



China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03963

2017/2018
Interim Report

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

Ms. Li Yu Lian, Kelly

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. 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. 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

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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

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COMPANY WEBSITE

www.chinarzfh.com

AUDITOR

BDO Limited

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

The board (the “Board”) of directors (the “Directors” and each a “Director”) of China Rongzhong Financial Holdings Company Limited (the “Company”), hereby presents to the shareholders of the Company (the “Shareholders”) the unaudited interim results of the Company, and its subsidiaries (collectively, the “Group”), for the six months ended 30 September 2017 (the “Reporting Period”) with comparative figures as follows.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	4	68,803	103,414
Other income		558	2,128
Net exchange (loss)/gain		(2,608)	1,321
Staff costs		(3,459)	(5,160)
Impairment losses on finance lease receivables		(215,993)	(8,429)
Other operating expenses		(3,843)	(8,029)
Finance costs	5	(24,585)	(32,077)
(Loss)/profit before income tax	6	(181,127)	53,168
Income tax expense	7	(8,203)	(14,095)
(Loss)/profit for the period		(189,330)	39,073
Other comprehensive income/(expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		31,537	(20,356)
Total comprehensive (expense)/income for the period		(157,793)	18,717
(Loss)/earnings per share	9		
Basic and diluted (HK cents)		(46)	9

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current assets			
Equipment	10	1,821	2,167
Finance lease receivables	11	263,193	465,319
		265,014	467,486
Current assets			
Finance lease receivables	11	994,893	970,647
Loan receivable	12	10,353	10,685
Prepayments and other receivables		7,050	5,654
Security deposits	13	7,877	7,435
Short term bank deposits with original maturity within three months		30,022	30,015
Bank balances and cash		60,185	13,241
		1,110,380	1,037,677
Current liabilities			
Deposits from finance lease customers		187,169	207,764
Other payables and accrued charges	14	17,198	16,198
Deferred income		2,629	3,671
Tax liabilities		43,731	33,247
Bank borrowings	15	417,131	675,003
		667,858	935,883
Net current assets		442,522	101,794
Total assets less current liabilities		707,536	569,280

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current liabilities			
Deposits from finance lease customers		44,109	44,287
Deferred income		893	1,954
Bank borrowings	15	304,667	7,379
		349,669	53,620
Net assets			
		357,867	515,660
Capital and reserves			
Share capital	16	4,125	4,125
Reserves		353,742	511,535
Total equity			
		357,867	515,660

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (note)	Translation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2016 (Audited)	4,125	552,818	32,053	(30,864)	284,666	842,798
Profit for the period	–	–	–	–	39,073	39,073
Exchange difference arising on translation	–	–	–	(20,356)	–	(20,356)
Total comprehensive (expense)/ income for the period	–	–	–	(20,356)	39,073	18,717
At 30 September 2016 (Unaudited)	4,125	552,818	32,053	(51,220)	323,739	861,515
At 1 April 2017 (Audited)	4,125	552,818	32,053	(80,842)	7,506	515,660
Loss for the period	–	–	–	–	(189,330)	(189,330)
Exchange difference arising on translation	–	–	–	31,537	–	31,537
Total comprehensive income/ (expense) for the period	–	–	–	31,537	(189,330)	(157,793)
At 30 September 2017 (Unaudited)	4,125	552,818	32,053	(49,305)	(181,824)	357,867

Note: Pursuant to the articles of association of the subsidiary established in the People's Republic of China ("PRC"), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each period to the statutory surplus reserve until the balance reached 50% of its registered capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash from/(used in) operating activities	67,849	(77,506)
INVESTING ACTIVITIES		
Interest received from bank deposits	53	165
Interest received from loan receivable	833	–
Purchase of equipment and deposit paid for equipment	–	(2,534)
Advances of loan receivable	–	(10,000)
Deposits paid for other assets	–	(14,285)
Net cash from/(used in) investing activities	886	(26,654)
FINANCING ACTIVITIES		
Bank loans raised	263,416	–
Repayment of bank loans	(268,920)	(49,214)
Interest paid	(18,654)	(21,189)
Net cash used in financing activities	(24,158)	(70,403)
Net increase/(decrease) in cash and cash equivalents	44,577	(174,563)
Cash and cash equivalents at 1 April	43,256	233,039
Effect of foreign exchange rate changes	2,374	(724)
Cash and cash equivalents at 30 September	90,207	57,752
Analysis of balances of cash and cash equivalents		
Bank balances and cash	60,185	27,744
Short term bank deposits with original maturity within three months	30,022	30,008
	90,207	57,752

1. GENERAL INFORMATION

China Rongzhong Financial Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business in Hong Kong is Unit 417, 4/F, Tower 2, Lippo Centre, 89 Queensway, Hong Kong.

The Group is principally engaged in provision of financial leasing services in the PRC.

2. BASIC OF PREPARATION AND GOING CONCERN ASSUMPTION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The interim condensed consolidated financial statements do not include all of the information required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017.

Going Concern

The Group recorded a net loss attributable to owners of the Company of HK\$189,330,000 for the six months ended 30 September 2017. The loss for the period is primary attributable to the impairment losses on finance lease receivables. As further detailed in note 11, the majority of the Group’s finance lease receivables were past due as at 30 September 2017. The Group has experienced a significant slow-down in the collection of these receivables and of which an impairment loss of HK\$215,993,000 has been recognised in the six months period ended on 30 September 2017. Although the Group has implemented active collection measures, most of the past due receivables as at 30 September 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 on the time table as expected by management, the Group 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 ability of the Group to continue as a going concern.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

2. BASIC OF PREPARATION AND GOING CONCERN ASSUMPTION (continued)

Going Concern (continued)

In view of these circumstances, the directors of the Company have given careful consideration to the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern, taken into account the following relevant matters:

(i) *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. During the six months ended 30 September 2017, the Group had successfully extended its debts with principal amounts of approximately HK\$363,769,000 for at least one year and obtained additional banking facilities of which HK\$254,831,000 has not been utilised up to the reporting date.

(ii) *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.

(iii) *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 have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this report. They are of the opinion 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 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 this report. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the interim condensed 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 in obtaining of sufficient new banking facilities to refinance its existing debts; and
- (ii) 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 interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2017 except as described below.

In the current interim period, the Group has adopted, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, which are relevant to and effective for the Group's financial year beginning on 1 April 2017:

HKFRSs (Amendments)	<i>Annual Improvements 2014-2016 Cycle</i>
Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>

The adoption of these amendments has no material impact on the Group's results of operation or financial position.

The HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning on 1 April 2017 and the Group has not early adopted the rules.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

5. FINANCE COSTS

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on borrowings	22,268	26,350
Imputed interest expense on interest-free deposits from finance lease customers	2,317	5,727
	24,585	32,077

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

6. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax has been arrived at after charging:

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Directors' remuneration	1,501	1,920
Other staff costs		
– Salaries, allowances and other staff benefits	1,807	2,926
– Staff's retirement benefit scheme contributions	151	314
Total staff costs	3,459	5,160
Depreciation of equipment	450	1,164
Operating lease rentals in respect of properties	948	1,293

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
The charge comprises:		
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current period	8,187	16,181
– Under provision in prior period	16	21
	8,203	16,202
Deferred tax	–	(2,107)
	8,203	14,095

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

7. INCOME TAX EXPENSE (continued)

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

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

As at 30 September 2017, the Group had no unused tax losses but had deductible temporary differences of HK\$626,205,000, for which no deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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 Group utilised the unrecognised tax losses of HK\$7,062,000 during the six months ended 30 September 2017.

8. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 September 2017, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2016: nil).

9. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings:		
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	(189,330)	39,073
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (in thousands)	412,509	412,509

The basic and diluted (loss)/earnings per share is calculated based on the (loss)/profit attributable to owners of the Company and the weighted average number of ordinary shares for the six months ended 30 September 2016 and 2017.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

10. MOVEMENTS IN EQUIPMENT

During the current interim period, the Group disposed of equipment with carrying amount of RMB2,100 (equivalent to HK\$2,300) (six months ended 30 September 2016: acquired equipment of RMB2,542,000 equivalent to HK\$2,971,000).

11. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	1,601,672	1,387,006	1,508,690	1,292,527
In more than one year but not more than five years	306,837	485,709	265,088	428,465
More than five years	105,878	99,929	96,227	88,656
	2,014,387	1,972,644	1,870,005	1,809,648
Less: Unearned finance income	(144,382)	(162,996)	–	–
Present value of minimum lease payment	1,870,005	1,809,648	1,870,005	1,809,648
Less: Impairment allowance	(611,919)	(373,682)	(611,919)	(373,682)
	1,258,086	1,435,966	1,258,086	1,435,966
Analysed for reporting purposes as:				
Current assets			994,893	970,647
Non-current assets			263,193	465,319
			1,258,086	1,435,966

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 7.6% to 21.9% (31 March 2017: 9.5% to 23.9%) per annum as at 30 September 2017.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

11. FINANCE LEASE RECEIVABLES (continued)

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Neither past due nor individually impaired	306,625	311,846
Past due but not individually impaired	52,870	100,226
Past due but individually impaired	1,510,510	1,397,576
Subtotal	1,870,005	1,809,648
Less: Collective impairment allowance	(98,669)	(69,308)
Individual impairment allowance	(513,250)	(304,374)
	1,258,086	1,435,966

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

11. FINANCE LEASE RECEIVABLES (continued)

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Less than one month	–	159
More than one month but less than three months	326	1,211
More than three months but less than one year	12,390	1,336
	12,716	2,706

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 30 September 2017, an aggregate carrying amount of HK\$12,716,000 (31 March 2017: HK\$2,706,000) 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.

As at 30 September 2017, an aggregate finance lease receivables of HK\$513,250,000 (31 March 2017: HK\$304,374,000) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or were in default.

As at 30 September 2017, aggregate finance lease receivables with carrying amount of HK\$98,669,000 (31 March 2017: HK\$69,308,000) was collectively determined to be impaired.

The movement in the impairment allowance during the reporting period, including both individual and collective loss components, is as follows.

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
At 1 April	373,682	42,757
Impairment loss recognised	234,398	342,339
Reversals of impairment loss during the period/year	(18,405)	(8,727)
Exchange realignment	22,244	(2,687)
At 30 September/31 March	611,919	373,682

The reversals of impairment loss during the reporting period have been included in "Impairment losses on finance lease receivables" in the statement of comprehensive income.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

12. LOAN RECEIVABLE

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

13. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the finance lease services in the PRC. The security deposits carry interest at 0.35% (31 March 2017: 0.35%) per annum.

14. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Other tax payables	11,526	8,556
Advance receipt from customers	4,154	5,691
Accrued charges	1,362	1,778
Payables to finance lease equipment suppliers	155	146
Other payables	1	27
	17,198	16,198

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

15. BANK BORROWINGS

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Secured	442,303	572,082
Unsecured	279,495	110,300
	721,798	682,382
Carrying amount repayable*:		
Overdue	–	98,119
Within one year	417,131	38,114
More than one year, but not exceeding two years	151,096	7,379
More than two years, but not exceeding five years	153,571	–
	721,798	143,612
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
	721,798	682,382
Less: amounts shown under current liabilities	(417,131)	(675,003)
	304,667	7,379

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

15. BANK BORROWINGS (continued)

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Variable-rate borrowings	321,692	146,609
Fixed-rate borrowings	400,106	535,773
	721,798	682,382

As at 30 September 2017, the Group's variable-rate borrowings carry interest rate per annum at the range from 100% to 125% (31 March 2017: 100%) of the benchmark rate offered by the People's Bank of China. The remaining balance of fixed-rate borrowings carry interest at the rate from 5.94% to 8.05% (31 March 2017: 5.44% to 8.05% and the overdue borrowings carry extra 50% interest as penalties) per annum.

As at 30 September 2017, the Group's bank borrowings with carrying amount of approximately HK\$442,303,000 (31 March 2017: HK\$572,082,000) were granted by several banks in the PRC and secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of HK\$284,457,000 (31 March 2017: HK\$555,724,000).

As at 30 September 2017, the Group's bank borrowings with carrying amount of approximately HK\$518,142,000 were guaranteed by a joint venture of a major shareholder of the Company, two independent third parties and a director of the Company.

As at 30 September 2017, the Group's bank borrowings with carrying amount of approximately HK\$203,656,000 (31 March 2017: HK\$192,102,000) 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 with carrying amount of approximately 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

16. SHARE CAPITAL

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

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 April 2016 (Audited), 31 March 2017 (Audited) and 30 September 2017 (Unaudited)	10,000,000,000	100,000
Issued:		
At 1 April 2016 (Audited), 31 March 2017 (Audited) and 30 September 2017 (Unaudited)	412,509,000	4,125

All the shares issued during the reporting period ranked *pari passu* in all respects with the then existing shares in issue.

17. OPERATING LEASE COMMITMENTS

As at 30 September 2017, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

As lessee

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease upon expiry when all terms are re-negotiated.

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	1,578	1,787
After one year but within five years	440	1,077
	2,018	2,864

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

18. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel

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

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries and other allowances	1,354	2,210
Retirement benefit scheme contributions	83	150
	1,437	2,360

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



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Report on Review of Interim Financial Information

To the Board of Directors of China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 2 to 19 which comprise the condensed consolidated statement of financial position of China Rongzhong Financial Holdings Company Limited and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2017 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory note (the “interim condensed consolidated financial statements”). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

EMPHASIS OF MATTER

Without qualifying our review conclusion, we draw attention to Note 2 to the interim condensed consolidated financial information which states that (a) the Group recorded a net loss attributable to owners of the Company of HK\$189,330,000 for the six months ended 30 September 2017; and (b) the majority of the Group’s finance lease receivables were past due as at 30 September 2017 and the Group has experienced a significant slow-down in the collection of these receivables and of which an impairment loss of HK\$215,993,000 has been recognised in the six months period ended on 30 September 2017. These matters highlight the existence of material uncertainties relating to conditions that cast significant doubt on the Group’s ability to continue as a going concern.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2017 were audited by another auditor who disclaimed their opinion on those statements on 29 June 2017.

BDO Limited

Certified Public Accountants

Wong Kwok Wai

Practising Certificate No. P06047

Hong Kong, 27 November 2017

BUSINESS OVERVIEW

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

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 the two services derived are financial leasing services and our financial advisory services provided as a value added service to our leasing customers, which in turn generates interest income and advisory income. Lease contracts are generally priced at market interest rates, 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\$68.8 million, representing a decrease of approximately 33.5% from approximately HK\$103.4 million as recorded in the previous corresponding period ended 30 September 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\$3.5 million for the Reporting Period, representing a decrease of approximately 33.0% from approximately HK\$5.2 million recorded in the previous corresponding period ended 30 September 2016. This was mainly due to decrease in the number of staffs.

Other operating expenses

During the Reporting Period, the other operating expenses of the Group amounted to approximately HK\$3.8 million, which is decreased by approximately 52.1% compared with approximately HK\$8.0 million of previous corresponding period in 2016. This was mainly due to decrease in legal and professional fees.

Impairment losses on finance lease receivables

The impairment losses on finance lease receivables amounted to approximately HK\$216.0 million for the Reporting Period, representing an increase of approximately HK\$207.6 million from approximately HK\$8.4 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 the finance lease receivables in the overall protracting economic downturn.

Other income

Other income of the Group mainly comprised of interest income from a loan and bank interest income. During the Reporting Period, the other income of the Group amounted to approximately HK\$0.6 million, which is a decrease of approximately 73.8% from approximately HK\$2.1 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 amounted to approximately HK\$24.6 million, representing a decrease of approximately 23.4% from approximately HK\$32.1 million in the previous corresponding period in 2016.

As at 30 September 2017, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK\$721.8 million (30 September 2016: approximately HK\$150.0 million) and the guarantee fee paid to the related parties during the Reporting Period amounted to Nil (2016: Nil). For further information, please refer to the section headed “Exempt Continuing Connected Transactions”, sub-section headed “The Bank Guarantee Agreements” on page 34 of this report.

(Loss) Profit for the period attributable to the owners of the Company

Loss for the period amounted to approximately HK\$189.3 million, representing a decrease of approximately HK\$228.4 million from approximately HK\$39.1 million profit recorded in the previous corresponding period ended 30 September 2016. This was mainly due to an increase in the recognition of provision for the impairment losses of finance lease receivables.

Interim dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 September 2017.

Liquidity, financial resources and capital resources

As at 30 September 2017, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK\$90.2 million (31 March 2017: approximately HK\$43.3 million), representing an increase of approximately HK\$46.9 million compared to 31 March 2017. As at 30 September 2017, the working capital (current assets less current liabilities) and the total equity of the Group were approximately HK\$442.5 million (31 March 2017: approximately HK\$101.8 million) and approximately HK\$357.9 million respectively (31 March 2017: approximately HK\$515.7 million).

As at 30 September 2017, the Group's bank borrowings with maturity within one year amount to approximately HK\$417.1 million (31 March 2017: approximately HK\$675.0 million) and the Group's bank borrowings with maturity exceeding one year amounted to approximately HK\$304.7 million (31 March 2017: approximately HK\$7.4 million). For particulars of bank borrowings of the Group as at 30 September 2017, please refer to note 15 of the interim condensed consolidated financial statements.

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2017 was approximately 201.7% (31 March 2017: approximately 132.3%).

Loan receivable

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

Management Discussion and Analysis

Charges on group assets

As at 30 September 2017, the Group's finance lease receivables with an aggregate carrying value of approximately HK\$284.5 million (31 March 2017: approximately HK\$555.7 million) were pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.

Capital commitments

As at 30 September 2017, the Group has no capital commitments (31 March 2017: Nil).

Employees and remuneration policy

As at 30 September 2017, the Group had 23 staffs located in both Hong Kong and the PRC, their remuneration was determined based on the employees' performance, experience and prevailing industry practices.

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

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

RISK FACTORS AND MANAGEMENT

Credit risk of small medium enterprises ("SMEs") in the PRC

Our business is positioned to fulfill the financing needs of SMEs in Hubei Province of the PRC and the sustainability of our business and future growth depend on our ability to manage our credit risk effectively. As such, any deterioration in our asset quality or collectability of our finance lease receivables could adversely affect our business, prospects and financial conditions. Due to the continuation of downturn economic pressure in the PRC, it is inevitable for some corporations to face with a greater risk on default, especially the SMEs. Most SMEs customers in general have less financial resources in terms of capital or fund raising capability when comparing to larger corporations, they are more likely to be adversely affected by changes in volatile market conditions, which poses increasing risk of default to our Group. We have and will continue to exercise extreme caution towards the mitigation of credit risks, implementing more stringent credit assessments towards existing and potential customers. Our management has been monitoring the changes in 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. Our business will also be affected by the above mentioned factors, please refer to Note 2 (Basic of preparation and going concern assumption) on page 7 of this report for further information.

Foreign exchange risk

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

CONTINGENT LIABILITIES

As at 30 September 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.

BUSINESS REVIEW AND PROSPECTS

In the first half of 2017, we saw the continuation of volatile economic environment exerting its impact on the Group and many SMEs in the PRC. While striving to maintain our operation at a similar level in comparison to the previous corresponding period ended 30 September 2016, we exercised extreme caution towards the mitigation of credit risks by implementing a series of measures with even stronger and more stringent emphasis placed on the assessment of existing and potential customers. Nonetheless, our performance is continued to be affected by the economic turbulence.

Looking forward in the second half of 2017, in spite of the enforcement of our stringent risk management procedures, the Group remains committed to the further development towards its operations in Hubei Province and continues to strengthen its competitive position in other regions of the PRC with similar dynamics to Hubei Province. Commensurable to many SMEs, the Group is likely to face many challenges as a result of the overall protracting economic downturn, creating a domino effect leading to possible deterioration of asset quality and short-term liquidity, fabricating higher risk exposure to our existing customers as well as the predicament associated with risk assessments towards potential new business opportunities.

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.

COMPOSITION AND RESPONSIBILITIES OF THE BOARD

The Board consisted of eight Directors, comprising of two executive Directors (the “Executive Directors” and each “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”).

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.

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.

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

BOARD DIVERSITY POLICY

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

BOARD COMMITTEES

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

Audit Committee

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

A meeting of the Audit Committee was held to review the accounting principles and policies adopted by the Group; and the unaudited interim condensed consolidated financial statements together with the unaudited interim report for the six months ended 30 September 2017 with the management of the Company and the external auditor of the Company, BDO Limited.

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 are not limited to, selecting and recommending candidates for directorship, reviewing of the structure, size and composition of the Board and assessment of the independence of the INEDs and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive officer. As at the date of this report, the Nomination Committee consisted of one Executive Director: Mr. Xie Xiaoqing, one Non-executive Director: Mr. Sung Changyu, and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong and Ms. Zou Lin. The chairman of the Nomination Committee is Mr. Xie Xiaoqing.

Remuneration Committee

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

Risk Management Committee

The Risk Management Committee was established by the Board on 18 December 2015. The primary duties of the Risk Management Committee include, but are not limited to, formulating and monitoring 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 conducting regular review on the risk management reports submitted by the Senior Management. It is also in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB100.0 million and other risk-related issues in our operations that may have a material impact on our business. As at the date of this report, the Risk Management Committee consisted of two Executive Directors: Mr. Xie Xiaoqing and Mr. Yao Feng; and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong, and Ms. Zou Lin. The chairman of the Risk Management Committee is Mr. Xie Xiaoqing.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS

As at 30 September 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 Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("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 ordinary shares ("Shares")/underlying Shares of the Company

Name of Director	Capacity/ nature of interest	Number of Shares/underlying Shares				Total Interest	Approximate % of issued shares
		Personal Interest	Corporate Interest	Other Interest			
Mr. Xie Xiaoqing ("Mr. Xie")	Interest of controlled corporations	–	12,704,220 (Note 1) 38,503,380 (Note 2)	–	–	51,207,600	12.41%
Mr. Yao Feng ("Mr. Yao")	Beneficial Owner	84,000 (Note 3)	–	–	–	84,000	0.02%
Ms. Li Yu Lian Kelly ("Ms. Li") (appointed on 24 August 2017)	Beneficial Owner	128,000 (Note 4)	–	–	–	128,000	0.03%
Mr. Sun Changyu ("Mr. Sun")	–	–	–	–	–	–	–
Ms. Wong Jacqueline Yue Yee ("Ms. Wong")	Interest of controlled corporations/founder of a discretionary trust and beneficiary of a trust	–	20,234,242 (Note 5)	143,805,903 (Note 6)	–	164,040,145	39.77%
Mr. Duan Chang Feng ("Mr. Duan")	–	–	–	–	–	–	–
Mr. Nie Yong ("Mr. Nie")	–	–	–	–	–	–	–
Ms. Zou Lin ("Ms. Zou")	–	–	–	–	–	–	–

Notes:

1. Such interests include 2,117,370 Shares held by Capital Grower Limited (“Capital Grower”), and 10,586,850 Shares held by Clifton Rise International Limited (“Clifton Rise”), which are all companies owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Capital Grower and Clifton Rise under the SFO.
2. Such Shares are held by Yong Hua International Ltd. (“Yong Hua”), a company owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Yong Hua under the SFO.
3. Such Shares are held by Mr. Yao.
4. Such Shares are held by Ms. Li.
5. 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.
6. 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.
7. As at 30 September 2017, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 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 30 September 2017, to the best knowledge of any Director or chief executives of the Company, no person had 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%
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%

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares	Total Interest	Approximate % of issued shares
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 5 on page 29 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 6 on page 29 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 29 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 29 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.
6. As at 30 September 2017, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 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.

Other Information

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 (“Prospectus”)

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

On 15 June 2015, Rongzhong Capital Holdings Limited (“Rongzhong Capital”), our wholly-owned subsidiary, entered into trademarks licence agreements (the “Trademarks Licence Agreements” and each a “Trademarks Licence Agreement”) with each of Rongzhong Group and Rongzhong Internet pursuant to which Rongzhong Group and Rongzhong Internet agreed to grant a licence, on a perpetual and nonexclusive basis, to Rongzhong Capital and its affiliates at a consideration of HK\$1.00 and RMB1.00, respectively to use certain trademarks registered in their names as set out in Appendix IV of 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 International Finance Lease Holdings Limited (“Rongzhong PRC”) entered into (i) one finance lease guarantee agreement with Wuhan Rongzhong on 15 May 2015 and (ii) five finance lease guarantee agreements with Wuhan Jinhong on 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 guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance lease agreement entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of 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 respectively, (collectively as the “Litigation Guarantee Framework Agreements” and each a “Litigation Guarantee Framework Agreement”) 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.

Other Information

The Bank Guarantee Agreements

On 28 December 2016, Mr. Xie and Rongzhong Capital Investments had each entered into a bank guarantee agreement with the banks (collectively as the “Bank Guarantee Agreements” and each a “Bank Guarantee Agreement”) pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantees in favor of the banks 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 30 September 2017, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantees in favor of the banks for its grant of loans to Rongzhong PRC, such guarantees expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 30 September 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 30 September 2017	As at 31 March 2017
	<i>(HK\$' million approximately)</i>	
Mr. Xie	721.8	192.1
Rongzhong Capital Investments	721.8	192.1

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” and each a “Deed 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 irrevocably 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 to, 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.

Other Information

For the above purpose, the “Relevant Period” means the period commencing from the Listing Date and shall expire on the earlier of the dates below:

- (i) in respect of:
 - (a) Mr. Wong, Mrs. Wong, Plenty Boom and Legend Crown, the date on which Mr. Wong and Mrs. Wong, individually or taken as a whole, cease to be our Controlling Shareholders;
 - (b) Mr. Xie, Yong Hua, Clifton Rise and Capital Grower, the date on which they and their respective subsidiaries, individually or taken as a whole, cease to be our Substantial Shareholders; and
 - (c) Rongzhong Group, the date on which Goldbond and Perfect Honour cease to be our Controlling Shareholders; or
- (ii) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

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

DEED OF UNDERTAKING

Although the geographic location, approval requirements, potential customers and under the qualification of the currently applicable PRC laws differentiate our Group with the small loan business operated by Yancheng Goldbond, however, in order to ensure that there 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 interim 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 provision of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide any Directors and full time employees of any member(s) of our Group (the "Participant(s)") with the opportunity to acquire proprietary interest in our Company and to encourage them to work towards enhancing the value of our Company and its Shares for the benefit of the Company and its shareholders as a whole. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and Substantial Shareholders of our Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 40,000,000 Shares in total.

There were no share options outstanding under the Share Option Scheme for the six months ended 30 September 2017 nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme during the Reporting Period.

EQUITY-LINKED AGREEMENTS

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

OTHERS

Change of Directors/Other Directorship/Major Appointment

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

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 a 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 commitments.

On 24 August 2017, Ms. Li Yu Lian Kelly ("Ms. Li") was appointed as a Non-executive Director of the Company. Ms. Li has not entered into any service contract with the Company, her term shall continue until the next annual general meeting of the Company and subject to retirement by rotation in accordance with the provisions of the Articles of the Company. Ms. Li is entitled to a director's fee of HKD240,000 per annum, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee of the Company) with reference to her duties and responsibilities with the Group and the benchmarks for similar positions and prevailing market conditions. Such director's fee is subject to review by the Remuneration Committee of the Company from time to time. On the date of her appointment as a Non-executive Director of the Company, Ms. Li has a personal interest in a total of 128,000 shares of the Company within the meaning of Part XV of the SFO.

For further information, please refer to the Company's announcement dated 24 August 2017 regarding to the appointment of Non-executive Director.

By order of the Board
Xie Xiaoqing
Chairman of the Board

Hong Kong, 27 November 2017