



# China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03963

2022 / 2023  
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

Ms. Wong Jacqueline Yue Yee

Ms. Wong Michelle Yatyee

Mr. Wong Ming Bun David

### Independent non-executive Directors

Mr. Lie Chi Wing

Mr. Ng Wing Chung Vincent

Mr. Yu Yang (retired on 31 October 2022)

## AUDIT COMMITTEE

Mr. Yu Yang (Chairman) (retired on 31 October 2022)

Mr. Chen Shuai

Mr. Lie Chi Wing

Mr. Ng Wing Chung Vincent

Mr. Wong Ming Bun David

## NOMINATION COMMITTEE

Mr. Ng Wing Chung Vincent (Chairman)

Mr. Chen Shuai

Mr. Lie Chi Wing

Ms. Wong Michelle Yatyee

Mr. Yu Yang (retired on 31 October 2022)

## REMUNERATION COMMITTEE

Mr. Ng Wing Chung Vincent (Chairman)

Mr. Chen Shuai

Mr. Lie Chi Wing

Ms. Wong Michelle Yatyee

Mr. Yu Yang (retired on 31 October 2022)

## RISK MANAGEMENT COMMITTEE

Ms. Wong Emilie Hoi Yan (Chairman)

Mr. Ng Wing Chung Vincent

Ms. Wong Michelle Yatyee

Mr. Wong Ming Bun David

Mr. Yu Yang (retired on 31 October 2022)

## COMPANY SECRETARY

Mr. Cheng King Fai Kenneth

## REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited  
Third Floor, Century Yard,  
Cricket Square, P.O. Box 902,  
Grand Cayman, KY1-1103,  
Cayman Islands

## HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Floor 18, Tower B  
Optics Valley International Plaza  
No. 889 Luoyu Road  
East Lake Development Zone  
Wuhan, Hubei Province  
China

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 3901, 39/F  
Tower One, Lippo Centre  
89 Queensway  
Hong Kong

## COMPANY WEBSITE

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

## AUDITOR

Moore Stephens CPA Limited  
Certified Public Accountants

## LEGAL ADVISER

JTC Solicitors

## PRINCIPAL SHARE REGISTRAR

Tricor Services (Cayman Islands) Limited  
Third Floor, Century Yard,  
Cricket Square, P.O. Box 902,  
Grand Cayman, KY1-1103,  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited  
17/F, Far East Finance Centre,  
16 Harcourt Road,  
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 2022 (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 2022

	Notes	Six months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	45,509	7,582
Other income		467	28
Cost of sales and services		(16,369)	(58)
Other gains and losses	5	1,607	(28)
Staff costs		(14,031)	(4,839)
(Impairment losses) and (provision of)/reversal of expected credit losses	6	(7,525)	18,259
Other operating expenses		(14,306)	(5,216)
Finance costs	7	(17,667)	(15,709)
(Loss)/profit before tax		(22,315)	19
Income tax expense	8	(8)	(16)
(Loss)/profit for the period	9	(22,323)	3
<b>Other comprehensive income/(expense)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		68,675	(4)
Total comprehensive income/(expense) for the period		46,352	(1)
(Loss)/profit for the period attributable to:			
Owners of the Company		(23,292)	(355)
Non-controlling interests		969	358
		(22,323)	3
Total comprehensive income/(expense) attributable to:			
Owners of the Company		46,101	(357)
Non-controlling interests		251	356
		46,352	(1)
Loss per share			
Basic and diluted (HK cents)	11	(5.65)	(0.09)

# Condensed Consolidated Statement of Financial Position

At 30 September 2022

	Notes	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	62,267	70,701
Lease receivables and receivables arising from sale and leaseback arrangements	13	71,998	77,859
Deposits		538	426
Goodwill	14	12,690	19,372
		<b>147,493</b>	168,358
<b>Current assets</b>			
Lease receivables and receivables arising from sale and leaseback arrangements	13	214,376	231,512
Trade receivables	15	6,581	6,754
Prepayments and other receivables		3,919	7,382
Other assets		2,882	3,202
Security deposits	16	1,111	1,235
Bank balances and cash		11,579	15,479
		<b>240,448</b>	265,564
<b>Current liabilities</b>			
Trade payables	17	239	414
Deposits from customers		197,945	219,432
Other payables and accrued charges		27,253	31,019
Contract liabilities		4,364	4,949
Lease liabilities		2,376	2,620
Tax liabilities		61,327	67,989
Bank borrowings	18	628,162	707,219
Amount due to a related company	19	34,828	101
Amount due to a shareholder	20	574	168
Derivative financial liabilities	22	9,063	9,478
		<b>966,131</b>	1,043,389
<b>Net current liabilities</b>		<b>(725,683)</b>	<b>(777,825)</b>
<b>Total assets less current liabilities</b>		<b>(578,190)</b>	<b>(609,467)</b>

# Condensed Consolidated Statement of Financial Position

At 30 September 2022

	Notes	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Deposits from customers		90	300
Lease liabilities		1,645	2,830
Convertible bonds	21	2,320	2,245
Derivative financial liabilities	22	761	833
Loan note	23	9,406	9,065
Bank borrowings	18	24,688	3,285
Amount due to a related company	19	13,582	51,273
Amount due to a shareholder	20	15,600	10,800
Contingent consideration payables	24	3,015	5,786
		<b>71,107</b>	<b>86,417</b>
<b>Net liabilities</b>		<b>(649,297)</b>	<b>(695,884)</b>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	4,125	4,125
Deficit		(659,215)	(705,551)
		<b>(655,090)</b>	<b>(701,426)</b>
<b>Non-controlling interests</b>		<b>5,793</b>	<b>5,542</b>
<b>Capital deficiency</b>		<b>(649,297)</b>	<b>(695,884)</b>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (note)	Other reserve HK\$'000	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 April 2021 (audited)	4,125	552,818	32,430	-	563	(57,585)	(642,341)	(109,990)	-	(109,990)
(Loss)/profit for the period	-	-	-	-	-	-	(355)	(355)	358	3
Exchange differences on translation from functional to presentation currency	-	-	-	-	-	(2)	-	(2)	(2)	(4)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(2)	(355)	(357)	356	(1)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	33	33
Deemed distribution	-	-	-	(2,702)	-	-	-	(2,702)	-	(2,702)
Recognition of equity-settled share-based payments	-	-	-	-	241	-	-	241	-	241
At 30 September 2021 (unaudited)	4,125	552,818	32,430	(2,702)	804	(57,587)	(642,696)	(112,808)	389	(112,419)

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (note)	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000				
At 1 April 2022 (audited)	4,125	552,818	32,430	1,045	(81,955)	(1,209,889)	(701,426)	5,542	(695,884)	
(Loss)/profit for the period	-	-	-	-	-	(23,292)	(23,292)	969	(22,323)	
Exchange differences on translation from functional to presentation currency	-	-	-	-	69,393	-	69,393	(718)	68,675	
Total comprehensive income/(expense) for the period	-	-	-	-	69,393	(23,292)	46,101	251	46,352	
Transfer to statutory surplus reserve	-	-	29	-	-	(29)	-	-	-	
Recognition of equity-settled share-based payments	-	-	-	235	-	-	235	-	235	
Lapse of share options	-	-	-	(27)	-	27	-	-	-	
At 30 September 2022 (unaudited)	4,125	552,818	32,459	1,253	(12,562)	(1,233,183)	(655,090)	5,793	(649,297)	

## Note:

Pursuant to the articles of association of the subsidiary established in the People's Republic of China (the "PRC"), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each 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 2022

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Net cash from/(used in) operating activities</b>	<b>1,154</b>	<b>(3,947)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received from bank deposits	16	13
Purchases of property, plant and equipment	(16,234)	(302)
Proceeds on disposal of property, plant and equipment	10,041	–
Net cash inflow on acquisition of subsidiaries	–	5,243
<b>Net cash (used in)/from investing activities</b>	<b>(6,177)</b>	<b>4,954</b>
<b>FINANCING ACTIVITIES</b>		
Advances from a related company	8,452	–
Repayments to a related company	(7,262)	–
Advances from a shareholder	4,800	–
New bank borrowings raised	24,166	–
Interest paid	(574)	(2,640)
Repayments of bank borrowings	(25,182)	(289)
Repayments of principal portion of lease liabilities	(1,303)	(439)
Repayments of interest element of lease liabilities	(118)	(30)
Net settlement of derivative financial liabilities	(646)	–
<b>Net cash from/(used in) financing activities</b>	<b>2,333</b>	<b>(3,398)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,690)</b>	<b>(2,391)</b>
<b>Cash and cash equivalents at 1 April</b>	<b>15,479</b>	<b>12,307</b>
Effect of foreign exchange rate changes	(1,210)	(4)
<b>Cash and cash equivalents at 30 September</b>	<b>11,579</b>	<b>9,912</b>
Analysis of cash and cash equivalents:		
Bank balances and cash	11,579	8,907
Short term bank deposits with original maturity within three months	–	1,005
	<b>11,579</b>	<b>9,912</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 1. GENERAL INFORMATION

China Rongzhong Financial Holdings Company Limited (the “**Company**”) is a public limited company 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 Tricor Services (Cayman Islands) Limited Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business in Hong Kong is Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are provision of lease services in the PRC, due diligence, debt collection and credit investigation services in the PRC, Hong Kong and Singapore.

The trading in the shares of the Company on the Stock Exchange has been suspended with effect from 27 September 2022.

## 2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

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

### Going concern basis

The Group recorded a net loss attributable to owners of the Company of approximately HK\$23,292,000 for the six months ended 30 September 2022 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$725,683,000 and HK\$649,297,000 respectively, whereas its cash and cash equivalents maintained was approximately HK\$11,579,000 only as at the same date. Besides, included in net current liabilities of the Group, there were lease receivables and receivables arising from sale and leaseback arrangements with various enterprises in Hubei Province of the PRC amounted to a gross carrying amount of approximately HK\$1,651,157,000. As further set out in note 13 to the interim condensed consolidated financial statements, these lease receivables and receivables arising from sale and leaseback arrangements were all credit-impaired and an accumulated impairment loss of HK\$1,371,561,000 was provided for these receivables, which the Group considered it was due to adverse impact of the outbreak of COVID-19 pandemic and the Group was implementing measures to expedite the collection process of these receivables. The Group also had bank borrowings of approximately HK\$628,162,000 that were repayable within twelve months after the end of the reporting period.

These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group’s ability 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.





# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

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

### Going concern basis (continued)

In view of these circumstances, the directors of the Company have prepared a cash flow forecast covering a period of eighteen months from the end of the reporting period. In doing so, they 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 after taking account of the following plans and measures:

#### (i) *Obtaining new source of finance to improve working capital requirements*

On 21 October 2021, the Company and Goldbond Group Holdings Limited (“**Goldbond**”), a substantial shareholder with significant influence of the Company, entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the “**Goldbond Loan Agreement**”). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 30 September 2022 and 30 November 2022, the amounts of HK\$19,848,000 and HK\$17,559,000, respectively, were as stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

#### (ii) *Implementation of measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements*

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit against to these borrowers, renegotiation of repayment plans and other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an approximate amount of RMB1,107,922,000 (equivalent to approximately HK\$1,231,024,000). In addition, the Group has taken alternative measures and utilise the Group’s expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the year ended 31 March 2022, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the “**Related Party**”), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. At 30 September 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK\$42,778,000 while the relevant bank borrowings were approximately HK\$504,128,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company’s announcement on 28 June 2021, the Group is applying to the relevant bank for transfer of bank borrowings to the Related Party. Such application was still under review and pending approval from the relevant bank as at the date of issuance of this report. For illustrative purposes only, based on the figures as at 30 September 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the Group’s consolidated net liabilities would be reduced by HK\$461,350,000.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

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

### Going concern basis (continued)

#### (iii) *Negotiation of the renewal of bank borrowings*

During the six months ended 30 September 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK\$24,166,000 extended to May 2024. The Group is in the process of negotiation with relevant bank to obtain further extension.

#### (iv) *Implementation of active cost-saving measures*

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

#### (v) *Disposal of Rongzhong Capital Holdings Limited*

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing entered into the sale and purchase agreement, pursuant to which, Mr. Xie Xiaoqing conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital Holdings Limited ("**Rongzhong Capital**"), representing 100% of total issued share capital of Rongzhong Capital and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK\$177,925,850.34, respectively, at the consideration of HK\$100,000 or equivalent in RMB (the "**Disposal**"). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group's financial statements. The Board believes that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability.

For details, please refer to the Company's announcement dated 31 March 2022 and 2 June 2022.

Based on the above plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this report and, 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.

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 and 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 net realisable amounts; to provide for further liabilities which may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these interim condensed consolidated financial statements.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2022.

The interim condensed consolidated financial statements do not include all of the information and disclosures 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 2022.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the Group's interim condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

## 4. REVENUE AND SEGMENT INFORMATION

The directors of the Company determined the reportable segments of the Group as follows:

- (1) Leasing services providing leasing services including:
  - direct leasing – sale and leaseback and operating leasing services in the PRC
  - operating lease – providing operating lease of motor vehicles services in the PRC
- (2) Debt collection and credit investigation services – providing debt collection services and credit investigation services in Hong Kong, the PRC and Singapore

During the six months ended 30 September 2021, debt collection and credit investigation services became a reportable segment as a result of the completion of the acquisition of Alpha & Leader Risks and Assets Management Company Limited (“Alpha & Leader”) and its subsidiaries (collectively referred to as the “Alpha & Leader Group”). Therefore, a new segment of debt collection and credit investigation services has been identified in the prior period.

In addition, during the year ended 31 March 2022, the Group has commenced operating lease business, as a result of the completion of the acquisition of Ultimate Harvest Global Limited and its subsidiaries (collectively referred to as the “UMH Group”) which has been included in the leasing services reportable segment as the directors of the Company believe that information about the segment would be useful to users of the interim condensed consolidated financial statements.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 September 2022 (unaudited)

	Leasing services HK\$'000	Debt collection and credit investigation services HK\$'000	Total HK\$'000
Segment revenue			
Revenue from external customers	26,783	18,726	45,509
Segment results	(11,903)	(7,856)	(19,759)
Unallocated:			
Other income			65
Other gains and losses			1,504
Staff costs			(1,807)
Other operating expenses			(1,496)
Finance costs			(822)
Loss before tax			(22,315)

For the six months ended 30 September 2021 (unaudited)

	Leasing services HK\$'000	Debt collection and credit investigation services HK\$'000	Total HK\$'000
Segment revenue			
Revenue from external customers	4,096	3,486	7,582
Segment results	4,810	747	5,557
Unallocated:			
Other income			2
Other gains and losses			(28)
Staff costs			(1,963)
Other operating expenses			(3,549)
Profit before tax			19



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Segment assets		
Leasing services	<b>355,816</b>	390,149
Debt collection and credit investigation services	<b>22,356</b>	32,633
Total segment assets	<b>378,172</b>	422,782
Unallocated assets	<b>9,769</b>	11,140
Total assets	<b>387,941</b>	433,922
Segment liabilities		
Leasing services	<b>979,292</b>	1,070,630
Debt collection and credit investigation services	<b>15,810</b>	17,931
Total segment liabilities	<b>995,102</b>	1,088,561
Unallocated liabilities	<b>42,136</b>	41,245
Total liabilities	<b>1,037,238</b>	1,129,806

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 4. REVENUE AND SEGMENT INFORMATION (continued)

### (c) Revenue from major services

The following is an analysis of the Group's revenue from its major services:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Income from debt collection services	7,418	1,435
Income from credit investigation services	11,308	2,051
Revenue from contracts with customers	18,726	3,486
Rental income	24,175	3
Interest income arising from sale and leaseback arrangements	2,608	4,093
	45,509	7,582
Revenue from contracts with customers		
At a point in time	18,605	3,457
Transferred over time	121	29
	18,726	3,486

## 5. OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Foreign exchange loss, net	(1,136)	–
Gain on disposal of property, plant and equipment	131	–
Fair value loss on derivative financial liabilities (note 22)	(159)	17
Fair value gain on contingent consideration payables (note 24)	2,771	(45)
	1,607	(28)

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 6. IMPAIRMENT LOSSES AND PROVISION OF/(REVERSAL OF) EXPECTED CREDIT LOSSES

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Provision for/(reversal of) expected credit losses recognised on:		
– lease receivables and receivables arising from sale and leaseback arrangements (note 13)	1,079	(18,259)
– trade receivables (note 15)	187	–
Impairment losses recognised on:		
– property, plant and equipment	261	–
– goodwill (note 14)	5,998	–
	7,525	(18,259)

## 7. FINANCE COSTS

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interest on bank borrowings	15,583	15,638
Interest on amount due to a related company	1,144	–
Interest on lease liabilities	118	30
Interest on amount due to a shareholder	406	–
Imputed interest on loan note (note 23)	341	–
Imputed interest on convertible bonds (note 21)	75	–
Imputed interest on promissory note	–	32
Imputed interest expense on interest-free deposits from customers	–	9
	17,667	15,709

## 8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Enterprise Income Tax (“EIT”) in the PRC		
Current tax	26	16
Overprovision in prior year	(18)	–
Income tax expense	8	16

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 8. INCOME TAX EXPENSE (continued)

No provision for Hong Kong Profits Tax has been made in the interim condensed consolidated financial statements as the Group's operation in Hong Kong had no assessable profits during the six months ended 30 September 2022 and 2021.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, one (six months ended 30 September 2021: none) subsidiary is subject to the tax rate of 20% on 12.5% of assessable profits, which assessable profits under RMB1,000,000, for Small Low-Profit Enterprises. Other subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (six months ended 30 September 2021: 25%) on their assessable profits.

No provision for Singapore Corporate Tax has been made in the interim condensed consolidated financial statements as the Group's operation in Singapore had no assessable profits during the six months ended 30 September 2022 and 2021.

## 9. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Directors' remuneration	1,159	1,166
Other staff costs		
– Salaries, allowances and other staff benefits	12,324	3,504
– Staff's retirement benefit scheme contributions	533	149
– Staff's equity-settled share-based payments	15	20
Total staff costs	14,031	4,839
Depreciation of property, plant and equipment	6,352	279
Loss on disposal of property, plant and equipment (included in cost of sales and services)	1,520	–
Short-term lease expenses	54	4

## 10. DIVIDENDS

No dividends were paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 September 2022, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2021: nil).



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 11. LOSS PER SHARE

	Six months ended 30 September	
	2022 (Unaudited)	2021 (Unaudited)
<b>Loss:</b>		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share (HK\$'000)	(23,292)	(355)
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue 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 in issue for the six months ended 30 September 2022 and 2021.

The calculation of diluted loss per share for the six months ended 30 September 2022 does not assume the conversion of the Company's outstanding convertible bonds nor the exercise of the Company's outstanding share options as the assumed conversion would result in a decrease in loss per share and the exercise price of those options is higher than the average market price for shares.

The calculation of diluted loss per share for the six months ended 30 September 2021 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired property, plant and equipment with a cost of approximately HK\$16,234,000 (six months ended 30 September 2021: HK\$302,000) and disposed of property, plant and equipment with an aggregate carrying amount of approximately HK\$11,430,000 (six months ended 30 September 2021: nil).

During the six months ended 30 September 2022, additions to right-of-use assets were approximately HK\$192,000 (six months ended 30 September 2021: nil).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 13. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The Group provides financial leasing services in the PRC.

	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Lease receivables	18,667	20,741
Receivables arising from sale and leaseback arrangements	267,707	288,630
	<b>286,374</b>	309,371
	<b>Minimum lease payments</b>	
	<b>30 September 2022 HK\$'000 (Unaudited)</b>	31 March 2022 HK\$'000 (Audited)
Lease receivables and receivables arising from sale and leaseback arrangements comprise:		
Within one year	1,590,038	1,759,449
In more than one year but not more than two years	21,487	23,874
In more than two years but not more than three years	20,616	22,906
In more than three years but not more than four years	35,692	20,704
In more than four years but not more than five years	333	19,324
	<b>1,668,166</b>	1,846,257
Less: unearned finance income	<b>(10,231)</b>	(14,048)
	<b>1,657,935</b>	1,832,209
Less: impairment allowance	<b>(1,371,561)</b>	(1,522,838)
	<b>286,374</b>	309,371
Analysed for reporting purposes as:		
Current assets	214,376	231,512
Non-current assets	71,998	77,859
	<b>286,374</b>	309,371

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 13. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (continued)

The Group's lease receivables and receivables arising from sale and leaseback arrangements are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above lease receivables and receivables arising from sale and leaseback arrangements range mainly from 8.3% to 15.4% per annum as at 30 September 2022 and 31 March 2022.

Lease receivables and receivables arising from sale and leaseback arrangements 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 leases and sale and leaseback arrangements and such collaterals 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.

Lease receivables and receivables arising from sale and leaseback arrangements 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 at 30 September 2022 and 31 March 2022, the entire carrying amounts of lease receivables and receivables arising from sale and leaseback arrangements were determined to be impaired under the lifetime expected credit losses. The lifetime expected credit losses of impaired receivables are 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.

Movements of the provision for impairment losses on lease receivables and receivables arising from sale and leaseback arrangements are as follows:

	HK\$'000
At 1 April 2021 (audited)	1,052,478
Impairment losses recognised, net	498,064
Unwinding discount on loss allowance	1,341
Disposals	(83,432)
Exchange realignment	54,387
At 31 March 2022 (audited)	1,522,838
Impairment losses recognised, net	<b>1,079</b>
Exchange realignment	<b>(152,356)</b>
At 30 September 2022 (unaudited)	<b>1,371,561</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 14. IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill has been allocated to two individual cash-generating units, comprising one sub-group of subsidiaries in the debt collection and credit investigation services segment and one sub-group of subsidiaries in the operating lease service segment.

### Impairment testing on goodwill arising from the Alpha & Leader Group

The recoverable amount of the Alpha & Leader Group has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and discount rate of 16.1% (31 March 2022: 15.8%). The Alpha & Leader Group's cash flows beyond the 5-year period are extrapolated using a steady 3.2% (31 March 2022: 3.1%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. The cash flow projections, growth rates and discount rate as at 30 September 2022 have been reassessed taking into consideration higher degree of estimation uncertainties due to how the COVID-19 pandemic may progress and evolve.

During the six months ended 30 September 2022, the directors of the Company have consequently determined impairment of goodwill directly related to the Alpha & Leader Group amounting to HK\$5,998,000 (year ended 31 March 2022: HK\$7,682,000). The impairment loss has been included in profit or loss in the "impairment losses and provision of expected credit losses" line item (note 6). No other write-down of the assets of the Alpha & Leader Group is considered necessary. The recoverable amount of the Alpha & Leader Group amounted to HK\$17,627,000 (31 March 2022: HK\$29,386,000) as at 30 September 2022.

If the discount rate was changed to 18.1% (31 March 2022: 17.8%), while other parameters remain constant, the recoverable amount of the Alpha & Leader Group would be reduced to HK\$15,218,000 (31 March 2022: HK\$26,616,000) and a further impairment of goodwill of HK\$1,228,000 (31 March 2022: HK\$1,413,000) would be recognised.

If the budgeted sales covering 5-year period were reduced by 2.0% (31 March 2022: 2.0%), while other parameters remain constant, the recoverable amount of the Alpha & Leader Group would be reduced to HK\$13,912,000 (31 March 2022: HK\$25,756,000) and a further impairment of goodwill of HK\$1,894,000 (31 March 2022: HK\$1,851,000) would be recognised.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 15. TRADE RECEIVABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Trade receivables arising from debt collection and credit investigation services	5,638	5,426
Less: allowance for credit losses	(353)	(293)
Net trade receivables arising from debt collection and credit investigation services	5,285	5,133
Trade receivables arising from leasing services	1,743	2,016
Less: allowance for credit losses	(447)	(395)
Net trade receivables arising from leasing services	1,296	1,621
Total trade receivables, net of allowance for expected credit losses	6,581	6,754

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates.

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0 to 30 days	3,800	3,407
31 to 60 days	1,163	1,937
61 to 90 days	287	402
Over 90 days	1,331	1,008
	6,581	6,754

The credit terms of the trade receivables for debt collection and credit investigation services are ranged from 0 to 60 days from the date of billing.

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

For leasing services, the customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 15. TRADE RECEIVABLES (continued)

As at 30 September 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$2,490,000 (31 March 2022: HK\$2,747,000) which are past due as at the reporting date. Out of the past due balances, HK\$1,331,000 (31 March 2022: HK\$1,008,000) has been past due 90 days or more and is not considered as in default.

Movement of the provision for impairment losses on trade receivables is as follows:

	HK\$'000
At 1 April 2021 (audited)	–
Impairment losses recognised	666
Exchange realignment	22
At 31 March 2022 (audited)	688
Impairment losses recognised	187
Written off	(1)
Exchange realignment	(74)
At 30 September 2022 (unaudited)	800

## 16. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure (i) the Group's due performance in relation to the lease and sale and leaseback services in the PRC and (ii) the Group's bank borrowings (note 18).

## 17. TRADE PAYABLES

The following is an aged analysis of trade payable presented based on the invoice dates.

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
0 to 30 days	52	235
31 to 60 days	27	5
61 to 90 days	36	92
Over 90 days	124	82
	<b>239</b>	<b>414</b>

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 18. BANK BORROWINGS

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Secured	648,954	706,006
Unsecured	3,896	4,498
	<b>652,850</b>	710,504
The carrying amounts of the above borrowings are repayable*:		
Within one year	628,162	707,219
Within a period of more than one year but not exceeding two years	23,286	1,246
Within a period of more than two years but not exceeding five years	1,402	2,039
	<b>652,850</b>	710,504
Less: amounts shown under current liabilities	<b>(628,162)</b>	(707,219)
Amounts shown under non-current liabilities	<b>24,688</b>	3,285

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

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

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Variable-rate borrowings	630,200	685,079
Fixed-rate borrowings	22,650	25,425
	<b>652,850</b>	710,504

As at 30 September 2022, the Group's variable-rate borrowings carry interest at the rate ranged from 2.75% to 4.75% (31 March 2022: 2.75% to 4.75%) per annum and fixed-rate borrowings carry interest at the rate of 8.05% (31 March 2022: 8.05%) per annum.

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK\$122,176,000 (31 March 2022: HK\$132,591,000) were granted by a bank in the PRC and secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying value of approximately HK\$85,208,000 (31 March 2022: HK\$93,383,000) and guaranteed by a joint venture of a major shareholder of the Company and a director of the Company's subsidiary.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 18. BANK BORROWINGS (continued)

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK\$22,650,000 (31 March 2022: HK\$25,425,000) were secured by bank deposits of HK\$1,111,000 (31 March 2022: HK\$1,235,000) and guaranteed by a joint venture of a major shareholder of the Company and a director of the Company's subsidiary.

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK\$504,128,000 (31 March 2022: HK\$547,990,000) were secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying value of HK\$69,722,000 (31 March 2022: HK\$77,469,000) and guaranteed by a joint venture of a major shareholder of the Company, three independent third parties and a director of the Company's subsidiary.

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK\$3,896,000 (31 March 2022: HK\$4,498,000) were guaranteed by the non-controlling substantial shareholders of Alpha & Leader.

The Group's bank borrowings are denominated in RMB and HK\$ which are the functional currency of the relevant group entities.

## 19. AMOUNT DUE TO A RELATED COMPANY

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Shanghai Nanlang Finance Lease Co., Ltd.* (上海南朗融資租賃有限公司) ("Shanghai Nanlang") (note)	48,410	51,374
The carrying amount of the above borrowing is repayable*:		
Within one year	34,449	–
Within a period of more than one year but not exceeding two years	–	44,947
	34,449	44,947
The carrying amount of the above borrowing that contains a repayment on demand clause but repayable:		
Within one year	379	101
Within a period of more than two years but not exceeding five years	13,582	6,326
	48,410	51,374
Less: amounts due within one year shown under current liabilities	(34,828)	(101)
Amounts shown under non-current liabilities	13,582	51,273

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

\* For identification purpose only

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 19. AMOUNT DUE TO A RELATED COMPANY (continued)

Note: Shanghai Nanlang is an indirect non-wholly-owned subsidiary of Goldbond, the substantial shareholder of the Company and the UMH Group. During the six months ended 30 September 2022 and the year ended 31 March 2022, Goldbond has significant influence over the Company. During the six months ended 30 September 2022 and the period from 4 March 2022 to 31 March 2022, Goldbond has significant influence over the UMH Group. Therefore, Shanghai Nanlang is considered as a related company of the Company.

As at 30 September 2022, balances due to Shanghai Nanlang of approximately RMB43,568,000 (equivalent to approximately HK\$48,410,000) (31 March 2022: RMB41,613,000 (equivalent to approximately HK\$51,374,000)), carried interest ranging from 4.5% to 6.0% (31 March 2022: 4.5% to 6.0%) per annum and repayable on the third anniversary from the first date of loan drawdown. The corresponding interest expenses were recognised as “finance costs” in profit or loss for the six months ended 30 September 2022 and the year ended 31 March 2022 (note 7). The amount due to a related company is denominated in RMB which is the function currency of the relevant group entities.

The amounts due to Shanghai Nanlang are unsecured and repayable on demand. The subsidiaries of the Group have obtained a letter from Shanghai Nanlang that Shanghai Nanlang will not demand the subsidiaries of the Group to repay the any outstanding amounts with the next twelve months from 30 September 2022 and from date of issuance of the interim condensed consolidated financial statements.

## 20. AMOUNT DUE TO A SHAREHOLDER

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Goldbond	16,174	10,968
The carrying amount of the above borrowing that contains a repayment on demand clause but repayable:		
Within one year	574	168
Within a period of more than two years but not exceeding five years	15,600	10,800
	16,174	10,968
Less: amounts due within one year shown under current liabilities	(574)	(168)
Amounts shown under non-current liabilities	15,600	10,800

As at 30 September 2022, balances due to Goldbond, a substantial shareholder with significant influence of the Company, of HK\$16,145,000 (31 March 2022: HK\$10,939,000) carried interest at 6.0% (31 March 2022: 6.0%) per annum and repayable on the third anniversary from the first date of loan drawdown. The corresponding expenses were recognised as “finance costs” in profit or loss for the six months ended 30 September 2022 and the year ended 31 March 2022 (note 7). The remaining balance due to Goldbond is interest-free.

The entire amounts due to Goldbond are unsecured and repayable on demand. The Company has obtained a letter from Goldbond that Goldbond will not demand the Company to repay any outstanding amount within the next twelve months from 30 September 2022 and from date of issuance of the interim condensed consolidated financial statements.



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 21. CONVERTIBLE BONDS

The Company issued three-year, interest-free, redeemable convertible bonds (the “**Convertible Bonds**”) at an aggregate principal amount of HK\$3,811,500 on 4 March 2022. The Convertible Bonds are denominated in HK\$ and are unsecured. The maturity date (the “**Maturity Date I**”) is the date falling immediately before the third anniversary of the date of issue of the Convertible Bonds, i.e. 3 March 2025. The Convertible Bonds entitle the holders to convert them into ordinary shares of the Company at any time commencing from the seventh day after the date of issue of the convertible bonds to the seventh day (inclusive) before the Maturity Date I at a conversion price of HK\$0.154 per convertible bond, subject to restrictions and adjustments in accordance with the terms and conditions of the Convertible Bonds. Unless already converted or redeemed in accordance with the conditions and terms of the convertible bonds, the Company shall redeem the outstanding principal amount at the redemption price (being 100% of the then outstanding principal amount) at Maturity Date I.

The conversion options are not settled by exchange of a fixed amount of cash or another asset for a fixed number of the Company’s own shares. Hence, the Convertible Bonds contain two components, debt component and derivative (including conversion options) component. As at 30 September 2022, the effective interest rate of the debt component is 22.7% (31 March 2022: 19.8%) per annum. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

The movement of the debt and derivative components of the Convertible Bonds is set out as below:

	Debt component HK\$'000	Derivative component HK\$'000
At 1 April 2021 (audited)	–	–
Fair value of the Convertible Bonds issued on 4 March 2022	2,214	874
Imputed interest charged	31	–
Loss arising on changes of fair value	–	(41)
At 31 March 2022 (audited)	2,245	833
Imputed interest charged (note 7)	75	–
Loss arising on changes of fair value	–	(72)
At 30 September 2022 (unaudited)	2,320	761

The binomial option pricing model is used for valuation of the derivative component. The key inputs used in the model are disclosed in note 27.

The Convertible Bonds were issued to Goldbond, a substantial shareholder with significant influence of the Company, to settle part of the consideration for the acquisition of the UMH Group during the year ended 31 March 2022.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 22. DERIVATIVE FINANCIAL LIABILITIES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Derivative financial liabilities:		
Potential additional compensations arising from the acquisition of the Alpha & Leader Group (note i)	9,063	9,478
Conversion options of the Convertible Bonds (note 21) arising from the acquisition of the UMH Group (note ii)	761	833
	<b>9,824</b>	10,311
Analysed for reporting purposes as:		
Current liabilities	9,063	9,478
Non-current liabilities	761	833
	<b>9,824</b>	10,311

Notes:

- (i) On 25 August 2021, the Company entered into a lock-up agreement with the Vendors (the “**Vendors**”, as defined in the Company’s circular dated 30 June 2021), Goldbond, Silver Creation Investments Limited (“**Silver Creation**”) and Solomon Glory Limited (“**Solomon Glory**”) in respect of the acquisition of 51% equity interest in the Alpha & Leader Group. Pursuant to the lock-up agreement, the restricted period with respect to disposal of the first tranche transfer shares (the “**First Tranche Transfer Shares**”, as defined in the Company’s circular dated 30 June 2021) by the Vendors shall be 18 months immediately following the date of shares transfer from Silver Creation. In respect of the First Tranche Transfer Shares only, after 6 months following the date of transfer of the First Tranche Transfer Shares, the Vendors could, by notice in writing sent to the Company, notify the Company of their intention to dispose of all or part of the First Tranche Transfer Shares in the open market through the Stock Exchange during the aforesaid 18-month restricted period but the Vendors shall sell the First Tranche Transfer Shares to independent third parties in the open market through the Stock Exchange at the prevailing market price. In the event that the relevant First Tranche Transfer Shares were disposed of in the open market through the Stock Exchange at a price of less than HK\$0.4 per share, the shortfall amount (being the difference between HK\$0.4 and the average trading price of the relevant First Tranche Transfer Shares being sold in the open market) shall be compensated by the Company to the Vendors in cash.

The derivative financial liability was stated at fair value based on the valuation performed by an independent firm of professional valuer. At the inception date, the fair value of the derivative financial liability was assessed as HK\$8,572,000. As at 30 September 2022, the fair value of the derivative financial liability was increased by HK\$231,000 (31 March 2022: increased by HK\$906,000) and the loss was recognised in profit or loss for the six months ended 30 September 2022 (note 5). During the six months ended 30 September 2022, the Company paid approximately HK\$646,000 to a vendor in May 2022.

- (ii) The conversion options of the Convertible Bonds were issued to Goldbond, a substantial shareholder with significant influence of the Company. The derivative financial liability was stated at fair value based on the valuation performed by an independent firm of professional valuer. At the inception date, the fair value of the derivative financial liability was assessed as HK\$874,000 (note 21). As at 30 September 2022, the fair value of the derivative financial liability was decreased by HK\$72,000 (31 March 2022: decreased by HK\$41,000) and the gain was recognised in profit or loss for the six months ended 30 September 2022 (note 5).

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 23. LOAN NOTE

	HK\$'000
At 1 April 2021 (audited)	–
Fair value of the Loan Note issued on 4 March 2022	8,935
Imputed interest charged	130
At 31 March 2022 (audited)	9,065
Imputed interest charged (note 7)	341
At 30 September 2022 (unaudited)	9,406

The Company issued three-year, redeemable loan note (the “**Loan Note**”) at an aggregate principal amount of HK\$13,188,500 at 4.58% per annum on 4 March 2022. The Loan Note is denominated in HK\$ and are unsecured. No collateral shall be provided by the Company. The maturity date (the “**Maturity Date II**”) is the date falling immediately before the third anniversary of the date of issue of the Loan Note, i.e. 3 March 2025. Subject to the terms and conditions of the Loan Note, the Company shall at its absolute discretion be entitled to redeem the Loan Note in whole or in part at any time before the Maturity Date II. As at 30 September 2022, the effective interest rate of the Loan Note is 22.7% (31 March 2022: 19.8%) per annum.

The Loan Note was issued to Goldbond, a substantial shareholder with significant influence of the Company, to settle part of the consideration for the acquisition of the UMH Group during the year ended 31 March 2022.

## 24. CONTINGENT CONSIDERATION PAYABLES

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Promissory notes to be issued (note (a))	3,015	3,607
Cash consideration payable (note (b))	–	2,179
	3,015	5,786

Notes:

- (a) The amount represented the fair value of three tranches of promissory notes to be issued to Solomon Glory, a wholly owned subsidiary of Goldbond, of a substantial shareholder with significant influence of the Company, as compensation for Solomon Glory to transfer certain existing shares of the Company held by it in the maximum amount of 38,503,380 shares to the Vendors for the acquisition of 51% equity interest in the Alpha & Leader Group during the year ended 31 March 2022.

The promissory notes to be issued will be unsecured and non-interest bearing. The promissory notes to be issued are expected to be settled in April 2023, April 2024 and April 2025, being 13 months from the respective issue dates in settlement of the relevant transfer of existing shares of the Company by tranches by Solomon Glory to the Vendors.

- (b) Cash consideration in the maximum amount of HK\$3,831,256 will be settled by the Company in March 2024 in respect of the acquisition of 51% equity interest in the Alpha & Leader Group during the year ended 31 March 2022.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 24. CONTINGENT CONSIDERATION PAYABLES (continued)

The promissory notes to be issued and cash consideration payable are subject to the consideration adjustment with reference to the financial performance of the Alpha & Leader Group for the year ended 31 December 2021 and the years ending 31 December 2022 and 2023 and hence constitute a contingent consideration arrangement. Details are set out in the Company's circular dated 30 June 2021.

The transfer shares held by Solomon Glory and deferred cash consideration to be transferred to the Vendors are subject to the profit guarantee given by the vendors as specified and under the heading of "Adjustment to Consideration subject to the profit guarantee" in the Company's circular dated 30 June 2021.

The contingent consideration payables were stated at fair value based on the valuation performed by an independent firm of professional valuer. At the inception date, the fair value of the contingent consideration payables was assessed as HK\$6,081,000. As at 30 September 2022, the fair value of the contingent consideration payables was decreased by HK\$2,771,000 (31 March 2022: decreased by HK\$295,000) and the gain was recognised in the profit or loss for the six months ended 30 September 2022 (note 5).

## 25. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
At 1 April 2021 (audited), 30 September 2021 (unaudited), 31 March 2022 (audited), 1 April 2022 (audited) and 30 September 2022 (unaudited)	10,000,000,000	100,000
<b>Issued:</b>		
At 1 April 2021 (audited), 30 September 2021 (unaudited), 31 March 2022 (audited), 1 April 2022 (audited) and 30 September 2022 (unaudited)	412,509,000	4,125

All the shares issued during both years ranked pari passu in all respects with the then existing shares in issue.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 26. RELATED PARTY DISCLOSURE

### (i) Related party transactions

Other than 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 executive director of the Company and senior management were as follows:

	Six months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Salaries and other allowances	2,352	1,482
Retirement benefit scheme contributions	40	32
Equity-settled share-based payments	25	25
	<b>2,417</b>	1,539

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

### (ii) Related party balances

Other than as disclosed elsewhere in the interim condensed consolidated financial statements, the Group has following balances with related parties:

	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)
Amounts due from the non-controlling substantial shareholders of the Alpha & Leader Group (included in other receivables)	–	329
Amounts due from the related companies of the non-controlling substantial shareholders of the Alpha & Leader Group (included in other receivables)	147	1,510
Amounts due to the non-controlling substantial shareholders of the Alpha & Leader Group (included in other payables)	100	–



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under Level 3, the Group engages an external qualified professional valuer not connected to the Group to perform the valuation. Management of the Group works closely with the external qualified valuer to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### (i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of the financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

#### *Fair value hierarchy*

	<b>30 September 2022 Level 3 HK\$'000 (Unaudited)</b>	31 March 2022 Level 3 HK\$'000 (Audited)
Derivative financial liabilities (note 22)	<b>9,824</b>	10,311
Contingent consideration payables (note 24)	<b>3,015</b>	5,786

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### (i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis (continued)

#### Fair value hierarchy (continued)

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	30 September 2022 HK\$'000 (Unaudited)	31 March 2022 HK\$'000 (Audited)			
Derivative component in relation to the convertible bonds	761	833	Level 3	Binomial option pricing model. The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company, dividend yield and exercise price.	Expected volatility of the share price of 44.1% (31 March 2022: 62.9%) determined by taking reference to historical share prices of the Company (note a).
Derivative financial liabilities arising from the acquisition of the Alpha & Leader Group	9,063	9,478	Level 3	Binomial option pricing model. The fair value is estimated based on the risk free rate, discount rate, share price, volatility of the share price of the Company, dividend yield and exercise price.	Expected volatility of the share price of 56.4% (31 March 2022: 65.2%) determined by taking reference to historical share prices of the Company (note b).
Contingent consideration payables	3,015	5,786	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Probability adjusted revenues and profits, with a range from HK\$35,153,000 to HK\$46,553,000 (31 March 2022: HK\$42,549,000 to HK\$63,354,000) and a range from (HK\$7,217,000) to HK\$6,714,000 (31 March 2022: HK\$334,000 to HK\$11,114,000), respectively (note c).



# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### (i) Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis (continued)

#### *Fair value hierarchy (continued)*

Notes:

- (a) A slight increase in the expected volatility used in isolation would result in a slight increase in the fair value measurement of the derivative component in relation to the convertible bonds, and vice versa. As a result of the volatile financial market in 2022, management of the Group adjusted the sensitivity rate from -5% to 5% for the purpose of performing the sensitivity analysis. A 5% increase in the expected volatility holding all other variables constant would increase the carrying amount of the derivative component in relation to the convertible bonds by HK\$25,000 (31 March 2022: increase by HK\$39,000).
- (b) A slight increase in the expected volatility used in isolation would result in a slight increase in the fair value measurement of the derivative financial liabilities, and vice versa. As a result of the volatile financial market in 2022, management of the Group adjusted the sensitivity rate from -5% to 5% for the purpose of performing the sensitivity analysis. A 5% increase in the expected volatility holding all other variables constant would have no change to the carrying amount of the derivative financial liabilities (31 March 2022: increase by HK\$3,000).
- (c) A slight increase in the probability-adjusted revenues and profits used in isolation would result in a slight increase in the fair value measurement of the contingent consideration payables, and vice versa. As a result of the volatile financial market in 2022, management of the Group adjusted the sensitivity rate from -5% to 5% for the purpose of performing the sensitivity analysis. A 5% increase in the probability-adjusted profits holding all other variables constant would increase the carrying amount of the contingent consideration payables by HK\$31,000 (31 March 2022: increase by HK\$307,000).

There were no transfers between the different levels of the fair value hierarchy during the periods.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2022

## 27. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

### (ii) Reconciliation of Level 3 fair value measurements

	Derivative component in relation to the convertible bonds HK\$'000	Derivative financial liabilities arising from the acquisition of the Alpha & Leader Group HK\$'000	Contingent consideration payables HK\$'000	Total HK\$'000
At 1 April 2021 (audited)	–	–	–	–
Issued	874	8,572	6,081	15,527
Total (gain)/loss:				
– in profit or loss	(41)	906	(295)	570
At 31 March 2022 (audited)	833	9,478	5,786	16,097
Total (gain)/loss:				
– in profit or loss	(72)	231	(2,771)	(2,612)
– paid to a vendor	–	(646)	–	(646)
At 30 September 2022 (unaudited)	761	9,063	3,015	12,839

### (iii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

As at 30 September 2022, the fair value of lease receivables and receivables arising from sale and leaseback arrangements is estimated to be HK\$286,374,000 (31 March 2022: HK\$309,371,000) using a discount rate mainly ranged from 8.3% to 15.4% (31 March 2022: 8.3% to 15.4%) per annum.

As at 30 September 2022, the fair value of the debt component of convertible bonds is determined assuming redemption on maturity and using an interest rate of 22.7% (31 March 2022: 19.8%) per annum based on the prevailing market risk free rate, credit spread and liquidity risk premium.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values due to short maturity.



# Management Discussion and Analysis

## BUSINESS OVERVIEW

During the Reporting Period, the Group continued the implementation of its business strategies to (i) enhance synergies across multiple platforms within our ecosystem in order to further develop the Group's leasing business; (ii) diversify the Group's business risks through the granting of loans in smaller loan size with more liquid lease assets; and (iii) diversify of geographical risk through the expansion of its operating locations; which in turn will provide sustainable sources of revenue to the Group while diversifying the Group's business risks, enhance its financial performance and creating value for the shareholders of the Company.

The Group is principally engaged in the provision of (1) leasing services in the PRC and (2) value added services including due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore.

### Leasing services

The Group conducts its leasing services in various cities across the PRC covering cities of Wuhan, Huzhou, Ningbo, Shaoxing, Jiaxing, Shenzhen, Taizhou and Wenzhou. The Group as the lessor generates lease income by delivery of leased assets to its lessees who make periodic lease payments to the Group.

### Credit investigation and debt collection services

To further strengthen the Group leasing operations, we have complemented our leasing operations with value-added services including credit assessment, investigation and debt recovery service. Often, business and credit risks are caused by asymmetry and discrepancies of information, hence, credit investigation and debt recovery would serve as the front end and back end in any business transactions. Leveraging on the Group's expertise in credit assessment and investigation, the Group has access to the latest information such as credit status, financial information and social credit ratings of potential leasing customers. Due diligence and credit investigation services are performed through established networks, databases and credit assessment system using big data analytics which in-turn generate and provide credit reports, scoring results and recommendations to clients as well as the Group prior to entering into any potential business transactions. These information are used to assist the process of customer selection, as well as the selection of transaction models and determining transaction conditions.

Debt collection services are provided for past due commercial accounts receivables ranging from 3 to 12 months, this is a non-litigation service that enables creditors to recover past due accounts receivables through mediation and dispute resolution, rather than going through the lengthy process of litigation resulting in further commitments on legal costs and risk of additional non-recoverable debts. Credit assessment, investigation and debt collection services are both part of an integral value-added service enabling the Group to further develop our leasing business.

## FINANCIAL REVIEW

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

### Revenue

During the Reporting Period, the Group recorded revenue of approximately HK\$45.5 million, representing an increase of approximately 500.2% from approximately HK\$7.6 million recorded in the previous corresponding period ended 30 September 2021. The increase in revenue was due to the Group's effective implementation of its strategic move to expand into new operating locations outside of Hubei Province and initiation to process loans with more liquid assets and generally smaller in loan size, hence, minimizing credit risk while increasing activities in leasing operations. To complement the development of the Group's leasing service, the Group provides value added services including credit assessment, investigation and debt recovery services, so as to further strengthen the Group's leasing operations by creating an ecosystem which in turn contributed approximately HK\$18.7 million to the Group's revenue during the Reporting Period. Services fees for due diligence and credit investigation services are charge based on the agreed upon scope covering the number of search targets, search period and the complexity of obtaining the relevant search information. Debt collection services are provided to clients with past due commercial accounts receivables. Substantially all revenue derived from the provision of debt collection services are recognized upon successful recovery of past due receivables.



## Staff costs

Staff costs of the Group amounted to approximately HK\$14.0 million for the Reporting Period, representing an increase of approximately 190.0% from approximately HK\$4.8 million recorded in the previous corresponding period ended 30 September 2021. This was mainly due to the increase in staff costs resulting from the development of the debt collection services, due diligence and credit investigation services in Hong Kong, the PRC and Singapore; and the commencement of the automobile leasing services in the PRC during the Reporting Period.

## Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK\$14.3 million, representing an increase of approximately 174.3% from approximately HK\$5.2 million recorded in the previous corresponding period ended 30 September 2021. This was mainly due to the increase in other operating expenses resulting from the development of the debt collection services, due diligence and credit investigation services in Hong Kong, the PRC and Singapore; and the commencement of the automobile leasing services in the PRC during the Reporting Period.

## Impairment losses on financial assets

Impairment losses on financial assets is approximately HK\$1.1 million for the Reporting Period. This was mainly due to changes in recoverability of certain past due lease receivables and receivables arising from sale and leaseback arrangements. In the previous corresponding period ended 30 September 2021, the reversal of impairment losses on financial assets amounted to approximately HK\$18.3 million.

The continuous impact of COVID-19 pandemic, liquidity crisis of the property market in PRC and geopolitical instability continued to cause material adverse impacts on the businesses of the customers of the Group (mostly SMEs), affecting the recovery of the Group's outstanding loans and hence the financial performance of the financial leasing business of the Group. In particular:

- (i) the COVID-19 pandemic, the intermittent widespread regional and district lock downs has continued to cause business disruptions and catastrophes resulting in significant material adverse effects on the businesses and cashflows of the SME customers of the Group and their abilities to make repayments to the Group;
- (ii) the worsening of market condition in the PRC property sector has caused significant material adverse effects on the property value of the properties held by the SME customers of the Group, including their abilities to liquidate these properties or obtain financing on these properties, and hence their abilities to make repayments to the Group. Furthermore, the significant decline in the value of the collaterals held by the Group also adversely affected the Group's ability to liquidate such collaterals due to the diminishing number of potential purchasers at the intended price level; and
- (iii) the geopolitical conflicts and warfare in recent years have significantly dampened global investments and business activities affecting the customers of the Group who may be manufacturing and export-oriented and in turn affected their abilities to make repayments to the Group.

The worsening business conditions of the SME customers of the Group coupled with the effect of rapidly declining value of the leased assets, collaterals, proposed lease assets and collaterals have posed significant challenges for all money lender businesses in the PRC, including the Group in the past few years. While the Group is making its best effort to restore its normal operations, the above-mentioned factors have continued to cause significant difficulties to the Group from all aspects.



# Management Discussion and Analysis

## Other income

Other income of the Group mainly comprised of bank interest income and government grants. During the Reporting Period, the other income of the Group amounted to approximately HK\$467,000, representing an increase of approximately 1,567.9% from approximately HK\$28,000 recorded in the previous corresponding period ended 30 September 2021. Such an increase was mainly due to the increase in government subsidies.

## Finance costs

Finance costs of the Group comprised of interest on bank borrowings, imputed interest on promissory note, imputed interest on convertible bonds, imputed interest on loan note, interest on lease liabilities, imputed interest expense on interest-free deposits from customers, interest on amount due to a related company and interest on amount due to a shareholder. During the Reporting Period, finance costs of the Group amounted to approximately HK\$17.7 million, representing an increase of approximately 12.5% from approximately HK\$15.7 million in the previous corresponding period ended 30 September 2021. This was mainly due to increase in the Group's borrowings and financing activities.

As at 30 September 2022, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK\$649.0 million (30 September 2021: approximately HK\$672.6 million) and the guarantee fee paid to the related parties during the Reporting Period amounted to nil (six months ended 30 September 2021: nil). For further information, please refer to the section headed "Exempt Continuing Connected Transactions", sub-section headed "The Bank Guarantee Agreements" on page 53 of this report.

## Loss for the period

Loss for the period of the Company amounted to approximately HK\$22.3 million for the Reporting Period. This was mainly due to the decrease in reversal of impairment losses on financial assets. In the previous corresponding period ended 30 September 2021, profit for the period amounted to approximately HK\$3,000.

## Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

## Liquidity, financial resources and capital resources

As at 30 September 2022, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK\$11.6 million (31 March 2022: approximately HK\$15.5 million), representing a decrease of approximately HK\$3.9 million compared to 31 March 2022. This was due to a combination of multiple effects including the Group's conservative strategy to promote business, collection of past due financial assets and use of internal funding. The working capital deficiency (current assets less current liabilities) of the Group were approximately HK\$725.7 million as at 30 September 2022 (31 March 2022: working capital deficiency approximately HK\$777.8 million). The capital deficiency of the Group was approximately HK\$649.3 million (31 March 2022: approximately HK\$695.9 million).

As at 30 September 2022, the Group's bank borrowings with maturity within one year amounted to approximately HK\$628.2 million (31 March 2022: approximately HK\$707.2 million) and the Group's bank borrowings with maturity that exceeded one year amounted to approximately HK\$24.7 million (31 March 2022: approximately HK\$3.3 million). For particulars of bank borrowings of the Group as at 30 September 2022, please refer to note 18 to the interim condensed consolidated financial statements.

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2022 was not applicable (31 March 2022: not applicable).

## Charges on group assets

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK\$626.3 million (31 March 2022: approximately HK\$680.6 million) were granted by banks in the PRC and secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying value of approximately HK\$154.9 million (31 March 2022: approximately HK\$170.9 million).

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK\$22.7 million (31 March 2022: approximately HK\$25.4 million) were secured by bank deposits of approximately HK\$1.1 million (31 March 2022: approximately HK\$1.2 million).

## Capital commitments

As at 30 September 2022, the Group had no capital commitments (31 March 2022: nil).

## Employees and remuneration policy

As at 30 September 2022, the Group had 133 staff located in Hong Kong, the PRC and Singapore, and their remuneration is determined based on the employees' performance, experience and prevailing industry practices. The Group also offers other benefits such as medical insurance, retirement schemes and training subsidies to our employees. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

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

PRC employees are covered by the mandatory social security schemes operated by the PRC government. The Group is required by the PRC laws to contribute a certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. There were no forfeited contributions utilised to offset employers' contributions for the Reporting Period.

Singapore employees are covered by the mandatory social security savings scheme funded by contributions from employers and employees, the Central Provident Fund. The Group and its employees are each required to contribute a certain percentage of payroll costs to fund the mandatory social security savings schemes. There were no forfeited contributions utilized to offset employers' contributions for the Reporting Period.

## RISK FACTORS AND MANAGEMENT

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

The Group's credit risk is primarily attributable to lease receivables and receivables arising from sale and leaseback arrangements, loan receivable, short-term bank deposits, security deposits, trade and other receivables and bank balances and cash. Our Group reviews individual outstanding amount regularly depending on individual circumstance and market condition.



## Management Discussion and Analysis

Our financial leasing business is positioned to fulfill the financing needs of SMEs and the sustainability of our business and future growth depend on our ability to manage our credit risk effectively. As such, any deterioration in the asset quality or collectability of the lease receivables and receivables arising from sale and leaseback arrangements could adversely affect our business, prospects and financial conditions. Due to the continue worsening of general economic environment caused by the outbreak of the COVID-19 pandemic, it is inevitable for some corporations to be faced with a greater risk of default, especially the SMEs. As most SMEs customers in general have less financial resources in terms of capital or fund raising capability when comparing to larger corporations, and as such, they are more likely to be adversely affected by changes in market conditions, which poses increasing risk of default to our Group. Our management has been monitoring the changes of our customers' credit risk, and we had, in fact, in some cases requested additional collaterals and pledged 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 measures to minimize our risk of exposure to such credit risks.

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

Our Group's business operation primarily relates to the interest-bearing bank borrowings and bank balances. We have incurred, and expect 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 charge our clients by the same amount in order to minimize our risk of exposure to such interest rate risks.

### **Foreign exchange risk**

Our Group is exposed to foreign currency risk primarily with respect to Renminbi ("RMB") and United States Dollars denominated transactions, 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 of the Company 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.

### **Liquidity risk**

The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accrued charges, promissory note, derivative financial liability, contingent consideration payables and bank borrowings and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

## **CONTINGENT LIABILITIES**

As at 30 September 2022, the Group did not have any material contingent liabilities (31 March 2022: nil) except for the contingent consideration payables as set out in the condensed consolidated statement of financial position.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

The Group from time to time is exploring investment opportunities that would benefit the Shareholders as a whole. Saved as disclosed in this report, the Group did not have other material acquisition or disposals by the Group during the Reporting Period and up to the date of this report.

## EVENTS AFTER THE PERIOD UNDER REVIEW

### 1. Impact of novel coronavirus outbreak to the Group

The continuous outbreak of COVID-19 had continued to caused global disruptions and catastrophes, many companies and corporations are stuck in a cycle of disruption. The city-wide lockdown of Shanghai and the many intermittent widespread regional district isolation and lockdown in Guangdong Province and many major cities in the PRC, the tighten social distancing measures across the PRC, the travel restrictions as well as quarantine, and various sanitization and anti-epidemic precaution measures; had caused major disruptions to the Group's operations in PRC. While the Group is making its best effort to restore its normal operations, the COVID-19 pandemic and disruption of operations is continuing to cause significant difficulties to the Group from all aspects, including adverse economic impacts on the financial conditions, cashflow and collectability of the Group's leasing customers, the quality of lease assets and collaterals of existing customers, the assessments and processing of application of any potential new customers etc. As a result, it is expected that the Group's operations and productivity may continue to be affected and subject to material challenges and uncertainties.

### 2. Latest development of the Group

The Group is actively reviewing and processing loan applications, as at 25 November 2022, the Group has entered into various automobile leasing arrangements involving an aggregate of 617 automobiles at the value of approximately RMB61.8 million (equivalent to approximately HK\$68.7 million), of which approximately 91 automobiles at the amount of approximately RMB8.5 million (equivalent to approximately HK\$9.4 million) are under finance lease arrangements. As at the date of this report, the Group has 17 establishments across various cities in the PRC for its leasing business.

The above-mentioned recent developments of the Group are in-line with the Group's strategy (i) to further enhance and nurture synergies within our ecosystem in order to further complement the development of the Group's leasing services; (ii) to expand its business outside of Hubei Province in the PRC; (iii) to diversify business risk through more liquid lease assets with generally smaller loan size; and (iv) to provide sustainable sources of revenue to the Group, which in turn will diversify the Group's business risks, enhance its financial performance and to create value for the shareholders of the Company.

Save as disclosed above, there is no other change to the Group's business plan regarding its leasing business and the Board firmly believes that the Group's leasing business will turn around as and when the general economic environment in the PRC and the COVID-19 epidemic gradually improve. The Group will also continue to manage and apply various strategies and means to recover its overdue finance lease receivables, take various actions including lawsuit, debt restructuring and other methods that are considered effective and can improve the liquidity position of the Group.



## ADDITIONAL INFORMATION

### In respect of “Going concern basis”

As explained in the note 2 to the interim condensed consolidated financial statements, notwithstanding that the Group's consolidated financial statements for the period ended 30 September 2022 have been prepared on a going concern basis, there are conditions together with other matters described there indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such conditions, the Company has given careful consideration to the Group's current liquidity, performance and available resources in considering the Group's ability to continue as a going concern. The Company has taken and will continue to implement the measures as further detailed in note 2 to the interim condensed consolidated financial statements. Based on the plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this report and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### Action plan to address the material uncertainties relating to going concern

The Company had taken and continue to implement the measures as further detailed in note 2 to the interim condensed consolidated financial statements and listed below:

**(i) *Obtaining new source of finance to improve working capital requirements***

On 21 October 2021, the Company and Goldbond Group Holdings Limited (“**Goldbond**”), the Company's substantial shareholder, entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the “**Goldbond Loan Agreement**”). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 30 September 2022 and 30 November 2022, the amount of HK\$19,848,000 and HK\$17,559,000, respectively, as stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

**(ii) *Implementation of measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements***

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit, debt restructuring, and other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an aggregate gross carrying value of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately RMB1,107,922,000. In addition, the Group has taken alternative measures and utilize the Group's expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the year ended 31 March 2022, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the “**Related Party**”), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. As at 30 September 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK\$42,778,000 while the relevant bank borrowings were approximately HK\$504,128,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company’s announcement on 28 June 2021, the Group is applying to the relevant bank for transfer of bank borrowings to the Related Party (“**Transfer of Bank Borrowings**”). Such application was still under review and pending approval from the relevant bank as at the date of issuance of this report. For illustrative purposes only, based on the figures as at 30 September 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the Group’s consolidated net liabilities would be reduced by HK\$461,350,000.

**(iii) Negotiation of the renewal of bank borrowings**

During the period ended 30 September 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK\$24,166,000 extended to May 2024. The Group is in the process of negotiation with relevant Bank to obtain further extension.

**(iv) Implementation of active cost-saving measures**

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

**(v) Disposal of Rongzhong Capital Holdings Limited**

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing entered into the sale and purchase agreement, pursuant to which, Mr. Xie Xiaoqing conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital Holdings Limited (“**Rongzhong Capital**”), representing 100% of total issued share capital of Rongzhong Capital and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK\$177,925,850.34, respectively, at the consideration of HK\$100,000 or equivalent in RMB (the “**Disposal**”). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group’s financial statements. The Board believes that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability.

For details, please refer to the Company’s announcement dated 31 March 2022 and 2 June 2022.

The Company and the Board believe that the above-mentioned action plans are the most commercially practicable plans and measures in addressing the multiple uncertainties which may cast significant doubt about the Group’s ability to continue as a going concern.

The Company and the Board will focus on the above action plans and the continue implementation thereof, while keeping viable options open as they continue the efforts in addressing the going concern issue.



# Management Discussion and Analysis

## BUSINESS REVIEW AND PROSPECTS

The first half of the financial year 2022/2023 continued to be extremely difficult and challenging for the Group. The continuous impact of COVID-19 pandemic, liquidity crisis of the property market in PRC and geopolitical instability continued to cause material adverse impacts on the businesses of the customers of the Group (mostly SMEs), affecting the recovery of the Group's outstanding loans and hence the financial performance of the Group. In particular, the continuing threats of COVID-19 pandemic along with the intermittent widespread regional and district lockdowns and isolations in PRC has continued to cause business disruptions to the Group resulting in significant material adverse effects on the businesses and cashflows of the SME customers of the Group and their abilities to make repayments to the Group. The worsening business conditions of the SME customers of the Group coupled with the effect of rapidly declining value of the leased assets, collaterals, proposed lease assets and collaterals have posed significant challenges for all money lender businesses in the PRC, including the Group in the past few years. While the Group is making its best effort to restore its normal operations with the implementation of various proactive measures, the above-mentioned factors have continued to cause significant difficulties to the Group from all aspects.

Looking forward, while the duration of the COVID-19 pandemic, the property market crisis in the PRC and the global political tension remains uncertain and under pressure, the Group remains committed to continue the implementation of its business strategy by way of (i) enhancing synergies across multiple platforms within our ecosystem in order to further develop the Group's leasing business; (ii) diversify the Group's business risks through the granting of loans in smaller loan size and more liquid assets; and (iii) diversify of geographical risk through expansion of its operating locations; which in turn will provide sustainable sources of revenue to the Group while diversifying the Group's business risks, enhance its financial performance and creating value for the shareholders of the Company.

The Group is committed to promote 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 recommended best practices set out in the CG Code except for the following:

As at the date of this report, the Company does not have a chairman of the Board (the “**Chairman**”) to discharge the duties as required under CG Code A.2.2 to A.2.9. The daily operation and management of the Company are monitored by the executive Director as well as the senior management of the Company (the “**Senior Management**”). The Board is of the view that although there is no Chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting the operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. Also, CG Code E.1.2 stipulates that the Chairman should attend the annual general meeting. As the position of the Chairman was vacant as at the date of the annual general meeting held on 31 October 2022, Ms. Wong Emilie Hoi Yan, the executive Director and chief executive officer of the Company, was appointed as the chairman of the annual general meeting to answer and address questions raised by the shareholders at the annual general meeting. The Company will, at the appropriate time, arrange for the election of a Chairman.

Following the retirements of Mr. Yu Yang (“**Mr. Yu**”) as the Independent Non-executive Directors with effect from the conclusion of the AGM, the Board has only two Independent Non-executive Director which fell short of the minimum number (namely three Independent Non-executive Directors) and proportion (namely one-third of the Board) as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules.

The required composition of the Audit Committee, Remuneration Committee and Nomination Committee did not meet the requirements under Rule 3.21, Rule 3.25 and the code provision A.5.1 of Appendix 14 of the Listing Rules:

- i. the Audit Committee currently does not have a chairman and comprises of two non-executive Directors and two Independent Non-executive Directors, which fails to comply with the requirement of Rule 3.21 of the Listing Rules in respect of having a majority members being Independent Non-executive Directors;
- ii. the Remuneration Committee currently comprises of two non-executive Directors and two Independent Non-executive Directors, which fails to comply with the requirement of Rule 3.25 of the Listing Rules in respect of having a majority members being Independent Non-executive Directors; and
- iii. the Nomination Committee currently comprises of two non-executive Directors and two Independent Non-executive Directors, which fails to comply with the requirement of the code provision A.5.1 of Appendix 14 of the Listing Rules in respect of having a majority members being Independent Non-executive Directors.

The Board is currently identifying suitable candidates to fill the vacancies of Independent Non-executive Director to meet the above requirements as soon as practicable and within three months from the date hereof. Further announcement(s) will be made by the Company upon fulfilment of the requirements in accordance with the Listing Rules.

## COMPOSITION AND RESPONSIBILITIES OF THE BOARD

As at the date of this report, the Board consists of seven Directors, comprising one executive Director (the “**Executive Director**”), four non-executive Directors (the “**Non-executive Directors**” and each a “**Non-executive Director**”) and two independent Non-executive Directors (“**INEDs**”).

The Board is responsible for the setting of the Company’s corporate strategies, supervising and monitoring its implementation, review of the overall operations and financial performance of the Group, and making decisions in major aspects of the Company’s matters including but not limited to the approval and adoption of key policies, material transactions, business plans, annual budgets, internal control, 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, the chief executive officer (the “**Chief Executive Officer**”) and the Senior Management. The roles of the Chairman and the Chief Executive Officer are separated.

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

Ms. Wong Emilie Hoi Yan (“**Ms. Emilie Wong**”) is currently the Chief Executive Officer, while the position of the Chairman remains vacant. The daily operation and management of the Company is monitored by the Executive Director as well as the Senior Management. The Board is of the view that although there is no Chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting the operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. The Company will, at the appropriate time, arrange for the election of a 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 second amended and restated memorandum and articles of association of the Company as adopted by a special resolution passed on 31 October 2022 (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 Company adopted the board diversity policy (the “**Board Diversity Policy**”) which sets out the approach to achieve diversity on the Board in order to enhance quality of its performance. On 2 May 2019, the Company has adopted a series of terms of reference for the Board committees in compliance with the regulations contained in the Companies Law of the Cayman Islands, the Listing Rules and the Articles. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company’s competitive advantage. Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company’s corporate strategy and to ensure that the Board maintains a balanced diverse profile. In reviewing and assessing the Board composition, its diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, professional qualifications, skills, knowledge, industry and regional experience. The Company aims to maintain an appropriate balance of diverse perspectives that are relevant to the Company’s business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Board may adopt and/or amend from time to time as applicable such perspectives that are appropriate to the Company’s business and the Board succession planning as applicable.



## BOARD COMMITTEES

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

### Audit Committee

The Audit Committee was established on 18 December 2015. On 2 May 2019, the Company has adopted a terms of reference of the Audit Committee in compliance with the regulations contained in the Companies Law of the Cayman Islands, the Listing Rules and the Articles. The primary duties of the Audit Committee during the Reporting Period included but not limited to reviewing the Group’s financial information, overseeing the Group’s financial reporting system and internal control procedures, risk management system and maintaining relationship with the Group’s external auditor and providing recommendations to the Board. As at the date of this report, the Audit Committee consisted of two Non-executive Directors: Mr. Chen Shuai (“**Mr. Chen**”) and Mr. Wong Ming Bun David (“**Mr. David Wong**”); and two INEDs: Mr. Lie Chi Wing (“**Mr. Lie**”) and Mr. Ng Wing Chung Vincent (“**Mr. Ng**”). The Company currently does not have a chairman of the Audit Committee.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2022 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

### Nomination Committee

The Nomination Committee was established by the Board on 18 December 2015. On 2 May 2019, the Company has adopted a director nomination policy in compliance with the CG Code (the “**Director Nomination Policy**”). The Board has delegated its authority and duties for matters relating to the selection and appointment of Directors to the Nomination Committee of the Company. During the Reporting Period, the Nomination Committee is responsible for the setting of the criteria and process in the nomination and appointment of Directors, ensuring the Board has a balance of skills and diversity of perspectives appropriate to the Company and to ensure the continuity and appropriate leadership in the Board. The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company’s business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of INEDs on the Board and independence of the proposed INEDs in accordance with the Listing Rules; and
- commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

As at the date of this report, the Nomination Committee consists of two Non-executive Directors: Mr. Chen and Ms. Wong Michelle Yatye (“**Ms. Michelle Wong**”); and two INEDs: Mr. Lie and Mr. Ng. The chairman of the Nomination Committee is Mr. Ng.



## Remuneration Committee

The Remuneration Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with the Listing Rules and the CG Code. The primary duties of the Remuneration Committee during the Reporting Period included but not limited to regularly monitoring of the remuneration of all the Directors and Senior Management to ensure that levels of their remuneration and compensation are appropriate, to assess the performance of the Executive Director and to approve the terms of Executive Director's service contracts and to make recommendations to the Board on the remuneration packages of individual Executive Director and Senior Management. As at the date of this report, the Remuneration Committee consists of two Non-executive Directors: Mr. Chen and Ms. Michelle Wong; and two INEDs: Mr. Lie and Mr. Ng. The chairman of the Remuneration Committee is Mr. Ng.

## Risk Management Committee

The Risk Management Committee was established by the Board on 18 December 2015. The primary duties of the Risk Management Committee during the Reporting Period were to formulate and monitor the implementation of our major risk management policies and systems, ensure necessary measures are adopted by the Senior Management to identify, evaluate, measure, detect, control and mitigate risks and conduct regular review on the risk management reports submitted by the Senior Management. It is also in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB20.0 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 consists of one Executive Director: Ms. Emilie Wong; two Non-executive Directors: Ms. Michelle Wong and Mr. David Wong; and one INED: Mr. Ng. The chairman of the Risk Management Committee is Ms. Emilie Wong.

## 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' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements of the Group and ensure that the financial statements are in accordance with 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 significant uncertainties which may cast doubt about the Group's ability to continue as going concern as set out in note 2 in the interim condensed consolidated financial statements.

## 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 and investments and the Shareholders' interest. The Board reviews the effectiveness of the Group's risk management and internal control system at least once a year. The Company had 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 relevant assessment and review reports with strengths and recommendations for improvements were presented to the Audit Committee and the Board for assessing the effectiveness of the risk management and internal control system. 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 the risk management and internal control systems are effective and adequate for the Group.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

As at 30 September 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)(the "SFO") which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

### Interest in ordinary shares ("Shares") /underlying Shares of the Company

Name of Director	Capacity/ nature of interest	Number of Shares/underlying Shares (Note 1)				Approximate % of issued shares
		Personal Interest	Corporate Interest	Other Interest	Total Interest	
Ms. Wong Emilie Hoi Yan ("Ms. Emilie Wong")	Beneficial owner	400,000 (L) (Note 5)	-	-	400,000 (L)	0.1%
Mr. Chen Shuai ("Mr. Chen")	-	-	-	-	-	-
Ms. Wong Jacqueline Yue Yee ("Ms. Jacqueline Wong")	Beneficial owner/ Interest of controlled corporations/founder of a discretionary trust and beneficiary of a trust	400,000 (L) (Note 5)	20,234,242 (L) (Note 2)	168,555,903 (L) (Note 3)	189,190,145 (L)	45.86%
	Beneficiary of a trust	-	-	38,503,380 (S) (Note 4)	38,503,380 (S)	9.33%
Ms. Wong Michelle Yatyee ("Ms. Michelle Wong")	Beneficial owner/ Interest of controlled corporations and beneficiary of a trust	400,000 (L) (Note 5)	20,234,242 (L) (Note 2)	168,555,903 (L) (Note 3)	189,190,145 (L)	45.86%
	Beneficiary of a trust	-	-	38,503,380 (S) (Note 4)	38,503,380 (S)	9.33%
Mr. Wong Ming Bun David ("Mr. David Wong")	Beneficial owner	4,000,000 (L) (Note 5)	-	-	4,000,000 (L)	0.97%
Mr. Lie Chi Wing ("Mr. Lie")	Beneficial owner	22,000 (L) (Note 5)	-	-	22,000 (L)	0.01%
Mr. Ng Wing Chung Vincent ("Mr. Ng")	Beneficial owner	22,000 (L) (Note 5)	-	-	22,000 (L)	0.01%
Mr. Yu Yang ("Mr. Yu")	Beneficial owner	22,000 (L) (Note 5)	-	-	22,000 (L)	0.01%



## Other Information

### Notes:

1. The letters “L” and “S” denote the Directors’ long position and short position in the Shares or underlying Shares of the Company respectively.
2. 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 and 50% by Ms. Michelle Wong), where the beneficiaries are Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s). By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle 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.
3. Such Shares include (i) 143,805,903 Shares held by Perfect Honour Limited (“**Perfect Honour**”), which is a wholly owned subsidiary of Goldbond Group Holdings Limited (“**Goldbond**”); and (ii) 24,750,000 Shares that Goldbond was directly interested in. On 4 March 2022, the Company issued convertible bonds in an aggregate principal amount of HK\$3,811,500 at a conversion price of HK\$0.154 per conversion share to Goldbond, in which a maximum of 24,750,000 new Shares will be allotted and issued to Goldbond upon conversion of such convertible bonds. 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 Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s) are the beneficiaries of such trusts. The assets of the Allied Luck Trust include all the Goldbond’s 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’s 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 and Ms. Michelle Wong being beneficiaries of the Allied Luck Trust and the Aceyork Trust, in turn, holds approximately 34.86% of the issued share capital of the Company through Perfect Honour. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have a duty of disclosure in relation to the said Shares held by Perfect Honour under the SFO.
4. On 3 May 2018, Solomon Glory Limited (“**Solomon Glory**”), which is a wholly owned subsidiary of Goldbond, 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 (the “**Charged Shares**”) of the Company held by Yong Hua by way of floating charge, which has been crystallised into a fixed charge. On 2 July 2019, the Board was notified that an order was issued on 13 March 2019 by The High Court of The Hong Kong Special Administrative Region to the effect that, among others, the Charged Shares shall be sold by China Galaxy International Securities (Hong Kong) Co., Limited (as agent) provided that each of the Charged Shares shall not be sold at a price of more than 10% discount to the average closing prices of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited for the previous 10 consecutive trading days prior to the date of sale of the Charged Shares or any of them.
5. These interests represent the interests in underlying Shares in respect of the share options granted by the Company to these Directors.
6. As at 30 September 2022, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2022, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were 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 or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware as of 30 September 2022, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

### Interest in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares (Note 1)	Total Interest	Approximate % of issued shares
Ms. Wong Jacqueline Yue Yee ("Ms. Jacqueline Wong")	(i) Beneficial owner	400,000 (L) (Note 2)		
	(ii) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (L) (Note 3)		
	(iii) Beneficiary of a trust	168,555,903 (L) (Note 4)	189,190,145 (L)	45.86%
	(iv) Beneficiary of a trust	38,503,380 (S) (Note 5)		9.33%
Ms. Wong Michelle Yatyee ("Ms. Michelle Wong")	(i) Beneficial owner	400,000 (L) (Note 2)		
	(ii) Interest in controlled corporations	20,234,242 (L) (Note 3)		
	(iii) Beneficiary of a trust	168,555,903 (L) (Note 4)	189,190,145 (L)	45.86%
	(iv) Beneficiary of a trust	38,503,380 (S) (Note 5)		9.33%
Mr. Kwok Gareth Wing-Sien	Interest of Spouse	189,190,145 (L) (Note 6)		45.86%
	Interest of Spouse	38,503,380 (S) (Note 6)		9.33%
Mr. Wong Charles Yu Lung ("Mr. Wong")	Trustee	168,555,903 (L) (Note 4)		40.86%
	Trustee	38,503,380 (S) (Note 5)		9.33%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Trustee	168,555,903 (L) (Note 4)		40.86%
	Trustee	38,503,380 (S) (Note 5)		9.33%

## Other Information

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares (Note 1)	Total Interest	Approximate % of issued shares
Goldbond Group Holdings Limited ("Goldbond")	Interest in controlled corporation	143,805,903 (L) (Note 4)		34.86%
	Beneficial owner	24,750,000 (L) (Note 4)	168,555,903	40.86%
	Interest in controlled corporation	38,503,380 (S) (Note 5)		9.33%
Perfect Honour Limited ("Perfect Honour")	Beneficial owner	143,805,903 (L) (Note 4)		34.86%
Solomon Glory Limited ("Solomon Glory")	Having a security interest in shares	38,503,380 (S) (Note 5)		9.33%
Mr. Zhao John Huan ("Mr. Zhao")	Interest in controlled corporation	43,752,347 (L) (Note 7)		10.61%
Silver Creation Investments Limited ("Silver Creation")	Beneficial owner	43,752,347 (L) (Note 7)		10.61%
Hony Capital Fund 2008, L.P. ("Hony Capital")	Interest in controlled corporation	43,752,347 (L) (Note 7)		10.61%
Hony Capital Fund 2008 GP, L.P. ("Hony GP, L.P.")	Interest in controlled corporation	43,752,347 (L) (Note 7)		10.61%
Hony Capital Fund 2008 GP Limited ("Hony GP")	Interest in controlled corporation	43,752,347 (L) (Note 7)		10.61%
Hony Group Management Limited ("Hony Management")	Interest in controlled corporation	43,752,347 (L) (Note 7)		10.61%
Hony Managing Partners Limited ("Hony Partners")	Interest in controlled corporation	43,752,347 (L) (Note 7)		10.61%
Exponential Fortune Group Limited ("Exponential Fortune")	Interest in controlled corporation	43,752,347 (L) (Note 7)		10.61%
Mr. Xie Xiaoqing ("Mr. Xie")	Interest in controlled corporation	12,704,220 (L) (Note 8)		
	Interest in controlled corporation	38,503,380 (L) (Note 9)	51,207,600 (L)	12.41%
	Interest in controlled corporation	38,503,380 (S) (Note 9)		9.33%
Yong Hua International Limited ("Yong Hua")	Beneficial Owner	38,503,380 (L) (Note 9)		9.33%
	Beneficial Owner	38,503,380 (S) (Note 9)		9.33%



### Notes:

1. The letters “L” and “S” denote a person’s/an entity’s long position and short position in the Shares or underlying Shares of the Company respectively.
2. These interests represent the interests in underlying Shares in respect of the share options granted by the Company to these Substantial Shareholders.
3. The two references to the 20,234,242 Shares relate to the same block of Shares held by Legend Crown and Plenty Boom. Please refer to Note 2 on page 48 of this report for further details. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.
4. The six references to the 168,555,903 Shares relate to the same block of Shares held by Perfect Honour and 24,750,000 Shares that Goldbond was directly interest in. Please refer to Note 3 on page 48 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Perfect Honour and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour.
5. The six references to the 38,503,380 Shares relate to the same block of Shares held by Solomon Glory. Please refer to Note 4 on page 48 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Solomon Glory and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Solomon Glory.
6. Mr. Kwok Gareth Wing-Sien, the spouse of Ms. Michelle Wong, is deemed to be interested in Ms. Michelle Wong’s interest in the Company.
7. The eight references to the 43,752,347 Shares relate to the same block of Shares held by Silver Creation. Silver Creation is wholly-owned by Hony Capital. Hony Capital is controlled by its sole general partner Hony GP, L.P., which in turn is controlled by its sole general partner, Hony GP. Hony GP is wholly-owned by Hony Management, which is owned as to approximately 80.00% by Hony Partners. Hony Partners is 100% owned by Exponential Fortune, 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.
8. 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.
9. Such Shares are held by Yong Hua, a company owned as to 100% by Mr. Xie. Please refer to Note 4 on page 48 of this report for further details. 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.
10. As at 30 September 2022, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2022, the Directors were not aware of any person who had an interest or short position in the Shares and the underlying Shares of the Company which would fall to be disclosed to the Company 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 pursuant to section 336 of the SFO.





## Other Information

Expressions used in the sections headed “Connected Persons”, “Exempt Continuing Connected Transactions”, “Non-Competition Deeds” and “Deed of Undertaking” shall have the same meanings given to them in the Company’s prospectus dated 18 January 2016 (the “Prospectus”)

### CONTINUING CONNECTED TRANSACTIONS

#### CONNECTED PERSONS

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

Goldbond, as our Controlling Shareholder and Hony Capital, as one of our Substantial Shareholders, are indirectly interested in 40.00% and 40.00% respectively of the issued share capital in Rongzhong Group. Rongzhong Group is therefore a joint venture of Goldbond and Hony Capital. Pursuant to the Listing Rules, Rongzhong Group, together with Wuhan Jinhong Investment Guarantee Company Limited 武漢金弘投資擔保有限公司 (“**Wuhan Jinhong**”), an indirect wholly-owned subsidiary of Rongzhong Group, are connected persons of 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 武漢欣眾融企業管理有限公司 (formerly known as 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 a “**Trademarks Licence Agreement**”) with each of Rongzhong Group and Rongzhong Internet pursuant to which Rongzhong Group and Rongzhong Internet agreed to grant a licence, on a perpetual and nonexclusive basis, to Rongzhong Capital and its affiliates at a consideration of HK\$1.00 and RMB1.00, respectively to use certain trademarks registered in their names as set out in Appendix IV of the Prospectus subject to the terms and conditions therein. During the terms of the Trademarks Licence Agreements, Rongzhong Capital and its affiliates are entitled to use the trademarks listed therein as their corporate logos and for conducting any of their publicity related activities. Further, Rongzhong Group and Rongzhong Internet will not transfer or license or grant any rights to use the trademarks listed in the Trademarks Licence Agreements to any third party whose business competes or is likely to compete with the business of Rongzhong Capital or dispose such trademarks unless prior written consent is obtained from Rongzhong Capital. Where Rongzhong Group and Rongzhong Internet obtain registration of any other trademarks containing the words “RONGZHONG”, “RONG ZHONG”, “融眾” or “融众” under their names, Rongzhong Group and Rongzhong Internet will license the use of such other registered trademarks to Rongzhong Capital and its affiliates by entering into separate licence agreements 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 supplemental agreement with Wuhan Rongzhong on 12 November 2020 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 Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

### The Bank Guarantee Agreements

On 10 December 2019, 24 May 2022 and 21 December 2020, 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 guarantees 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 2022, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantees in favor of the banks for 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 2022, 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 2022	As at 31 March 2022
	<i>(HK\$' million approximately)</i>	
Mr. Xie	649.0	706.0
Rongzhong Capital Investments	649.0	706.0



## Other Information

The Trademarks License Agreements, the Finance Lease Guarantee 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 License Agreements, the Finance Lease Guarantee Agreements and the Bank Guarantee Agreements qualify as continuing connected transactions exempt from reporting, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

### The Loan Agreements

On 21 October 2021, the Company and Goldbond entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK\$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the **"Goldbond Loan Agreement"**). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 30 September 2022, the balance due to Goldbond, is approximately HK\$16.1 million (31 March 2022: HK\$10.9 million) and the balance due to related party, is approximately HK\$14.0 million (31 March 2022: HK\$6.4 million).

For details, please refer to the Company's announcement dated 21 October 2021.

On 1 July 2020 and 15 November 2021, a loan agreement and a supplementary loan agreement were entered between a non-wholly own subsidiary of the Company and Shanghai Nanlang Finance Lease Co., Ltd., an indirectly owned subsidiary of Goldbond, (the **"SHNL Loan Agreements"**), with carried interest at 4.5% per annum and repayable on the third anniversary from the first date of loan drawn. As at 30 September 2022, the balance due to related party is approximately HK\$34.4 million (31 March 2022: HK\$45.0 million), the corresponding interest expenses were recognized as "finance costs" in the consolidated statement of profit or loss and other comprehensive income for the Reporting Period.

For details, please refer to the Company's circular dated 24 January 2022.

As Goldbond is the controlling shareholder of the Company which is interested in approximately 34.86% of the issued share capital of the Company and hence a connected person of the Company. As the facility is provided by a connected person of the Company on normal commercial terms or better without security over the assets of the Group, it is a connected transaction fully exempted under Rule 14A.90 of the Listing Rules from shareholders' approval, annual review and all disclosure requirements.

### NON-COMPETITION DEEDS

In order to protect the Group from potential competition from our Shareholders, 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 a 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 undertaken 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 Supply Chain Management Company Limited (formerly known as Yancheng Goldbond Technology Small Loan Company Limited, “**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



## Other Information

- (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 INEDs 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.

On or about 12 June 2020, the Company received a notice (the **"Notice"**) issued by certain covenantors with reference to a deed of non-competition dated 18 December 2015 (the **"Deed of Non-Competition"**) containing particulars of two proposed acquisitions. Upon receipt of the Notice, the Company formed an independent board committee in accordance with the Deed of Non-competition. For details, please refer to the Company's announcement dated 2 July 2020.

### 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 a business investment or an 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.

### 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's existing customers before entering into any agreement with the new customer. In the event that the new customer is one of Rongzhong PRC's existing customers, Rongzhong Group shall procure Rongzhong Small Loan to inform us of the proposed transaction (including the particulars of the proposed transaction and the new customer) and that Rongzhong Small Loan shall refrain from entering into an agreement with the new customer until and unless the Risk Management Committee of the Company 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 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 associates) (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 he/she/it has each complied with the terms of his/her/its 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 undertaken 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**”).





## Other Information

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.

### RETIREMENT OF DIRECTOR

Mr. Yu Yang (**"Mr. Yu"**) retired as an independent non-executive Director and ceased to be the chairman of the audit committee (**"Audit Committee"**), a member of the remuneration committee (**"Remuneration Committee"**), a member of the nomination committee (**"Nomination Committee"**) and a member of the risk management committee of the Board upon the conclusion of the annual general meeting of the Company held on 31 October 2022. Details of the retirement of Mr. Yu were set out in the announcement of the Company dated 31 October 2022.

### SHARE OPTION SCHEME

On 18 December 2015, the Company conditionally approved and adopted the share option scheme (the **"Share Option Scheme"**) in accordance with the provisions of Chapter 17 of the Listing Rules. 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.

Details of the movements of share options under the Share Option Scheme during the Reporting Period were as follows:

Grantee	Date of grant	Exercise price (HK\$)	Closing price of the options shares immediately before the date of grant (HK\$)	Exercise period (Note 2)	Outstanding at 31 March 2022	Lapsed during the Reporting Period	Outstanding at 30 September 2022
Director							
Ms. Emilie Wong	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	400,000	–	400,000
Ms. Jacqueline Wong	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	400,000	–	400,000
Ms. Michelle Wong	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	400,000	–	400,000
Mr. David Wong	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	4,000,000	–	4,000,000
Mr. Lie	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	22,000	–	22,000
Mr. Ng	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	22,000	–	22,000
Mr. Yu	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	22,000	–	22,000
Eligible employees (in aggregate)	10/2/2020	0.400	0.350	10/2/2023-9/2/2030	500,000	(150,000)	350,000
					<u>5,766,000</u>	<u>(150,000)</u>	<u>5,616,000</u>

Notes:

- 1 During the Reporting Period, no share options were granted, exercised or cancelled under the Share Option Scheme.
- 2 The minimum period for which a share option must be held before it can be exercised is the third anniversary of the date of grant.

### EQUITY-LINKED AGREEMENTS

Particulars of convertible bonds of the Group as at 30 September 2022 are set out in note 21 to the interim condensed consolidated financial statements.

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

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



## Other Information

### CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 27 September 2022 and will remain suspended until further notice.

The Company will publish further announcement(s) to keep the Company's shareholders and potential investors informed of the status and development of the Company as and when appropriate, as well as announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

By Order of the Board  
**Wong Emilie Hoi Yan**  
*Executive Director*

Hong Kong, 30 November 2022