lease customers	**(25,422)**	(140,485)
Cash (used in) generated from operations	**(12,307)**	130,496
Enterprise Income Tax paid in the PRC	**(10,159)**	(18,273)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(22,466)**	112,223
INVESTING ACTIVITIES		
Repayments from a related company	**–**	314,178
Interest received from loan to a related company	**–**	3,288
Interest received from bank deposits	**201**	237
Advances of loan receivable	**(10,000)**	–
Purchase of equipment and deposit paid for equipment	**(2,304)**	(558)
Deposits paid for other assets	**(14,285)**	–
Advances to a related company	**–**	(247,583)
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(26,388)**	69,562

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Bank loans raised	**144,944**	254,336
Proceeds from issue of new shares	**–**	237,394
Guarantee fee paid to a related company	**–**	(3,648)
Expenses on issue of new shares	**–**	(12,704)
Interest paid	**(48,487)**	(57,099)
Repayment of bank loans	**(236,368)**	(391,839)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(139,911)**	26,440
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(188,765)**	208,225
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**233,039**	24,531
Effect of foreign exchange rate changes	**(1,018)**	283
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**43,256**	233,039
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**13,241**	182,032
Short term bank deposits with original maturity within three months	**30,015**	51,007
	43,256	233,039

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The principal activities of the Group are provision of financial leasing services in the PRC. Details of the Company's subsidiaries are set out in note 31.

The functional currency of the Company and its subsidiaries (collectively referred to as "the Group") is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollar ("HK$") as the Company is listed on the Hong Kong Stock Exchange.

Going concern basis

For the year ended 31 March 2017, the Group reported a net loss attributable to the owners of the Company of HK$277,160,000 and had a net operating cash outflow of HK$22,466,000. Unrestricted cash equivalents reduced from HK$233,039,000 as at 31 March 2016 to HK$43,256,000 as at 31 March 2017.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that (a) the Group's bank borrowings of RMB87,326,000 (equivalent to HK$98,119,000) were overdue as at 31 March 2017; and (b) if this condition were to be identified as an act of default under the relevant cross-default terms contained in the Group's other borrowing agreements, this situation would cause an aggregate amount of borrowings up to RMB479,485,000 (equivalent to HK$538,747,000) to become immediately repayable.

In addition, as further detailed in note 16, the majority of the Group's finance lease receivables were past due as at 31 March 2017. The Group has experienced a significant slow-down in the collection of these receivables and an impairment of HK$373,682,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 31 March 2017 have not yet been collected as at the date of approval of these consolidated financial statements. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) Negotiation of obtaining banking facilities

The Group has negotiated with the relevant bank to refinance its existing debts and the directors of the Company expect to obtain a new banking facility in the near future for renewal and/or extension of bank borrowings. However, as at the date of approval of these consolidated financial statements, written and binding new banking facility letter has not been executed with the relevant bank by the Group.

(ii) Negotiation of waivers from cross-default

The Group is negotiating with the its relevant bank such that no action will be taken by the relevant bank to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms. However, written agreement of waiver from cross-default has not been obtained by the Group as at the date of approval of these consolidated financial statements.

1. GENERAL AND BASIS OF PREPARATION (continued)

Going concern basis (continued)

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

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

(iv) Implementation of active cost-saving measures

The Group continues to take active measures to control administrative costs through various channels to improve operating cash flows and its financial position.

The directors of the Company consider that after taking into account the successful obtaining of new banking facility in the near future for the renewal and/or extension of bank borrowings; the successful obtaining of the written agreement of waiver from the relevant bank; the implementation of active collecting measures of finance lease receivables; and the implementation of cost-saving measures, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(i) Successful obtaining of sufficient new banking facilities to refinance its existing debts, including those bank borrowings with overdue principals and interests; and

(ii) Successful negotiation with the Group's existing relevant bank such that no action will be taken by the relevant bank to demand immediate repayment of the borrowings in any breach of loan covenants or default, including those with cross-default terms in the borrowing agreement; and

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

Should the Group be unable to achieve the abovementioned plans and measures, it would be unable to meet its financial commitments based on the current level of its cash resources. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts; to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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 Interest in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective which may be relevant to the Group.

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after a 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs issued but not yet effective (continued)

Except as described below, the directors of the Company consider that the application of new and amendments to HKFRSs issued but not yet effective will not have a material impact on the consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which are relevant to the Group are:

All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on analysis of the Group's financial instruments and risk management policies as at 31 March 2017, the finance lease receivables and other financial assets measured at amortised cost, will be subject to the impairment provisions of HKFRS 9. The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its finance lease receivables. In relation to finance lease receivables, whether lifetime or 12-month expected credit losses should be recognised would depend on whether there has been a significant increase in credit risk of these items from initial recognition to the date of initial application of HKFRS 9.

In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors are currently assessing the extent of this impact. In relation to other financial assets and financial liabilities, the directors of the Company anticipate no material impact to these items.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs issued but not yet effective (continued)

HKFRS 15 Revenue from Contracts with Customers and the related Amendments

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs issued but not yet effective (continued)

HKFRS 16 Leases (continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$2,864,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable for services provided in the normal course of business, net of sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Financial leasing services income mainly consists of finance lease income and is recognised over the period of lease (see accounting policy in respect of leasing below). Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Such exchange differences are not reclassified to profit or loss.

Guarantee fee expense

Guarantee fee expense is recognised over the contract period on a time appointment basis.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that related services are rendered at the undiscounted amount of the benefits expected to be paid in exchange of that service.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss/profit before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Equipment

Equipment is stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated financial statements when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are all classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including finance lease receivables, loan receivable, other receivables, security deposits, short term bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, including finance lease receivables, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Individual impairment allowances are assessed by a discounted cash flow method for finance lease receivables that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For certain categories of financial asset, such as finance lease receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities include other payables, deposits from finance lease customers and bank borrowings. These are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of finance lease receivables is HK$ 1,435,966,000 (2016: HK$1,755,216,000), net of impairment allowance of HK$373,682,000 (2016: HK$42,757,000).

5. SEGMENT INFORMATION

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 service 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.

Revenue from customers of the corresponding years contributing over 10% of the total financial leasing services of the Group are as follows:

	2017 **HK$'000**	2016 HK$'000
Customer A	**39,033**	38,449
Customer B	**N/A**[1]	20,746

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. REVENUE

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

7. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
Government grants (note)	**4,070**	–
Interest income from a loan receivable	**685**	–
Bank interest income	**201**	237
Interest income from loan to a related company	**–**	3,288
Others	**185**	1
	5,141	3,526

Note: Government grants were received from the government of the PRC mainly for overseas initial public offerings. These grants are accounted for as financial support with no future related costs expected to be incurred nor related to any assets.

8. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Foreign exchange gain, net	**3,095**	4,402
Loss on disposal of equipment	**(2)**	–
	3,093	4,402

9. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on borrowings	**49,430**	56,577
Imputed interest expense on interest-free deposits from finance lease customers	**9,735**	27,472
Guarantee fee paid to a related company	**–**	3,648
	59,165	87,697

10. TAXATION

	2017 HK$'000	2016 HK$'000
The charge comprises:		
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current year	**30,484**	25,204
– Under (over) provision in prior year	**50**	(247)
– Withholding tax	**–**	1,582
	30,534	26,539
Deferred tax (Note 24)	**10,017**	(3,952)
	40,551	22,587

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

Under the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiary in the PRC is subject to the tax rate of 25% during both years.

No withholding tax has been provided for current year in the consolidated financial statements, and details are set out in note 24.

10. TAXATION (continued)

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017 HK$'000	2016 HK$'000
(Loss) profit before taxation	(236,609)	74,181
Tax at the domestic income tax rate in the PRC of 25%	(59,153)	18,545
Tax effect of income not taxable for tax purposes	(2,609)	(7,690)
Tax effect of expenses not deductible for tax purposes	3,705	11,979
Tax effect of tax losses and temporary differences not recognised	98,558	–
Deferred tax reversed on undistributed earnings of the Group's PRC subsidiary	–	(1,582)
Under (over) provision in prior year	50	(247)
Withholding tax levied on dividend declared	–	1,582
Tax charge for the year	40,551	22,587

11. (LOSS) PROFIT FOR THE YEAR

	2017 HK$'000	2016 HK$'000
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	1,747	459
– Short-term employee benefits	1,591	2,180
– Retirement benefit scheme contributions	81	77
Salaries, allowances and other staff benefits	5,281	6,422
Staffs' retirement benefit scheme contributions	515	589
Total staff costs	9,215	9,727
Depreciation of equipment	1,736	848
Auditor's remuneration	1,080	964
Operating lease rentals in respect of properties	2,266	3,070
Impairment losses on other assets	13,483	–
Listing expenses	–	20,025

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS, AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors and the chief executive

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

Name of directors	Directors' Fee HK$'000	Retirement benefit scheme contributions HK$'000	Other emoluments mainly salaries and other benefits HK$'000	Total HK$'000
For the year ended 31 March 2017				
Executive directors:				
Mr. Xie Xiaoqing	**176**	**48**	**1,002**	**1,226**
Mr. Li Fan (Note i)	**131**	**18**	**288**	**437**
Mr. Yao Feng (Note ii)	**–**	**15**	**301**	**316**
Non-executive directors:				
Mr. Sun Changyu	**240**	**–**	**–**	**240**
Mr. Ding Chung Keung Vincent	**240**	**–**	**–**	**240**
Ms. Wong, Jacqueline Yue Yee	**240**	**–**	**–**	**240**
Independent non-executive directors:				
Mr. Nie Yong	**240**	**–**	**–**	**240**
Mr. Duan Chang Feng	**240**	**–**	**–**	**240**
Ms. Zou Lin	**240**	**–**	**–**	**240**
	1,747	**81**	**1,591**	**3,419**
For the year ended 31 March 2016				
Executive directors:				
Mr. Xie Xiaoqing	219	37	1,043	1,299
Mr. Li Fan	–	40	1,137	1,177
Non-executive directors:				
Mr. Sun Changyu	40	–	–	40
Mr. Ding Chung Keung Vincent	40	–	–	40
Ms. Wong, Jacqueline Yue Yee	40	–	–	40
Independent non-executive directors:				
Mr. Nie Yong	40	–	–	40
Mr. Duan Chang Feng	40	–	–	40
Ms. Zou Lin	40	–	–	40
	459	77	2,180	2,716

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS, AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors and the chief executive (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(i) Mr. Li Fan resigned as executive director and chief executive of the Company on 1 September 2016. He was the Chief Executive of the Company during 1 April 2016 to 1 September 2016 and his emoluments disclosed above include those for services rendered by him as the Chief Executive during his tenure.

(ii) Mr. Yao Feng was appointed as executive director on 29 August 2016 and chief executive of the Company on 1 September 2016 and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2016: two directors), details of whose remuneration are set out in note 12 (a) above. Details of the remuneration for the year of the remaining three (2016: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and other benefits	**1,933**	1,505
Staff's retirement benefit scheme contributions	**54**	96
	1,987	1,601

The emoluments of each of the above employees were all within HK$1,000,000 for both years.

During both years, no emoluments were paid by the Group to any of the directors or the chief executive of the Company or the five highest paid employees (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the chief executive of the Company waived or agreed to waive any emoluments during both years.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

14. (LOSS) EARNINGS PER SHARE

	2017	2016
	HK$'000	HK$'000
(Loss) earnings:		
(Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**(277,160)**	51,594

	2017	2016
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**412,509**	318,785

The basic and diluted (loss) earnings per share is calculated based on the (loss) profit attributable to the owners of the Company and the weighted average number of ordinary shares for the years ended 31 March 2016 and 2017 on the assumption that the group reorganisation had been effective since 1 April 2015.

The Group had no potential ordinary share in issue during the year ended 31 March 2017.

The Group had considered the over-allotment option granted by the Company in the calculation of diluted earnings per share. As the exercise price of the over-allotment option was approximately equal to the average market price of the Company's shares between the listing date of the Company's shares and the exercise date of the over-allotment option, the over-allotment option had no impact on the computation of diluted earnings per share. The Group had no other potential ordinary shares in issue during the year ended 31 March 2016.

15. EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2017	2016
	HK$'000	HK$'000
COST		
At the beginning of the year	**2,737**	4,546
Exchange adjustments	**(217)**	(273)
Additions	**2,741**	103
Disposals	**(43)**	–
Written-off	**(1,172)**	(1,639)
At the end of the year	**4,046**	2,737
ACCUMULATED DEPRECIATION		
At the beginning of the year	**1,445**	2,409
Exchange adjustments	**(89)**	(173)
Charge for the year	**1,736**	848
Disposals	**(41)**	–
Written-off	**(1,172)**	(1,639)
At the end of the year	**1,879**	1,445
NET CARRYING VALUES		
At the end of the year	**2,167**	1,292

The above items of equipment are depreciated on a straight-line basis at the rates of 19% to 33$^1/_3$% per annum.

16. 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	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**1,387,006**	1,273,213	**1,292,527**	1,141,754
In more than one year but not more than five years	**485,709**	736,666	**428,465**	656,219
More than five years	**99,929**	–	**88,656**	–
	1,972,644	2,009,879	**1,809,648**	1,797,973
Less: Unearned finance income	**(162,996)**	(211,906)	**–**	–
Present value of minimum lease payment	**1,809,648**	1,797,973	**1,809,648**	1,797,973
Less: Collective impairment allowance	**(69,308)**	(16,292)	**(69,308)**	(16,292)
Individual impairment allowance	**(304,374)**	(26,465)	**(304,374)**	(26,465)
	1,435,966	1,755,216	**1,435,966**	1,755,216
Analysed for reporting purposes as:				
Current assets			**970,647**	1,107,846
Non-current assets			**465,319**	647,370
			1,435,966	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 9.5% to 23.9% (2016: 9.3% to 25.0%) per annum as at 31 March 2017.

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.

	2017	2016
	HK$'000	HK$'000
Neither past due nor impaired	**311,846**	702,093
Past due but not individually impaired	**100,226**	404,733
Past due but individually impaired	**1,397,576**	691,147
Subtotal	**1,809,648**	1,797,973
Less: Collective impairment allowance	**(69,308)**	(16,292)
Individual impairment allowance	**(304,374)**	(26,465)
	1,435,966	1,755,216

16. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS (continued)

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 31 March 2017, the customers' deposits of HK$252,051,000 (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 years.

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):

	2017 **HK$'000**	2016 HK$'000
Less than one month	**159**	1,810
More than one month but less than three months	**1,211**	2,578
More than three months but less than one year	**1,336**	52,942
	2,706	57,330

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2017, an aggregate carrying amount of HK$2,706,000 (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$16,858,000 (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$304,374,000 (2016: HK$26,465,000) of which the customers are in financial difficulties.

Movement in the impairment allowances is as follows:

	2017 **HK$'000**	2016 HK$'000
At 1 April	**42,757**	35,603
Impairment losses provided	**333,612**	9,481
Exchange adjustments	**(2,687)**	(2,327)
At 31 March	**373,682**	42,757

17. LOAN RECEIVABLE

	2017 HK$'000	2016 HK$'000
Carrying amount receivable based on maturity set out in the loan agreement: Within one year	**10,685**	–

As at 31 March 2017, the unsecured loan receivable, being a third party, of HK$10,000,000 bearing a fixed interest rate of 10% per annum, was due on 24 May 2017 and extended to 24 March 2018.

18. 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 prevailing market rate of 0.35% (2016: 0.35%) per annum.

19. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH

Short term bank deposits and bank balances and cash of the Group carry interest at market rates as follows:

	2017 %	2016 %
Range of interest rates (per annum)	**0.01~0.35**	0.01~0.35

The short term bank deposits are denominated in Hong Kong dollar with original maturity within three months.

The short term bank deposits and bank balances and cash that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2017 HK$'000	2016 HK$'000
Hong Kong dollars ("HK$")	**38,543**	60,970
US dollars ("US$")	**147**	146
	38,690	61,116

20. OTHER PAYABLES AND ACCRUED CHARGES

	2017 HK$'000	2016 HK$'000
Other tax payables	**8,556**	10,019
Advance receipt from customers	**5,691**	6,049
Accrued charges	**1,778**	5,165
Payables to finance lease equipment suppliers	**146**	25,107
Other payables	**27**	1,838
	16,198	48,178

21. DEFERRED INCOME

Deferred income from the financial leasing business is amortised and recognised as revenue using effective interest method over the lease period.

22. BANK BORROWINGS

	2017 HK$'000	2016 HK$'000
Secured	**572,082**	699,708
Unsecured	**110,300**	116,667
	682,382	816,375
Carrying amount repayable*:		
Overdue	**98,119**	–
Within one year	**38,114**	353,436
More than one year, but not exceeding two years	**7,379**	357,835
More than two years, but not exceeding five years	**–**	105,104
	143,612	816,375
Repayable within one year and being demanded by the banks for immediate repayment	**307,062**	–
Repayable more than one year, but being demanded by the banks for immediate repayment	**231,708**	–
	682,382	816,375
Less: amounts shown under current liabilities	**(675,003)**	(353,436)
	7,379	462,939

* The amounts due are based on schedule due to repayment on demand clause, including cross-default clause.

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

	2017 HK$'000	2016 HK$'000
Variable-rate borrowings	**146,609**	153,572
Fixed-rate borrowings	**535,773**	662,803
	682,382	816,375

As at 31 March 2017, the Group's variable-rate bank borrowings carry interest rate per annum at the range of 100% (2016:100%) of the benchmark rate offered by the People's Bank of China ("PBOC"). The remaining balance of fixed-rate bank borrowings carry interest at the rate of 5.44% to 8.05% (2016: 5.44% to 8.05 %) per annum. The overdue borrowings carry extra 50% interest as penalties.

As at 31 March 2017, the Group's bank borrowings of RMB509,152,000 equivalent to HK$572,082,000 (2016: RMB587,755,000 equivalent to HK$699,708,000) were granted by several banks in the PRC respectively and secured by charges over certain finance lease receivables of the Group with an aggregate carrying values of HK$621,790,000 (2016: HK$809,902,000).

22. BANK BORROWINGS (continued)

As at 31 March 2017, the Group's bank borrowings of RMB170,971,000 equivalent to HK$192,102,000 (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.

As at 31 March 2017, the Group's bank borrowings of RMB436,348,000 equivalent to HK$490,279,000 were guaranteed by two third parties.

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

23. 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		
Authorised:		
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 2017 and 31 March 2016	10,000,000,000	100,000
Issued:		
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 2017 and 31 March 2016	412,509,000	4,125

23. SHARE CAPITAL (continued)

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 CO (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 HK$2.11 per share 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, 12,509,000 ordinary shares of HK$0.01 each were issued at HK$2.11 per share 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.

24. DEFERRED TAX ASSETS

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

	Allowances for bad and doubtful debts HK$'000	Undistributed earnings of a subsidiary HK$'000	Total HK$'000
At 1 April 2015	8,901	(1,582)	7,319
Exchange adjustments	(582)	–	(582)
Credit to profit or loss	2,370	–	2,370
Release upon distribution of earnings	–	1,582	1,582
At 31 March 2016	10,689	–	10,689
Exchange adjustments	(672)	–	(672)
Charge to profit or loss	(10,017)	–	(10,017)
At 31 March 2017	–	–	–

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. As at 31 March 2016, deferred taxation had not been provided for in the consolidated financial statements in respect of temporary differences associated with undistributed earnings of the subsidiary in the PRC amounting to approximately HK$275,784,000 as the Group was 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 would not distribute any further dividend in the foreseeable future. As at 31 March 2017, there is no temporary differences associated with undistributed earnings of the subsidiary in the PRC as it has recorded significant losses for the year.

As at 31 March 2016, the Group had no unused tax losses but had deductible temporary differences of HK$42,757,000, for which deferred tax assets had been recognised.

As at 31 March 2017, the Group had unused tax losses of HK$7,062,000 and deductible temporary differences of HK$387,165,000 available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary differences and tax losses as it is not probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. The unrecognised tax losses of HK$7,062,000 as at 31 March 2017 will expire in 2022.

25. OPERATING LEASE COMMITMENTS

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 years, with an option to renew the lease upon expiry when all terms are re-negotiated.

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**1,787**	2,284
After one year but within five years	**1,077**	59
	2,864	2,343

26. CAPITAL COMMITMENTS

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Capital expenditure for acquisition of equipment	–	249

27. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rule of Mandatory Provident Fund Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local government authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme of the eligible employees at 19% to 20% of the payroll and the local government authority is responsible for the pension liabilities to these employees upon their retirement.

Total cost recognised in profit or loss in respect of contributions paid or payable to the schemes by the Group for the year ended 31 March 2017 is HK$596,000 (2016: HK$666,000).

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of bank borrowings as set out in note 22, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with the share capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and raise of new loan borrowings.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 HK$'000	2016 HK$'000
Financial assets		
Finance lease receivables	**1,435,966**	1,755,216
Loans and receivables (including cash and cash equivalents)	**61,599**	240,043
	1,497,565	1,995,259
Financial liabilities		
Deposits from finance lease customers	**252,051**	282,827
Amortised cost	**682,555**	843,320
	934,606	1,126,147

Financial risk management objectives and policies

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk

The Group has foreign currency denominated monetary assets, and thus exposing the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets, including loan receivable, other receivables, short term bank deposits and bank balances at the reporting date are as follows:

	2017 HK$'000	2016 HK$'000
Assets		
HK$	**49,354**	60,970
US$	**147**	146

The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk (continued)

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in US$ and HK$ against RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against US$ and HK$. 5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of US$ and HK$ against RMB and a negative number below indicates an increase in loss or a decrease in profit before taxation for the year. For a 5% strengthening of US$ and HK$ against RMB, there would be an equal and opposite impact on the loss or profit before taxation for the year.

	US$ impact		**HK$ impact**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Increase in loss/decrease in profit	**(7)**	(7)	**(2,468)**	(3,049)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to variable-rate finance lease receivables, security deposits, short term bank deposits, bank balances and bank borrowings (see notes 16, 18, 19, and 22 for details of these financial instruments respectively). The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risks.

Management monitors the related interest exposure closely to ensure the interest rate risk is maintained at an acceptable level. The level of mismatch of interest rate repricing that may be undertaken is monitored closely.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the benchmark rate offered by the PBOC arising from the Group's RMB denominated financial instruments.

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate finance lease receivables and bank borrowings. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period are outstanding for the whole year, a 50 basis points increase or decrease each year represents management's assessment of the reasonably possible changes in interest rates. Security deposits, short term bank deposits, bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate security deposits, short term bank deposits, bank balances is insignificant.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would decrease/increase by HK$3,379,000 (2016: profit would increase/decrease by HK$3,460,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance lease receivables and bank borrowings. Management considers that the interest rate risk exposure to change in interest rate of bank balances and security deposits is not significant.

Credit risk

The Group's credit risk is primarily attributable to finance lease receivables, loan receivable, short term bank deposits, security deposits and bank balances and cash.

As at 31 March 2017, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk in relation to finance lease receivables, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

As at 31 March 2017, the Group invested in certain loan receivable. Before investing in this loan receivable, the Group assesses the credit quality of the loan borrower and defines the terms of the loan. The Group has concentration of risk on the loan receivable as the loan is made to one borrower, which is an individual in the PRC. During the year ended 31 March 2017, the Group recognised interest income of HK$685,000 (2016: Nil) as other income.

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The credit risk on liquid funds (i.e. short term bank deposits, security deposits and bank balances and cash) is limited because the majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk on finance lease receivables ("the Receivables") as at 31 March 2017 includes five major counterparties accounting for 34.1% (2016: 34.2%) of the Receivables. The Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is generated mostly from customers located in Hubei province, PRC. The Group has closely monitored the business performance of these customers in PRC and will consider diversifying its customer base as appropriate.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

For the year ended 31 March 2017, the Group reported a net loss attributable to the owners of the Company of HK$277,160,000 (2016: profit of HK$51,594,000) and had a net operating cash outflow of HK$22,466,000. Unrestricted cash equivalents reduced from HK$233,039,000 as at 31 March 2016 to HK$43,256,000 as at 31 March 2017.

The directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that (a) the Group's bank borrowings of RMB87,326,000 equivalent to HK$98,119,000 were overdue as at 31 March 2017; and (b) should the abovementioned situation constitutes or has become events of default under the respective borrowing agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to RMB479,485,000 equivalent to HK$538,747,000 to become immediately repayable.

The following table details the Group's remaining contractual maturity for its financial assets and financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial assets and financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 March 2017
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2017									
Assets									
Finance lease receivables	18.46	736,673	38,762	242,056	369,515	343,085	242,553	1,972,644	1,435,966
Loan receivable	10.00	–	–	10,830	–	–	–	10,830	10,685
Security deposits	0.35	–	7,437	–	–	–	–	7,437	7,435
Short term bank deposits	–	–	30,015	–	–	–	–	30,015	30,015
Bank balances and cash	–	13,241	–	–	–	–	–	13,241	13,241
Other receivables	–	223	–	–	–	–	–	223	223
Total assets		750,137	76,214	252,886	369,515	343,085	242,553	2,034,390	1,497,565
Liabilities									
Other payables	–	–	173	–	–	–	–	173	173
Bank borrowings	6.32	636,889	968	4,851	35,646	7,457	–	685,811	682,382
Deposits from finance lease customers	5.78	–	141,103	36,517	31,629	38,764	9,663	257,676	252,051
Total liabilities		636,889	142,244	41,368	67,275	46,221	9,663	943,660	934,606

	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2016									
Assets									
Finance lease receivables	18.80	347,567	100,980	252,014	572,651	495,764	240,903	2,009,879	1,755,216
Security deposits	0.35	–	6,674	–	–	–	–	6,674	6,672
Short term bank deposits	–	–	51,014	–	–	–	–	51,014	51,007
Bank balances and cash	–	182,032	–	–	–	–	–	182,032	182,032
Other receivables	–	332	–	–	–	–	–	332	332
Total assets		529,931	158,668	252,014	572,651	495,764	240,903	2,249,931	1,995,259
Liabilities									
Other payables	–	–	26,945	–	–	–	–	26,945	26,945
Bank borrowings	6.32	–	6,681	17,231	376,706	378,340	109,379	888,337	816,375
Deposits from finance lease customers	5.74	–	65,574	49,405	93,283	39,464	48,810	296,536	282,827
Total liabilities		–	99,200	66,636	469,989	417,804	158,189	1,211,818	1,126,147

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

Note: Bank loans with a repayment on demand clause are included in the "On demand" time band in the above maturity analysis. As at 31 March 2017, the aggregate amounts of these bank loans amounted to HK$636,889,000 (2016: Nil). The directors of the Company do not believe that it is probable that the bank will exercise its discretionary right to demand immediate repayment. The directors believe that such bank loans will be repaid between one to three years after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. Under such circumstance, the aggregate principal and interest cash outflows will amount to HK$674,145,000 as at 31March 2017.

The amounts included above for variable interest rate instruments for financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities is determined based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate to their fair values.

30. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Nature of transactions

	2017 **HK$'000**	2016 HK$'000
Interest income received from a related company*	**–**	3,288
Guarantee fee paid to a related company*	**–**	3,648

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

(b) Compensation of key management personnel

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

	2017 **HK$'000**	2016 HK$'000
Salaries and other allowances	**3,679**	4,516
Retirement benefit scheme contributions	**239**	273
	3,918	4,789

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

31. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2017 and 2016 are as follows:

Name of subsidiaries	Place of incorporation/ registration/operation	Paid up issued/ registered capital		Proportion ownership interest held by the Company		Principal activities
		2017	2016	**2017**	2016	
Directly owned						
Rongzhong Capital Holding Limited	British Virgin Islands	**US$104,422**	US$104,422	**100%**	100%	Investment holding
Indirectly owned						
Rongzhong International Finance Lease Holdings Limited	Hong Kong	**HK$1**	HK$1	**100%**	100%	Investment holding
Rongzhong International Financial Leasing Co.,Ltd *(note)*	PRC	**US$63,000,000**	US$63,000,000	**100%**	100%	Provision of financial leasing services

Note: It is a wholly foreign owned enterprise established in the PRC.

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current Assets		
Equipment	**22**	17
Interests in a subsidiary	**436,406**	482,141
	436,428	482,158
Current Assets		
Loan receivable	**10,685**	–
Prepayments and other receivables	**185**	79
Amounts due from a subsidiary	**770**	–
Short term bank deposits with original maturity within three months	**25,010**	46,004
Bank balances and cash	**8,390**	8,168
	45,040	54,251
Current liabilities		
Other payables and accrued charges	**200**	450
Amounts due to subsidiaries	**7,183**	7,610
	7,383	8,060
Net current assets	**37,657**	46,191
Net assets	**474,085**	528,349
Capital and Reserves		
Share capital	**4,125**	4,125
Reserves	**469,960**	524,224
Total equity	**474,085**	528,349

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves

	Share premium HK$'000	**Translation reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 5 June 2015 (date of incorporation)	–	–	–	–
Arising from reorganisation	332,252	–	–	332,252
Issue of new shares	236,269	–	–	236,269
Transaction costs attributable to issue of new shares	(12,704)	–	–	(12,704)
Issue of shares by capitalisation of share premium account	(2,999)	–	–	(2,999)
Loss for the period	–	–	(24,571)	(24,571)
Exchange difference arising on translation	–	(4,023)	–	(4,023)
At 31 March 2016	552,818	(4,023)	(24,571)	524,224
Loss for the year	–	–	(6,077)	(6,077)
Exchange difference arising on translation	–	(48,187)	–	(48,187)
At 31 March 2017	**552,818**	**(52,210)**	**(30,648)**	**469,960**