# China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

**Stock Code: 03963**

# 2018/2019

**INTERIM REPORT**

## COMPANY NAME

China Rongzhong Financial Holdings Company Limited

## STOCK CODE

03963

## BOARD OF DIRECTORS

### Executive Director

Ms. Wong Emilie Hoi Yan

### Non-executive Directors

Mr. Chen Shuai (Chairman)
Ms. Wong Jacqueline Yue Yee

### Independent non-executive Directors

Mr. Duan Changfeng
Mr. Yu Yang
Ms. Zou Lin

## AUDIT COMMITTEE

Mr. Yu Yang (Chairman)
Mr. Chen Shuai
Mr. Duan Changfeng
Ms. Zou Lin

## NOMINATION COMMITTEE

Mr. Chen Shuai (Chairman)
Mr. Duan Changfeng
Ms. Wong Emilie Hoi Yan
Mr. Yu Yang
Ms. Zou Lin

## REMUNERATION COMMITTEE

Mr. Duan Changfeng (Chairman)
Mr. Chen Shuai
Mr. Yu Yang
Ms. Zou Lin

## RISK MANAGEMENT COMMITTEE

Ms. Wong Emilie Hoi Yan (Chairman)
Mr. Duan Changfeng
Mr. Yu Yang
Ms. Zou Lin

## COMPANY SECRETARY

Ms. Wong Tak Yee

## REGISTERED OFFICE

P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## COMPANY WEBSITE

www.chinarzfh.com

## AUDITOR

BDO Limited
Certified Public Accountants

## LEGAL ADVISER

JTC Solicitors

## PRINCIPAL SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited
P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

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

## PRINCIPAL BANKER

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

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 2018 (the "Reporting Period") with comparative figures as follows.

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

*For the six months ended 30 September 2018*

| | | Six months ended 30 September | |
|---|---|---|---|
| | Notes | **2018** | 2017 |
| | | **HK$'000** | HK$'000 |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | 4 | **26,025** | 68,803 |
| Other income | | **2,575** | 558 |
| Net exchange gain/(loss) | | **3,478** | (2,608) |
| Staff costs | | **(4,113)** | (3,459) |
| Impairment losses on finance lease receivables | | **(57,070)** | (215,993) |
| Other operating expenses | | **(4,143)** | (3,843) |
| Finance costs | 5 | **(20,523)** | (24,585) |
| Loss before income tax | 6 | **(53,771)** | (181,127) |
| Income tax expense | 7 | **(2,805)** | (8,203) |
| Loss for the period | | **(56,576)** | (189,330) |
| **Other comprehensive (expense)/income** | | | |
| *Item that may be reclassified to profit or loss:* | | | |
| Exchange differences arising on translation to presentation currency | | **(16,011)** | 31,537 |
| Total comprehensive expense for the period | | **(72,587)** | (157,793) |
| Loss per share | | | |
| Basic and diluted (HK cents) | 9 | **(14)** | (46) |

# Condensed Consolidated Statement of Financial Position

*As at 30 September 2018*

| | Notes | 30 September 2018 HK$'000 (Unaudited) | 31 March 2018 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Equipment | 10 | **902** | 1,409 |
| Finance lease receivables | 11 | **185,009** | 231,313 |
| | | **185,911** | 232,722 |
| **Current assets** | | | |
| Finance lease receivables | 11 | **816,805** | 920,419 |
| Loan receivable | 12 | **9,776** | 10,833 |
| Prepayments and other receivables | | **6,638** | 7,164 |
| Security deposits | 13 | **7,519** | 8,169 |
| Short term bank deposits with original maturity within three months | | **25,074** | 30,128 |
| Bank balances and cash | | **14,014** | 35,594 |
| | | **879,826** | 1,012,307 |
| **Current liabilities** | | | |
| Deposits from finance lease customers | | **211,187** | 222,125 |
| Other payables and accrued charges | 14 | **21,103** | 19,818 |
| Deferred income | | **766** | 1,923 |
| Tax liabilities | | **51,249** | 53,182 |
| Bank borrowings | 15 | **158,881** | 491,457 |
| | | **443,186** | 788,505 |
| **Net current assets** | | **436,640** | 223,802 |
| **Total assets less current liabilities** | | **622,551** | 456,524 |

# Condensed Consolidated Statement of Financial Position

*As at 30 September 2018*

| | Notes | 30 September 2018 HK$'000 (Unaudited) | 31 March 2018 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deposits from finance lease customers | | **1,588** | 8,823 |
| Deferred income | | **40** | 132 |
| Bank borrowings | 15 | **503,390** | 239,020 |
| | | **505,018** | 247,975 |
| **Net assets** | | **117,533** | 208,549 |
| **Capital and reserves** | | | |
| Share capital | 16 | **4,125** | 4,125 |
| Reserves | | **113,408** | 204,424 |
| **Total equity** | | **117,533** | 208,549 |

# Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30 September 2018*

| | 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 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 |
| At 1 April 2018 (Audited) | 4,125 | 552,818 | 32,428 | (35,431) | (345,391) | 208,549 |
| Initial application of HKFRS 9 (Note 3) | – | – | – | – | (18,429) | (18,429) |
| Restated balances at 1 April 2018 | 4,125 | 552,818 | 32,428 | (35,431) | (363,820) | 190,120 |
| Loss for the period | – | – | – | – | (56,576) | (56,576) |
| Exchange difference arising on translation | – | – | – | (16,011) | – | (16,011) |
| Total comprehensive expense for the period | – | – | – | (16,011) | (56,576) | (72,587) |
| At 30 September 2018 (Unaudited) | 4,125 | 552,818 | 32,428 | (51,442) | (420,396) | 117,533 |

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 2018*

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| **Net cash from operating activities** | **1,808** | 67,849 |
| **INVESTING ACTIVITIES** | | |
| Interest received from bank deposits | **199** | 53 |
| Interest received from loan receivable | **838** | 833 |
| Purchase of equipment | **(34)** | – |
| **Net cash from investing activities** | **1,003** | 886 |
| **FINANCING ACTIVITIES** | | |
| Bank loans raised | **328,125** | 263,416 |
| Repayment of bank loans | **(342,914)** | (268,920) |
| Interest paid | **(15,698)** | (18,654) |
| **Net cash used in financing activities** | **(30,487)** | (24,158) |
| **Net (decrease)/increase in cash and cash equivalents** | **(27,676)** | 44,577 |
| **Cash and cash equivalents at 1 April** | **65,722** | 43,256 |
| Effect of foreign exchange rate changes | **1,042** | 2,374 |
| **Cash and cash equivalents at 30 September** | **39,088** | 90,207 |
| Analysis of balances of cash and cash equivalents | | |
| Bank balances and cash | **14,014** | 60,185 |
| Short term bank deposits with original maturity within three months | **25,074** | 30,022 |
| | **39,088** | 90,207 |

## 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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, 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 Company and its subsidiaries (collectively known as the "Group") is principally engaged in the provision of financial leasing services in the PRC.

## 2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("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 2018.

### Going Concern

The Group recorded a loss of HK$56,576,000 for the six months ended 30 September 2018. In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had total bank borrowings amounted to HK$662,271,000 as at 30 September 2018 of which bank borrowings of HK$158,881,000 would be due for repayment within 12 months from the date of the interim condensed consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$39,088,000 only.

In addition, as at 30 September 2018, there are certain litigations ("Litigations") in the PRC and Hong Kong in relation to the guarantors of the Group's bank borrowings, which are relating to non-repayment of the guarantors' liabilities. In accordance with the relevant loan agreements and guarantee agreements of the Group's bank borrowings, in case there are significant litigation against the guarantors or significant worsening of financial position of the guarantors, the Group may have additional obligations to fulfil and/or the banks may claim there are events of default, depending on the terms of the agreements. Should the Litigations constitute or have become events of default under the respective bank loan agreements, including cross-default terms, these might cause an aggregated amount of borrowings up to HK$662,271,000 at 30 September 2018, of which an aggregate amount of HK$503,390,000 had original contractual repayment dates beyond 30 September 2019, to become immediately repayable and the said amount of HK$503,390,000 might be reclassified as current liabilities accordingly.

## 2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (continued)

### Going Concern (continued)

In addition, as further detailed in note 11, the majority of the Group's finance lease receivables were past due as at 30 September 2018. The Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of HK$833,775,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 30 September 2018 have not yet been collected as at the date of this report. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings 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, and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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 and clarifications for the Litigations***

The Group has negotiated with the relevant banks to refinance its existing debts and the directors of the Company expect to obtain new banking facilities or renewal of or extensions for repayment of existing bank borrowings in the near future. During the six months ended 30 September 2018, the Group had successfully renewed its debts with principal amounts of approximately HK$328,125,000 for two to three years and have banking facilities of which HK$132,070,000 has not been utilised up to the reporting date. Also, subsequent to the end of the reporting period, the Group successfully renewed bank borrowings of approximately HK$142,182,000 before maturity. The Group has also communicated with the relevant banks if the Litigations may have impacts on the Group's bank borrowings and, up to the date of this report, the relevant banks have not taken any action against the Group because of the Litigations. However, as at the date of approval of these interim condensed consolidated financial statements, written and binding new banking facilities letter (except for bank borrowings of HK$142,182,000) and formal clarifications on the impact of the Litigations have not been executed or received from the relevant banks.

***(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 above plans, 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.

## 2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (continued)

**Going Concern (continued)**

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 or renewal of or extensions for repayment of existing bank borrowings;

(ii) Successful in negotiations with the relevant banks such that no action will be taken to demand immediate repayments of the borrowings because of the Litigations; and

(iii) Successful implementation 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.

## 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 2018 except for the adoption of the standards, amendments and interpretations issued by the HKICPA effective for the Group's annual periods beginning on or after 1 April 2018. The impact of the adoption of Hong Kong Financial Reporting Standard ("HKFRS") 9 Financial Instruments (note 3.1) and HKFRS 15 Revenue from Contracts with Customers (note 3.2) have been summarised in below. The other new or amended HKFRSs that are effective from 1 April 2018 did not have any material impact on the Group's accounting policies.

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### 3.1 HKFRS 9 Financial Instruments ("HKFRS 9")

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for the Group's annual periods beginning on or after 1 April 2018. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) impairment and (3) general hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the adjustments to the amount recognised in the interim condensed consolidated financial statements.

***(a) Classification and measurement of financial assets and financial liabilities***

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), the Group shall, at initial recognition, measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income; or (iii) FVTPL. The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### 3.1 HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

#### *(a) Classification and measurement of financial assets and financial liabilities (continued)*

The accounting policies would be applied to the Group's financial assets as follows:

Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following table summarises the original classification under HKAS 39 and the new classification under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018:

| Financial assets | Original classification under HKAS 39 | New classification under HKFRS 9 | Carrying amounts as at 31 March 2018 under HKAS 39<br>HK$'000 | Carrying amounts as at 1 April 2018 under HKFRS 9<br>HK$'000 |
|---|---|---|---|---|
| Finance lease receivables | Loans and receivables | Amortised cost | 1,151,732 | 1,134,177<br>*(note 3.1(b))* |
| Loan receivable | Loans and receivables | Amortised cost | 10,833 | 9,959<br>*(note 3.1(b))* |
| Other receivables | Loans and receivables | Amortised cost | 241 | 241 |
| Security deposits | Loans and receivables | Amortised cost | 8,169 | 8,169 |
| Short term bank deposits with original maturity within three months | Loans and receivables | Amortised cost | 30,128 | 30,128 |
| Bank balances and cash | Loans and receivables | Amortised cost | 35,594 | 35,594 |

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### 3.1 HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

#### *(b) Impairment of financial assets*

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECL") model". The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9, which include finance lease receivables, loan receivable, other receivables, security deposits, short term deposits with maturity within three months and bank balances and cash. HKFRS 9 requires the Group to recognise ECL for financial assets at amortised cost earlier than HKAS 39. Except finance lease receivables and loan receivable, the impairment of other financial assets that are subject to ECL model is immaterial at the date of transition.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12-month ECL: these are the ECL that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The ECL on these financial assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

The Group measures the loss allowances equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For financial assets at amortised cost, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition, and it comes to stage 3 when it is credit impaired (but it is not purchased original credit impaired). HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience that is available without undue cost or effort.

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### 3.1 HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

#### *(b) Impairment of financial assets (continued)*

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

ECL are a probability-weighted estimate of credit losses. They are measured as follow:

– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive); and

– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated further cash flows.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of advances and receivables where the corresponding adjustment is recognised through a loss allowance account.

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### 3.1 HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

#### *(b) Impairment of financial assets (continued)*

As at 1 April 2018, the directors of the Company reviewed and assessed the Group's financial assets on that date that are subject to ECL requirements for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact are as follows:

- The increase in impairment allowance for finance lease receivables upon the transition to HKFRS 9 as of 1 April 2018 were approximately HK$17,555,000. The adjustment to the opening accumulated losses as at 1 April 2018 amounted to HK$17,555,000.

- The increase in impairment allowance for loan receivable upon the transition to HKFRS 9 as of 1 April 2018 were approximately HK$874,000. The adjustment to the opening accumulated losses as at 1 April 2018 amounted to HK$874,000.

- Other financial assets at amortised cost of the Group included other receivables, security deposits, short term deposits with maturity within three months and bank balances and cash. Applying the ECL model results in immaterial impairment on 1 April 2018.

The following table reconciles the impairment allowance measured in accordance with HKAS 39 (under incurred loss model) as at 31 March 2018 to the new impairment allowance measured in accordance with HKFRS 9 (under ECL model) as at 1 April 2018:

| | Impairment allowances under HKAS 39 HK$'000 | Effect of adoption of HKFRS 9 HK$'000 | Impairment allowances under HKFRS 9 HK$'000 |
|---|---|---|---|
| Impairment allowance on: | | | |
| – Finance lease receivables | 817,493 | 17,555 | 835,048 |
| – Loan receivable | – | 874 | 874 |
| | 817,493 | 18,429 | 835,922 |

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### 3.1 HKFRS 9 Financial Instruments ("HKFRS 9") (continued)

#### *(b) Impairment of financial assets (continued)*

The table below illustrates the impact of transition to HKFRS 9 on the opening balance of accumulated losses as of 1 April 2018:

| | Accumulated losses HK$'000 |
|---|---|
| **As at 31 March 2018** | (345,391) |
| **Additional impairment allowance of ECL on:** | |
| – Finance lease receivables | (17,555) |
| – Loan receivable | (874) |
| **Restated as at 1 April 2018** | (363,820) |

#### *(c) Transition*

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECL rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in accumulated losses as at 1 April 2018, without restating comparative information. Accordingly, certain comparative information may not be comparable as those was prepared under HKAS 39.

### 3.2 HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

HKFRS 15 introduces a 5-step approach when recognising revenue:

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

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

## 3. PRINCIPAL ACCOUNTING POLICIES (continued)

### 3.2 HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") (continued)

A performance obligation represents a goods or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs;
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The application of HKFRS 15 has no material impact on the amounts reported and/or disclosures set out in these interim condensed consolidated financial statements.

## 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 | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest on borrowings | **19,375** | 22,268 |
| Imputed interest expense on interest-free deposits from finance lease customers | **1,148** | 2,317 |
| | **20,523** | 24,585 |

## 6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Directors' remuneration | **1,425** | 1,501 |
| Other staff costs | | |
| – Salaries, allowances and other staff benefits | **2,504** | 1,807 |
| – Staff's retirement benefit scheme contributions | **184** | 151 |
| Total staff costs | **4,113** | 3,459 |
| Depreciation of equipment | **452** | 450 |
| Operating lease rentals in respect of properties | **941** | 948 |

## 7. INCOME TAX EXPENSE

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| The charge comprises: | | |
| Current tax | | |
| Enterprise Income Tax in the PRC | | |
| – Provision for the current period | **2,783** | 8,187 |
| – Under provision in prior period | **22** | 16 |
| | **2,805** | 8,203 |

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 2018, the Group had no unused tax losses but had deductible temporary differences of HK$847,411,000 (31 March 2018: HK$832,308,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary differences due to unpredictability of future profits stream.

## 8. DIVIDEND

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 September 2018, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2017: nil).

## 9. LOSS PER SHARE

| | Six months ended 30 September | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Loss: | | |
| Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share | **56,576** | 189,330 |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share (in thousands) | **412,509** | 412,509 |

The basic and diluted loss per share is calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares for the six months ended 30 September 2018 and 2017.

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

## 10. EQUIPMENT

During the current interim period, the Group acquired equipment of RMB28,200 (equivalent to HK$34,000) (six months ended 30 September 2017: disposed of equipment with carrying amount of RMB2,100 equivalent to HK$2,300).

## 11. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **30 September 2018 HK$'000 (Unaudited)** | 31 March 2018 HK$'000 (Audited) | **30 September 2018 HK$'000 (Unaudited)** | 31 March 2018 HK$'000 (Audited) |
| Finance lease receivables comprise: | | | | |
| Within one year | **1,530,184** | 1,682,340 | **1,501,396** | 1,629,257 |
| In more than one year but not more than five years | **298,979** | 308,808 | **261,156** | 262,510 |
| More than five years | **78,541** | 85,327 | **73,037** | 77,458 |
| | **1,907,704** | 2,076,475 | **1,835,589** | 1,969,225 |
| Less: Unearned finance income | **(72,115)** | (107,250) | **–** | – |
| Present value of minimum lease payment | **1,835,589** | 1,969,225 | **1,835,589** | 1,969,225 |
| Less: Impairment allowance | **(833,775)** | (817,493) | **(833,775)** | (817,493) |
| | **1,001,814** | 1,151,732 | **1,001,814** | 1,151,732 |
| Analysed for reporting purposes as: | | | | |
| Current assets | | | **816,805** | 920,419 |
| Non-current assets | | | **185,009** | 231,313 |
| | | | **1,001,814** | 1,151,732 |

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 lease receivables range from 7.6% to 21.9% (31 March 2018: 7.6% to 21.9%) per annum as at 30 September 2018.

## 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 2018 HK$'000 (Unaudited)** |
|---|---|
| Neither past due nor credit-impaired | **230,412** |
| Past due but not credit-impaired | **81,395** |
| Credit-impaired | **1,523,782** |
| Subtotal | **1,835,589** |
| Less: impairment allowance | |
| – 12-month ECL | **(72,131)** |
| – Lifetime ECL | **(761,644)** |
| | **1,001,814** |

| | 31 March 2018 HK$'000 (Audited) |
|---|---|
| Neither past due nor individually impaired | 194,537 |
| Past due but not individually impaired | 194,937 |
| Past due but individually impaired | 1,579,751 |
| Subtotal | 1,969,225 |
| Less: impairment allowance | |
| – Collective impairment | (134,987) |
| – Individual impairment | (682,506) |
| | 1,151,732 |

## 11. FINANCE LEASE RECEIVABLES (continued)

Finance lease receivables are mainly secured by leased assets which are used in laser processing, plastics, industrial processing, textile and garment, hotel and leisure and other industries, customers' deposits and leased assets repurchase arrangement where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in portion over the lease contract or in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. 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.

As at 30 September 2018, finance lease receivables which are past due but not credit-impaired represented the contractual payments have not been settled by customers more than 30 days but were considered not to be credit-impaired as the management considered the reputation of these customers were sound. Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 30 September 2018, an aggregate finance lease receivables of HK$761,644,000 was impaired under the lifetime ECL. The lifetime ECL impaired receivables related to those credit exposures where there has been a significant increase in credit risk since initial recognition, which the loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

As at 30 September 2018, an aggregate finance lease receivables of HK$72,131,000 was impaired under the 12-month ECL. The 12-month ECL impaired receivables related to those possible for credit losses that result from default events within the next 12-month.

As at 31 March 2018, an aggregate finance lease receivables of HK$682,506,000 was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or were in default.

As at 31 March 2018, aggregate finance lease receivables with carrying amount of HK$134,987,000 was determined to be impaired on a collective basis.

As at 31 March 2018, management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2018, an aggregate carrying amount of HK$6,899,000 was past due but the Group has not provided for individual impairment loss (instalments which are not yet due at the end of the reporting period are excluded) as management considered there has not been a significant change in credit quality for these customers.

## 11. FINANCE LEASE RECEIVABLES (continued)

Movements of the provision for impairment loss on finance lease receivables during the current period and prior period are as follows:

| | **30 September 2018 HK$'000 (Unaudited)** |
|---|---|
| At 31 March 2018 | **817,493** |
| Adjustment on initial application of HKFRS 9 | **17,555** |
| At 1 April 2018, restated | **835,048** |
| Impairment loss recognised, net | **66,918** |
| Written-off | **(1,767)** |
| Exchange realignment | **(66,424)** |
| At 30 September 2018 | **833,775** |

| | 31 March 2018 HK$'000 (Audited) |
|---|---|
| At 1 April 2017 | 373,682 |
| Impairment loss recognised, net | 398,904 |
| Exchange realignment | 44,907 |
| At 31 March 2018 | 817,493 |

## 12. LOAN RECEIVABLE

As at 30 September 2018, the unsecured loan receivable to a third party with principal amount of HK$10,000,000 was unsecured, bore a fixed interest rate of 10% per annum and with maturity on 24 January 2019. As at 30 September 2018, loss allowance of HK$874,000 (31 March 2018: nil) was made against the gross amount of loan receivable.

As at 31 March 2018, the unsecured loan receivable to a third party with principal amount of HK$10,000,000 bore a fixed interest rate of 10% per annum. The loan receivable was due on 24 March 2018 and the balance was past due as at 31 March 2018. Subsequent to the year ended 31 March 2018, the Group entered into an extension loan agreement with this third party with maturity on 24 January 2019 and bore a fixed interest rate of 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 2018: 0.35%) per annum.

## 14. OTHER PAYABLES AND ACCRUED CHARGES

| | 30 September 2018 HK$'000 (Unaudited) | 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| Other tax payables | **13,435** | 13,619 |
| Advance receipt from customers | **5,867** | 4,263 |
| Accrued charges | **1,644** | 1,774 |
| Payables to finance lease equipment suppliers | **148** | 160 |
| Other payables | **9** | 2 |
| | **21,103** | 19,818 |

## 15. BANK BORROWINGS

| | 30 September 2018 HK$'000 (Unaudited) | 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| Secured | **289,534** | 359,734 |
| Unsecured | **372,737** | 370,743 |
| | **662,271** | 730,477 |
| Carrying amount repayable: | | |
| Within one year | **158,881** | 491,457 |
| More than one year, but not exceeding two years | **402,671** | 160,231 |
| More than two years, but not exceeding five years | **100,719** | 78,789 |
| | **662,271** | 730,477 |
| Less: amounts shown under current liabilities | **(158,881)** | (491,457) |
| | **503,390** | 239,020 |

## 15. BANK BORROWINGS (continued)

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

| | **30 September 2018 HK$'000 (Unaudited)** | 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| Variable-rate borrowings | **484,980** | 410,909 |
| Fixed-rate borrowings | **177,291** | 319,568 |
| | **662,271** | 730,477 |

As at 30 September 2018, the Group's variable-rate borrowings carry interest rate per annum at the range of 100% to 110% (31 March 2018: 100% to 125%) of the benchmark rate offered by the People's Bank of China. The remaining balance of fixed-rate borrowings carry interest at the rate of 5.94% to 8.05% (31 March 2018: 5.94% to 8.05%) per annum.

As at 30 September 2018, the Group's bank borrowings with carrying amount of approximately HK289,534,000 (31 March 2018: HK$359,734,000) were secured by charges over certain finance lease receivables of the Group with an aggregate carrying values of HK$222,677,000 (31 March 2018: HK$277,451,000).

As at 30 September 2018, the Group's bank borrowings with carrying amount of approximately HK$479,658,000 (31 March 2018: HK$526,552,000) were guaranteed by a joint venture of a major shareholder of the Company, two independent third parties and a director of the Company's subsidiary (31 March 2018: were guaranteed by a joint venture of a major shareholder of the Company, two independent third parties and a director of the Group).

As at 30 September 2018, the Group's bank borrowings with carrying amount of approximately HK$182,613,000 (31 March 2018: HK$203,925,000) were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company's subsidiary (31 March 2018: were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company).

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

## 16. SHARE CAPITAL

| | Number of shares | Share capital HK$'000 |
|---|---|---|
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| At 31 March 2018 (Audited) and 30 September 2018 (Unaudited) | 10,000,000,000 | 100,000 |
| **Issued:** | | |
| At 31 March 2018 (Audited) and 30 September 2018 (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 2018, 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 years, with an option to renew the lease upon expiry when all terms are re-negotiated.

| | **30 September 2018 HK$'000 (Unaudited)** | 31 March 2018 HK$'000 (Audited) |
|---|---|---|
| Within one year | **1,488** | 1,039 |
| After one year but within five years | **785** | 63 |
| | **2,273** | 1,102 |

## 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 | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| | **(Unaudited)** | (Unaudited) |
| Salaries and other allowances | **1,558** | 1,354 |
| Retirement benefit scheme contributions | **80** | 83 |
| | **1,638** | 1,437 |

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 were engaged to review the interim condensed consolidated financial statements set out on pages 2 to 27 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 2018 and the related condensed consolidated statement of profit or loss and other 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 notes (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 the 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.

Due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim condensed consolidated financial statements as described in the "Basis for Disclaimer of Conclusion" paragraphs, we were not able to express a conclusion on the interim condensed consolidated financial statements.

## BASIS FOR DISCLAIMER OF CONCLUSION

We draw attention to note 2 to the interim condensed consolidated financial statements which states that the Group recorded a loss of HK$56,576,000 for the six months ended 30 September 2018; and as at that date, the Group had total bank borrowings amounted to HK$662,271,000 of which bank borrowings of HK$158,881,000 would be due for repayment within 12 months from the date of the interim condensed consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$39,088,000 only.

Also, as at 30 September 2018, there are certain litigations in the People's Republic of China and Hong Kong against the guarantors of the Group's bank borrowings (the "Litigations"), which are relating to non-repayment of the guarantors' liabilities. In accordance with the relevant loan agreements and guarantee agreements of the Group's bank borrowings, in case there are significant litigation against the guarantors or significant worsening of financial position of the guarantors, the Group may have additional obligations to fulfill and/or the banks may claim there are events of default, depending on the terms of the agreements. Should the Litigations constitute or have become events of default under the respective bank loan agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to HK$662,271,000 at 30 September 2018, of which an aggregate amount of HK$503,390,000 had original contractual repayment dates beyond 30 September 2019, to become immediately repayable and the said amount of HK$503,390,000 might be classified as current liabilities accordingly.

In addition, we draw attention to notes 2 and 11 to the interim condensed consolidated financial statements which indicate that the majority of the Group's finance lease receivables were past due as at 30 September 2018. The Group has experienced a significant slow-down in the collection of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 30 September 2018 have not yet been collected as at the date of this report. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

In order to improve its liquidity and financial position, the Group has negotiated with the relevant banks to refinance its existing debts and estimates to obtain sufficient new banking facilities or renewal of or extensions for repayments of existing bank borrowings in the near future. The Group has also communicated with the relevant banks if the Litigations may have impact on the Group's bank borrowings and, up to the date of this report, the relevant banks have not taken any action against the Group because of the Litigations. However, written and binding new banking facility letter and formal clarification on the impact of the Litigations have not been executed or received by the Group as at the date of this report.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The interim condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures as set out in note 2 to the interim condensed consolidated financial statements, which are subject to multiple uncertainties, including (i) the successful negotiations with the banks for additional new sources of financing or renewal of or extensions for repayment of existing bank borrowings; (ii) the successful negotiations with the relevant banks such that no action will be taken to demand immediate repayments of the borrowings because of the Litigations; and (iii) the successful implementation of its collecting plan of finance lease receivables to collect a substantial amount of finance lease receivables in the near future.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 2 to the interim condensed consolidated financial statements, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net realisable amounts, to provide for any further liabilities which might 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 the interim condensed consolidated financial statements.

We disclaimed our audit opinion on the Company's consolidated financial statements for the year ended 31 March 2018 (the "Company's 2018 financial statements") due to the potential interaction of the above-mentioned uncertainties relating to the appropriateness of preparing the Company's 2018 financial statements on a going concern basis and the related possible cumulative effects on the Company 2018 financial statements. The multiple uncertainties remained unresolved in our review of the interim condensed consolidated financial statements and their possible cumulative effects on the interim condensed consolidated financial statements could be both material and pervasive. Our review conclusion has also been modified because of the possible effects of the unresolved matters on the comparability of the current period's figures and the corresponding figures in the condensed consolidated statement of financial position and the notes thereto.

## DISCLAIMER OF CONCLUSION

Due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the interim condensed consolidated financial statements as described in the "Basis for Disclaimer of Conclusion" paragraphs above, we were unable to form a conclusion on the interim condensed consolidated financial statements. Accordingly, we do not express a conclusion on these interim condensed consolidated financial statements.

**BDO Limited**
*Certified Public Accountants*
Wong Kwok Wai
Practising Certificate No. P06047

Hong Kong, 27 November 2018

## BUSINESS OVERVIEW

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

## 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 financial advisory services provided as a valued added service to our leasing customers, which in turn generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Advisory income is determined solely on the advisory services we provided 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 the financial statements. The Group realized revenue for the Reporting Period of approximately HK$26.0 million, representing a decrease of approximately 62.2% from approximately HK$68.8 million as recorded in the previous corresponding period ended 30 September 2017. 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 and additional emphasis, had been placed in the recovery of past due finance lease receivables and enhancement of internal control.

### Staff costs

Staff costs of the Group amounted to approximately HK$4.1 million for the Reporting Period, representing an increase of approximately 18.9% from approximately HK$3.5 million recorded in the previous corresponding period ended 30 September 2017. This was mainly due to increase in the number of staff.

### Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$4.1 million, representing an increase of approximately 7.8% from approximately HK$3.8 million recorded in the previous corresponding period ended 30 September 2017. This was mainly due to increase in professional service fee in relation to the recovery of past due finance lease receivables and the enhancement of internal control.

### Impairment losses on finance lease receivables

The impairment losses on finance lease receivables amounted to approximately HK$57.1 million for the Reporting Period, representing a decrease of approximately 73.6% from approximately HK$216.0 million recorded in the previous corresponding period ended 30 September 2017.

### Other income

Other income of the Group mainly comprised of interest income from loan receivable, bank interest income and government subsidies. During the Reporting Period, the other income of the Group amounted to approximately HK$2.6 million, which is an increase of approximately 361.5% from approximately HK$0.6 million recorded in the previous corresponding period ended 30 September 2017. Such increase was due to the increase in government subsidies.

### 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$20.5 million, representing a decrease of approximately 16.5% from approximately HK$24.6 million in the previous corresponding period ended 30 September 2017. This was mainly due to the decrease in the amounts of bank borrowings.

As at 30 September 2018, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK$662.3 million (30 September 2017: approximately HK$721.8 million) and the guarantee fee paid to the related parties during the Reporting Period amounted to Nil (30 September 2017: Nil). For further information, please refer to the section headed "Exempt Continuing Connected Transactions", sub-section headed "The Bank Guarantee Agreements" on page 44 of this report.

### Loss for the period

Loss for the period of the Company amounted to approximately HK$56.6 million, representing a decrease of approximately 70.1% from approximately HK$189.3 million loss recorded in the previous corresponding period ended 30 September 2017. This was mainly due to decrease in the recognition of provision for the impairment losses of finance lease receivables.

### Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018.

### Liquidity, financial resources and capital resources

As at 30 September 2018, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK$39.1 million (31 March 2018: approximately HK$65.7 million), representing a decrease of approximately HK$26.6 million compared to 31 March 2018, this was due to the Group's conservative strategy to promote business during the economic downturn resulting in a decrease in business volume and thus, an increase in the use of internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK$436.6 million (31 March 2018: approximately HK$223.8 million) and approximately HK$117.5 million respectively (31 March 2018: approximately HK$208.5 million).

As at 30 September 2018, the Group's bank borrowings with maturity within one year amounted to approximately HK$158.9 million (31 March 2018: approximately HK$491.5 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK$503.4 million (31 March 2018: approximately HK$239.0 million). For particulars of bank borrowings of the Group as at 30 September 2018, please refer to note 15 to the interim condensed consolidated financial statements.

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2018 was approximately 563.5% (31 March 2018: approximately 350.3%).

### Loan receivable

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

### Charges on group assets

As at 30 September 2018, the Group's finance lease receivables with an aggregate carrying value of approximately HK$222.7 million (31 March 2018: approximately HK$277.5 million) was pledged to several banks in PRC respectively to secure certain bank borrowings of the Group.

### Capital commitments

As at 30 September 2018, the Group had no capital commitments (31 March 2018: Nil).

### Employees and remuneration policy

As at 30 September 2018, the Group had 28 staff located in both Hong Kong and China, their remuneration is determined based on the employees' performance, experience and prevailing industry practices.

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

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

## RISK FACTORS AND MANAGEMENT

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

Our business is positioned to fulfill the financing needs of SMEs in Hubei Province of the PRC, the sustainability of our business and future growth depend on our ability to manage 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 market conditions, which poses increasing risk of default to the Group. Our management has been monitoring the changes of our customers' credit risk, and we had, in fact, in some cases requested additional collaterals and pledge assets from customers as a form of additional precautionary measures. We will continue to closely monitor the value of the related leased assets and the collaterals securing our leases, in order to take effective additional precautionary measure to minimize our risk of exposure to such credit risk.

### Risk relating to funding sources and interest rate

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

**Foreign exchange risk**

Even though substantially all of our revenue and expenses are denominated in Renminbi ("RMB"), fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. In particular, distributions to holders of the 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 2018, the Group did not have any material contingent liabilities of guarantees (2017: nil).

## EVENTS AFTER THE PERIOD UNDER REVIEW

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

## BUSINESS REVIEW AND PROSPECTS

The first half of the financial year 2018/2019 continued to be extremely challenging for the Company, the unfavorable economic conditions had brought upon certain negative impact on many SMEs in the PRC, including the Group. Having experienced certain changes within the Group, the Group had taken many proactive actions towards the recovery of past due finance lease receivables and the strengthening of its internal control. Through the continued implementation of stringent measures and additional resources placed on proactive recovery measures, we have made some progress in the collection of past due finance lease receivables. Nonetheless, our performance has continued to be affected.

Looking forward into the second half of the financial year 2018/2019, in spite of the many additional proactive measures already implemented, the Group remains committed to place strong emphasis on the recovery of past due finance lease receivables and the enhancement of credit risk prevention and control with utmost priority. The Group is likely to face many challenges as a result of the overall protracting economic down-turn, which may lead to further deterioration in asset quality and short term liquidity which our customers are also likely to experience. However, the Group believes that this impact is temporary and will continue to closely monitor the collection of past due finance lease receivables and potential growth opportunities in order to safeguard and sustain the long term growth and profitability of the Group.

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, except as disclosed in this report, 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 except for the following:

1. Pursuant to the memorandum and articles of association of the Company (the "Articles") 114 of the Articles, Ms. Wong, Emilie Hoi Yan ("Ms. Emilie Wong") was appointed as an executive Director of the Company, the chairman of the nomination committee and the chairman of the risk management committee of the Company, in each case with effect from 3 July 2018. Per paragraph A.5.1 of the CG Code, nomination committee should be chaired by the chairman of the board or an independent non-executive director of the Company. As a result, such arrangement was not in full compliance with the CG Code due to inadvertent oversight. On 30 August 2018, Ms. Emilie Wong had resigned as the chairman of the nomination committee and been appointed as a member of the nomination committee. Following the resignation of Ms. Emilie Wong, Mr. Chen Shuai, the chairman of the Board, has been appointed as the chairman of the nomination committee.

2. With effect from the conclusion of the annual general meeting of the Company held on 29 August 2018 (the "AGM") following the retirement of Mr. Nie Yong, the number of independent non-executive Director fell short of the minimum number required under Rule 3.10(1) of the Listing Rules and no independent non-executive Director of the Board have the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The required composition of the audit committee and the nomination committee of the Company did not, as a result of the retirement of Mr. Nie Yong, meet the requirement under Rule 3.21 and the CG Code A.5.1 of Appendix 14 of the Listing Rules respectively. Subsequently, the Company has appointed Mr. Yu Yang ("Mr. Yu") as an independent non-executive Director, the chairman of the audit committee, a member of the nomination committee, a member of the remuneration committee and a member of the risk management committee in each case with effect from 30 August 2018. Mr. Yu holds the appropriate qualifications and following such changes, the Company is in compliance with the requirement of the Rules 3.10(1), 3.10(2) and 3.21 and the CG Code A.5.1 of Appendix 14 of the Listing Rules.

## COMPOSITION AND RESPONSIBILITIES OF THE BOARD

As at the date of this report, the Board consisted of six Directors, comprising of one executive Director (the "Executive Director"), two 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 setting of the Company's corporate strategies, the proposing and reviewing of corporate directions and strategies of the Group, while the Chief Executive Officer is responsible for the overall management and operations of the Group and to ensure proper implementation of the corporate strategies as set out by the Board throughout the development of the Group. The Chief Executive Officer and senior managements 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 Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

## BOARD 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 is an essential element in the supporting and attainment of 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 the reviewing and supervising of 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 Director: Mr. Chen Shuai, and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang, and Ms. Zou Lin. The chairman of the Audit Committee is Mr. Yu Yang.

A meeting of the Audit Committee, the management of the Company and the external auditor of the Company was held to review the accounting principles and policies adopted by the Group; the financial reporting matters and the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2018 and the Audit Committee proposed the adoption of the unaudited interim condensed consolidated financial statements by the Board.

### Nomination Committee

The Nomination Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with Code Provision A.5 of the CG Code. The primary duties of the Nomination Committee include but not limited to selecting and recommending candidates for directorship, reviewing of the structure, size and composition of the Board and assessment of the independence of the INEDs and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive officer. As at the date of this report, the Nomination Committee consisted of one Executive Director: Ms. Wong Emilie Hoi Yan; one Non-executive Director: Mr. Chen Shuai; and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang and Ms. Zou Lin. The chairman of the Nomination Committee is Mr. Chen Shuai.

### 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 Director: Mr. Chen Shuai and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang, and Ms. Zou Lin. The chairman of the Remuneration Committee is Mr. Duan Changfeng.

### Risk Management Committee

The Risk Management Committee was established by the Board on 18 December 2015. The primary duties of the Risk Management Committee are to formulate and monitor the implementation of our major risk management policies and systems, ensuring necessary measures adopted by the Senior Management to identify, evaluate, measure, detect, control and mitigate risks and conduct regular review on the risk management reports submitted by the Senior Management. It is also in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB100.0 million and other risk-related issues in our operations that may have a material impact on our business. As at the date of this report, the Risk Management Committee consisted of one Executive Director: Ms. Wong Emilie Hoi Yan; and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang, and Ms. Zou Lin. The chairman of the Risk Management Committee is Ms. Wong Emilie Hoi Yan.

## 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 AUDITORS’ RESPONSIBILITY OF FINANCIAL REPORTING

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

**Management's response on the Disclaimer of Conclusion**

In respect of the section headed "Basis for Disclaimer of Conclusion" in the Independent Review Report, the Company had provided to the auditor of the Company with all available information concerning:

(i) bank borrowings: bank renewal agreements from the respective banks;

(ii) certain litigations against the guarantors of the Group's bank borrowings ("Litigations"): bank renewal agreements from the respective banks and legal opinion on the impact of the Group's bank borrowings in relation to the Litigations; and

(iii) past due finance lease receivables and the significant slow-down in the collection of overdue finance lease receivables: recoverability assessment, including ageing analysis and settlement information of past due balances, information concerning repayment ability and wealth proof documents of borrowers, and/or other documents in support of the judgements and assessment.

It is the intention of the Company to rectify the matters in relation to the disclaimer of conclusion. Going forward, the Group will continue to negotiate with the respective banks and to explore other possible clarification that the Group may be able to obtain in relation to the Litigations. It is also the Group's intention to allocate more resources in the segments of collection on past due finance lease receivables and to ensure client's information in relation to their credibility and risk assessment are sufficiently obtained and retained. Upon the successful implementation of the above actions, the management of the Company has the expectations that similar qualified opinion may not be issued in the Group's consolidated financial statements for the year ending 31 March 2019.

**Audit committee's and management's views**

The Audit Committee had critically reviewed the major basis of the disclaimer of conclusion on the Group's interim condensed consolidated financial statements for the Reporting Period ended 30 September 2018. There is no disagreement between the views of the Audit Committee and the management of the Company and those of the auditor on the qualified opinion issued by the auditor. The majority of the Audit Committee feels that the interim report should disclose information on the unfavorable economic environment amongst the SMEs in Hubei Province, which directly leads to the reasons of the Group's unfavorable performance and drastic slow-down in the collection of past due finance lease receivables. Such information has been disclosed in the sections headed "Credit risk of SMEs in PRC" of the interim report.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain an effective risk management and internal control system in order to safeguard the Group's assets, investments and the Shareholders' interest. The Board reviews the effectiveness of the Group's internal control system at least once a year. With the change in the composition of the Board during the Reporting Period, the Company engaged an external independent internal audit service provider to review the effectiveness of the Group's internal control system on financial reporting, operation and compliance. The review plan was presented to the Audit Committee and the Board, with strengths and recommendations for improvements on certain risk and control deficiency identified.

The relevant assessment and review reports have been considered by the Audit Committee and the Board for assessing the effectiveness of the risk management and internal control systems. The Audit Committee has also reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions performed by the external independent internal audit service provider. The Board, through the reviews and recommendations made by the external independent internal audit service provider and the Audit Committee, concluded that certain areas in the risk management and internal control systems should be modified and updated to better enhance its effectiveness, hence the improvement in operations of the Group.

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

As at 30 September 2018, 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 SFO 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 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 (the "Model Code"), 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**

| | | Number of Shares/underlying Shares | | | | |
|---|---|---|---|---|---|---|
| Name of Director | Capacity/ nature of interest | Personal Interest | Corporate Interest | Other Interest | Total Interest | Approximate % of issued shares |
| Ms. Wong Emilie Hoi Yan ("Ms. Emilie Wong") (appointed on 3 July 2018) | – | – | – | – | – | – |
| Mr. Chen Shuai ("Mr. Chen") (appointed on 9 July 2018) | – | – | – | – | – | – |
| Ms. Wong Jacqueline Yue Yee ("Ms. Jacqueline Wong") | Interest of controlled corporations/founder of a discretionary trust and beneficiary of a trust | – | 20,234,242 (Note 1) | 182,309,283 (Notes 2 and 3) | 202,543,525 | 49.10% |
| Mr. Duan Changfeng ("Mr. Duan") | – | – | – | – | – | – |
| Mr. Yu Yang ("Mr. Yu") (appointed on 30 August 2018) | – | – | – | – | – | – |
| Ms. Zou Lin ("Ms. Zou") | – | – | – | – | – | – |

Notes:

1. 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. Jacqueline 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. Jacqueline Wong), where the beneficiaries are Ms. Michelle Yat Yee Wong ("Ms. Michelle Wong") and Ms. Jacqueline Wong and their respective issue(s). By virtue of the above, both Ms. Jacqueline 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.

2. Such Shares include 143,805,903 Shares held by Perfect Honour Limited ("Perfect Honour") and 38,503,380 Shares held by Solomon Glory Limited ("Solomon Glory"), both are wholly owned subsidiaries of Goldbond Group Holdings Limited ("Goldbond"). Mr. Wong Charles Yu Lung ("Mr. Wong") and Mrs. Wong Fang Pik Chun ("Mrs. Wong"), parents of Ms. Michelle Wong and Ms. Jacqueline Wong established the Allied Luck Trust (as defined below) and Ms. Michelle Wong and Ms. Jacqueline Wong established the Aceyork Trust (as defined below), where both with Ms. Michelle Wong and Ms. Jacqueline 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 26.06% of the total issued share capital of 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. Jacqueline Wong being a beneficiary of the Allied Luck Trust and the Aceyork Trust, in turn, holds approximately 44.20% of the issued share capital of the Company through Perfect Honour and Solomon Glory. By virtue of the above, Ms. Jacqueline Wong is taken to have a duty of disclosure in relation to the said Shares held by Perfect Honour and Solomon Glory under the SFO.

3. On 3 May 2018, Solomon Glory, as Lender, enforced its rights under the security of a loan agreement pursuant to which Yong Hua International Limited ("Yong Hua") has charged its assets including the shares of the Company held by Yong Hua by way of floating charge, which has been crystalised into a fixed charge.

4. As at 30 September 2018, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2018, 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 2018, 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 ("Ms. Jacqueline Wong") | (i) Interest in controlled corporations/founder of a discretionary trust | 20,234,242 (Note 1) | | |
| | (ii) Beneficiary of a trust | 182,309,283 (Note 2) | 202,543,525 | 49.10% |
| Mr. Wong Charles Yu Lung ("Mr. Wong") | Trustee | 182,309,283 (Note 2) | | 44.20% |
| Mrs. Wong Fang Pik Chun ("Mrs. Wong") | Trustee | 182,309,283 (Note 2) | | 44.20% |
| Perfect Honour Limited ("Perfect Honour") | Beneficial Owner | 143,805,903 (Note 2) | | 34.86% |
| Solomon Glory Limited ("Solomon Glory ") | Having a security interest in shares | 38,503,380 (Note 2) | | 9.33% |
| Goldbond Group Holdings Limited ("Goldbond") | Interest in controlled corporation | 182,309,283 (Note 2) | | 44.20% |
| 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 (“Mr. Xie”) | Interest in controlled corporation | 12,704,220 (Note 4) | 51,207,600 | 12.41% |
| Yong Hua International Limited (“Yong Hua”) | Beneficial Owner | 38,503,380 (Note 5) | | |

Notes:

1. Reference to the 20,234,242 Shares relates to the same block of Shares held by Legend Crown and Plenty Boom. Please refer to Note 1 on page 40 of this report for further details. By virtue of the above, Ms. Jacqueline Wong is taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.

2. The six references to the 182,309,283 Shares relate to the same block of Shares held by Perfect Honour and Solomon Glory. Please refer to Note 2 and 3 on page 40 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Mr. Wong, Mrs. Wong, Perfect Honour, Solomon Glory and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour and Solomon Glory.

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. 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.

5. Such Shares are held by 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.

6. As at 30 September 2018, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2018, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

## CONTINUING CONNECTED TRANSACTIONS

### CONNECTED PERSONS

***Rongzhong Group Limited ("Rongzhong Group")***

Goldbond, as our Controlling Shareholder and Hony Capital, as one of our Substantial Shareholders, are indirectly interested in 40.00% and 40.00% respectively of the issued share capital in Rongzhong Group. Rongzhong Group is therefore a joint venture of Goldbond and Hony Capital. Pursuant to the Listing Rules, Rongzhong Group, together with Wuhan Jinhong Investment Guarantee Company Limited 武漢金弘投資擔保有限公司 ("Wuhan Jinhong"), an indirect wholly-owned subsidiary of Rongzhong Group, are connected persons of the Company.

***Wuhan Rongzhong Internet Technology Company Limited, Rongzhong Capital Investments Group Limited***

Mr. Xie, one of the Substantial Shareholders of the Company and a director of the Company's subsidiary, is directly interested in 100.00% and 98.21% respectively of the issued share capital of Wuhan Rongzhong Internet Technology Company Limited 武漢融眾網絡技術有限公司 ("Rongzhong Internet"), and Rongzhong Capital Investments Group Limited 融眾資本投資集團有限公司 ("Rongzhong Capital Investments"). Rongzhong Capital Investments (also referred to as joint venture of a major shareholder in the consolidated financial statements) wholly-owns Wuhan Rongzhong Investment Guarantee Company Limited 武漢市融眾投資擔保有限公司 ("Wuhan Rongzhong"). Pursuant to the Listing Rules, Rongzhong Internet, Rongzhong Capital Investments and Wuhan Rongzhong are associates of Mr. Xie and therefore are connected persons of the Company.

### EXEMPT CONTINUING CONNECTED TRANSACTIONS

***Trademarks Licence Agreements***

On 15 June 2015, Rongzhong Capital Holdings Limited ("Rongzhong Capital"), our wholly-owned subsidiary, entered into trademarks licence agreements (the "Trademarks Licence Agreements" and each Trademarks Licence Agreement) with each of Rongzhong Group and Rongzhong Internet pursuant to which Rongzhong Group and Rongzhong Internet agreed to grant a licence, on a perpetual and nonexclusive basis, to Rongzhong Capital and its affiliates at a consideration of HK$1.00 and RMB1.00, respectively to use certain trademarks registered in their names as set out in Appendix IV of the Prospectus subject to the terms and conditions therein. During the term of the Trademarks Licence Agreements, Rongzhong Capital and its affiliates are entitled to use the trademarks listed therein as their corporate logos and for conducting any of their publicity related activities. Further, Rongzhong Group and Rongzhong Internet will not transfer or license or grant any rights to use the trademarks listed in the Trademarks Licence Agreements to any third party whose business competes or is likely to compete with the business of Rongzhong Capital or dispose such trademarks unless prior written consent is obtained from Rongzhong Capital. Where Rongzhong Group and Rongzhong Internet obtain registration of any other trademarks containing the words "RONGZHONG", "RONG ZHONG", "融眾" or "融眾" 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 subsidiary and main operating entity, Rongzhong International Financial Leasing Co., Ltd ("Rongzhong PRC") entered into (i) one finance lease guarantee agreement with Wuhan Rongzhong on 15 May 2015 and (ii) three finance lease guarantee agreements with Wuhan Jinhong on 13 January 2016, 30 March 2016 and 18 May 2016 respectively, (collectively as the "Finance Lease Guarantee Agreements" and each a "Finance Lease Guarantee Agreement") pursuant to which Wuhan Rongzhong and Wuhan Jinhong acted as a guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance lease agreement entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinghong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

### Litigation Guarantee Framework Agreements

Legal proceedings arising in the ordinary course of our operations generally involve claims initiated by us to recover lease payments from our customers. In some cases, we have applied to the PRC courts to freeze the assets of our customers in order to recover the outstanding lease payments due to us (the "Freezing Application"). Under the applicable PRC laws and regulations, we are required to provide a guarantee to the PRC courts in respect of the Freezing Application. In this regard, Rongzhong PRC, entered into a litigation guarantee framework agreement with each of Wuhan Jinhong and Wuhan Rongzhong, (collectively as the "Litigation Guarantee Framework Agreements") on 29 December 2017 pursuant to which Wuhan Jinhong and Wuhan Rongzhong agreed to provide guarantees in favor of any PRC courts in relation to any legal proceedings of Rongzhong PRC which require or involve a Freezing Application. The Litigation Guarantee Framework Agreements are for a term of three years and no guarantee fee is payable by Rongzhong PRC to Wuhan Jinhong and Wuhan Rongzhong for their provision of guarantee services under the Litigation Guarantee Framework Agreements.

### The Bank Guarantee Agreements

On 28 December 2016 and 28 June 2017, Mr. Xie and Rongzhong Capital Investments had each entered into bank guarantee agreements with certain banks (collectively as the "Bank Guarantee Agreements") pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantee in favor of the banks for their grant of loans to Rongzhong PRC. The Bank Guarantee Agreements expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for their provision of guarantee services under the Bank Guarantee Agreements.

On 30 September 2018, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantee in favor of the banks for their grant of loans to Rongzhong PRC, such guarantees expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 30 September 2018, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for their grant of loans to Rongzhong PRC.

| **Guarantor(s)** | **As at 30 September 2018** | **As at 31 March 2018** |
|---|---|---|
| | *(HK$' million approximately)* | |
| Mr. Xie | 662.3 | 730.5 |
| Rongzhong Capital Investments | 662.3 | 730.5 |

The Trademarks License Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements, and the Bank Guarantee Agreements are in favorable terms to the Group and all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules are less than 0.10%. Accordingly, the Trademarks Licence Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee Agreements qualified as continuing connected transactions exempt from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

## NON-COMPETITION DEEDS

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

a. Rongzhong Group (other than through member of the Group);

b. Mr. Wong, Mrs. Wong, Legend Crown and Plenty Boom (except for Rongzhong Group and its close associates); and

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 the Company pursuant to which each of the Covenantors, among other matters has irrevocable and unconditionally undertake to the Company on a several basis that at any time during the Relevant Period (as defined below), it shall, and shall procure that its subsidiaries and/or close associates:

(i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder, other than being a director or shareholder of the 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 the Group for employment by it or its subsidiaries and/or close associates (as applicable) (excluding members of the Group);

(iii) not, without the consent from the Company, make use of any information pertaining to the business of the 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 the 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 the 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 the 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 the 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 the Group and the 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 the 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 the Group and the 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 the 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 the 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 the 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 the Group. In deciding whether to exercise the above options, the 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 the 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 the 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 the 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 the Risk Management Committee has completed an evaluation on the new customer and is satisfied that Rongzhong PRC is not qualified to provide finance leasing services to the new customer (the "Conflict Check Obligation").

The Deeds of Non-competition shall not prevent each of the Covenantors and/or its subsidiaries and/or close associates (as applicable) to hold or have interest in shares or other securities in any company which conducts or is engaged in any Restricted Activity (the "Subject Company") provided that:

(a) the aggregate interests or number of shares held by the Covenantor (including its subsidiaries and/or its close associate) (as applicable) does not exceed 5.00% of the issued share capital of the Subject Company; and

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

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

(i) in respect of:

  (a) Mr. Wong, Mrs. Wong, Plenty Boom and Legend Crown, the date on which Mr. Wong and Mrs. Wong, individually or taken as a whole, cease to be our Controlling Shareholders;

  (b) Mr. Xie, Yong Hua, Clifton Rise and Capital Grower, the date on which they and their respective subsidiaries, individually or taken as a whole, cease to be our Substantial Shareholders; and

  (c) Rongzhong Group, the date on which Goldbond and Perfect Honour cease to be our Controlling Shareholders; or

(ii) the date on which the 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 the 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 the Company that it shall procure Yancheng Goldbond to check the customers list provided by the 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 the 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 the Group is qualified and is interested in taking on the new customer, both Yancheng Goldbond and the 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, the Company has also irrevocably and unconditionally undertaken to Goldbond that the 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, the 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 the 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 or at the end of 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 2018 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 2018, the Company convened an extraordinary general meeting (“EGM”) at which pursuant to Article 114 of the Articles, more than 50% of the votes were casted in favour of each of the resolutions proposed at the EGM and resolved that each of Mr. Xie and Mr. Yao Feng shall be removed as a director of the Company and any position in any of the committees of the board of directors of the Company. In addition, Ms. Emilie Wong was appointed as an Executive Director of the Company, the chairman of the Nomination Committee and the chairman of the Risk Management Committee, in each case with effect from 3 July 2018. Ms. Emilie Wong is also a director of (i) certain subsidiaries of Rongzhong Group Limited; (ii) Legend Crown; (iii) Plenty Boom; and (iv) Yancheng Goldbond Technology Small Loan Company Limited. As at the date of her appointment, Ms. Emilie Wong is not interested in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Ms. Emilie Wong is a cousin of Ms. Jacqueline Wong, a Non-executive Director and a Controlling Shareholder of the Company. Ms. Emilie Wong is a niece of Mr. Wong and Mrs. Wong, each a Controlling Shareholder of the Company. She is also a cousin of Ms. Michelle Wong, a Controlling Shareholder of the Company. Ms. Emilie Wong joined the Group in 2007 and was appointed deputy financial controller of the Company in 2016, she is also a director of certain subsidiaries of the Company. She was responsible for the financial reporting and internal control matters of the Group. Save as disclosed above, Ms. Emilie Wong has not previously hold any other position with the Company or other members of the Group, she does not have any relationship with any directors, senior management or any substantial or controlling shareholders of the Company.

For further information regarding Ms. Emilie Wong's appointment as an Executive Director, please refer to the Company's announcement dated 3 July 2018.

On 9 July 2018, Mr. Sun Changyu ("Mr. Sun") has resigned as a Non-executive Director of the Company, due to his decision to devote more time to his other business commitments. Simultaneously to his resignation, Mr. Sun ceased to be a member of the Audit Committee, the Nomination Committee and the Remuneration Committee of the Board. Following the resignation of Mr. Sun, Mr. Chen Shuai ("Mr. Chen") has been appointed as a Non-executive Director, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee in each case with effect from 9 July 2018. Mr. Chen is also a director of various subsidiaries of the Company. Mr. Chen has not entered into a service contract with the Company for his appointment as a Non-executive Director, his 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. Mr. Chen is entitled to a director's fee of HK$240,000 per annum, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee) with reference to his duties and responsibilities with the Group and the market rate for similar position. On the date of his appointment as a Non-executive Director, Mr. Chen was not interest in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, Mr. Chen has not previously hold any other position with the Company or other members of the Group, he does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

For further information regarding Mr. Chen's appointment as a Non-executive Director, please refer to the Company's announcement dated 9 July 2018.

On 12 July 2018, Mr. Chen has been appointed as the Chairman of the Board. In addition, Mr. Yao Feng ("Mr. Yao") the former Chief Executive Officer was removed as the chief executive officer of the Company with effect from 12 July 2018, as a result of Mr. Yao being removed as a director of the Company and any position in any of the committees of the board of directors of the Company with effect from 3 July 2018. Subsequent to Mr. Yao's removal as the Chief Executive Officer, Ms. Emilie Wong has been appointed as the Chief Executive Officer with effect from 12 July 2018.

Subsequent to her appointment as an Executive Director on 3 July 2018, Ms. Emilie Wong has entered into a supplemental service agreement with the Company for her appointment as an Executive Director and Chief Executive Officer on 12 July 2018 with no fixed terms, terminable with no less than three (3) months' prior notice in writing. In addition, her appointment as an Executive Director is subject to retirement by rotation in accordance with the provision of the Articles. As a result of her appointment as the Chief Executive Officer, the remuneration of Ms. Emilie Wong will be revised to HK$85,000 per month plus an annual discretionary bonus, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee) with reference to her duties and responsibilities with the Group and the market rate for similar position. Such remuneration is subject to review by the Remuneration Committee from time to time.

For further information regarding Mr. Chen's appointment as the Chairman of the Board and Ms. Emilie Wong's appointment as Chief Executive Officer, please refer to the Company's announcement dated 17 July 2018.

With effect from 29 August 2018, Mr. Nie Yong ("Mr. Nie"), the former INED, the chairman of the Audit Committee, a member of the Nomination Committee, Remuneration Committee and Risk Management Committee of the Board has retired as an INED and has ceased to be the chairman of the Audit Committee, a member of the Nomination Committee, Remuneration Committee and Risk Management Committee of the Board at the conclusion of the AGM, as there were not a majority of votes cast for the resolution regarding the re-election of Mr. Nie as an independent non-executive director of the Company, the resolution was not passed by the shareholders of the Company at the AGM.

Following the retirement of Mr. Nie, Mr. Yu has been appointed as an INED of the Company, the chairman of the Audit Committee, a member of the Nomination Committee, a member of the Remuneration Committee and a member of the Risk Management Committee in each case with effect from 30 August 2018. Mr. Yu has not entered into a service contract with the Company for his appointment as an INED, his term of office shall continue until the next annual general meeting of the Company and subject to retirement by rotation and re-election in accordance with the provisions of the Articles. Mr. Yu is entitled to a director's fee of HK$240,000 per annum, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee) with reference to his duties and responsibilities with the Group and the market rate for similar position. As at the date of his appointment, Mr. Yu does not have any interest in any shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

On 30 August 2018, Ms. Emilie Wong had resigned as the chairman of the Nomination Committee and been appointed as a member of the Nomination Committee. Following the resignation of Ms. Emilie Wong, Mr. Chen, the chairman of the Board, has been appointed as the chairman of the Nomination Committee.

For further information regarding Mr. Yu's appointment as an INED, Ms. Emilie Wong's resignation as the chairman of the Nomination Committee and Mr. Chen's appointment as the chairman of the Nomination Committee, please refer to the Company's announcement dated 30 August 2018.

On 8 October 2018, Ms. Li Yu Lian Kelly ("Ms. Li") has resigned as a Non-executive Director of the Company, due to her decision to devote more time to her other business commitments.

For further information regarding Ms. Li's resignation as a Non-executive Director, please refer to the Company's announcement dated 9 October 2018.

By order of the Board
**Chen Shuai**
*Chairman of the Board*

Hong Kong, 27 November 2018