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RONGZHONG

CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED
中國融眾金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03963)

PRELIMINARY ANNOUNCEMENT OF THE RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017 AND CLOSURE OF REGISTER OF MEMBERS

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Rongzhong Financial Holdings Company Limited (the "Company") hereby announces the audited consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2017 (the "Reporting Period") with comparative figures for the year ended 31 March 2016. All amounts set out in this announcement are expressed in Hong Kong dollars (HK$) unless otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Equipment		**2,167**	1,292
Finance lease receivables	*12*	**465,319**	647,370
Deposit for equipment		**–**	437
Deferred tax assets	*15*	**–**	10,689
		467,486	659,788
Current assets			
Finance lease receivables	*12*	**970,647**	1,107,846
Loan receivable	*13*	**10,685**	–
Prepayments and other receivables		**5,654**	10,867
Security deposits		**7,435**	6,672
Short term bank deposits with original maturity within three months		**30,015**	51,007
Bank balances and cash		**13,241**	182,032
		1,037,677	1,358,424
Current liabilities			
Deposits from finance lease customers	*12*	**207,764**	204,276
Other payables and accrued charges		**16,198**	48,178
Deferred income		**3,671**	8,360
Tax liabilities		**33,247**	14,325
Bank borrowings	*14*	**675,003**	353,436
		935,883	628,575
Net current assets		**101,794**	729,849
Non-current liabilities			
Deposits from finance lease customers	*12*	**44,287**	78,551
Deferred income		**1,954**	5,349
Bank borrowings	*14*	**7,379**	462,939
		53,620	546,839
Net assets		**515,660**	842,798
Capital and reserves			
Share capital		**4,125**	4,125
Reserves		**511,535**	838,673
Total equity		**515,660**	842,798

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The Company is an investment holding company. The principal activities of the Group are provision of financial leasing services in the PRC.

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

Going concern basis

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

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

In addition, as further detailed in note 12, the majority of the Group's finance lease receivables were past due as at 31 March 2017. The Group has experienced a significant slow-down in the collection of these receivables and an impairment of HK$373,682,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 31 March 2017 have not yet been collected as at the date of approval of these consolidated financial statements. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

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

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

(i) Negotiation of obtaining banking facilities

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

(ii) Negotiation of waivers from cross-default

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

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

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

(iv) Implementation of active cost-saving measures

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

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

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

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and amendments to HKFRSs issued but not yet effective

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of finance lease receivables

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

4. SEGMENT INFORMATION

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

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

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

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

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

5. REVENUE

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

6. OTHER INCOME

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

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

7. FINANCE COSTS

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

8. TAXATION

	2017	2016
	HK$'000	*HK$'000*
The charge comprises:		
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current year	**30,484**	25,204
– Under (over) provision in prior year	**50**	(247)
– Withholding tax	**–**	1,582
	30,534	26,539
Deferred tax *(Note 15)*	**10,017**	(3,952)
	40,551	22,587

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

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

No withholding tax has been provided for current year in the consolidated financial statements, and details are set out in note 15.

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

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

9. (LOSS) PROFIT FOR THE YEAR

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

10. DIVIDENDS

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

11. (LOSS) EARNINGS PER SHARE

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

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

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

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

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

12. FINANCE LEASE RECEIVABLES/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides financial leasing services in the PRC.

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

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 9.5% to 23.9% (2016: 9.3% to 25.0%) per annum as at 31 March 2017.

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

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

Finance lease receivables are mainly secured by leased assets which are used in laser processing, plastics, industrial processing, textile and garment, hotel and leisure and other industries, customers' deposits and leased assets repurchase arrangement where applicable. Customers' deposits are collected and calculated based on a certain percentage of the entire value of the lease contract. The deposits are returned to the customers in portion over the lease contract or in full by end of lease period according to the terms of the lease contract. When the lease contract expires and all liabilities and obligations under the lease contract had been fulfilled, the lessor must return the full lease deposits to the lessee. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contract. As at 31 March 2017, the customers' deposits of HK$252,051,000 (2016: HK$282,827,000) are received in advance. Additional collateral may be obtained from customers to secure their repayment obligations under finance leases and such collateral include vessels, commercial and residential properties, equipment and machineries. There was no unguaranteed residual value of leased assets and no contingent rent arrangement that needed to be recognised in both years.

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

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

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2017, an aggregate carrying amount of HK$2,706,000 (2016: HK$57,330,000) was past due but the Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers. Collective impairment allowance of HK$16,858,000 (2016: HK$5,957,000) was provided on past due but not individually impaired finance lease receivables accordingly.

Included in the individual impairment allowance are individually impaired finance lease receivables with an aggregate balance of HK$304,374,000 (2016: HK$26,465,000) of which the customers are in financial difficulties.

13. LOAN RECEIVABLE

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

14. BANK BORROWINGS

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

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

15. DEFERRED TAX ASSETS

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report issued by the Group's independent auditor:

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Rongzhong Financial Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Disclaimer of Opinion

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FINANCIAL REVIEW

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

Revenue

We have one principal business segment, financial leasing, and our two services derived are financial leasing services and financial advisory services provided as a value-added service to our leasing customers, which in turns generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Advisory income is determined solely on the advisory services we provide and since our advisory services are normally provided in conjunction with our leasing services, we record both types of income as a single item in our financial statements. The Group realised revenue for the Reporting Period of approximately HK$183.7 million, representing a decrease of approximately 10.4% from approximately HK$205.0 million as recorded in the previous corresponding period ended 31 March 2016. This was mainly due to the Group's prudent and conservative strategy to promote business during the static economy in order to safeguard our asset.

Staff costs

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

Other operating expenses

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

Impairment losses on finance leases receivables

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

Other income

Other income of the Group mainly comprised of interest income from loan, government incentives and bank interest income. During the Reporting Period, the other income of the Group amount to approximately HK$5.1 million, which is an increase of approximately 45.8% from approximately HK$3.5 million recorded in the previous corresponding period in 2016.

(Loss) Profit for the year

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

Dividend

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

Liquidity, financial resources and capital resources

As at 31 March 2017, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK$43.3 million (2016: approximately HK$233.0 million), representing a decrease of approximately HK$189.7 million compared to 31 March 2016, this decrease was mainly due to the increase in the volume of finance lease operations using our internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK$101.8 million (2016: approximately HK$729.8 million) and approximately HK$515.7 million (2016: approximately HK$842.8 million).

As at 31 March, 2017 the Group's bank borrowings with maturity within one year amount to approximately HK$675.0 million (2016: approximately HK$353.4 million) and the Group's bank borrowings with maturity exceed one year amount to approximately HK$7.4 million (2016: approximately HK$462.9 million).

Charges on Group Assets

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

Employees and remuneration policy

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

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

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

Credit risk of small medium enterprises ("SME(s)") in China

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

Risk relating to funding sources and interest rate

Our business operation relies substantially on interest-bearing bank loans. We have incurred, and 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 charging to our clients by the same amount in order to minimize our risk of exposure to such interest rate risk.

Foreign exchange risk

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

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

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

CONTINGENT LIABILITIES

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

EVENTS AFTER THE PERIOD UNDER REVIEW

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

PROSPECTS

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

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

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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), Rongzhong Group, together with Wuhan Jinhong Investment Guarantee Company Limited 武漢金弘投資擔保有限公司 ("Wuhan Jinhong"), an indirect wholly-owned subsidiary of Rongzhong Group, are connected persons of our Company.

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

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

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

Finance Lease Guarantee Agreements

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

Litigation Guarantee Framework Agreements

Legal proceedings arising in the ordinary course of our operations generally involve claims initiated by us to recover lease payments from our customers. In some cases, we have applied to the PRC courts to freeze the assets of our customers in order to recover the outstanding lease payments due to us (the "Freezing Application"). Under the applicable PRC laws and regulations, we are required to provide a guarantee to the PRC courts in respect of the Freezing Application. In this regard, Rongzhong PRC, entered into a litigation guarantee framework agreement with each of Wuhan Jinhong and Wuhan Rongzhong, collectively as the "Litigation Guarantee Framework Agreements" on 29 December 2014 pursuant to which Wuhan Jinhong and Wuhan Rongzhong agreed to provide guarantees in favor of any PRC courts in relation to any legal proceedings of Rongzhong PRC which require or involve a Freezing Application. The Litigation Guarantee Framework Agreements are for a term of three years and no guarantee fee is payable by Rongzhong PRC to Wuhan Jinhong and Wuhan Rongzhong for their provision of guarantee services under the Litigation Guarantee Framework Agreements.

The Bank Guarantee Agreements

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

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

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

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

REVIEW OF 2016/17 CONSOLIDATED FINANCIAL STATEMENTS

The audit committee of the Company has reviewed the consolidated financial statements of the Group for the Reporting Period.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2017 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

CORPORATE GOVERNANCE

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules of the Stock Exchange.

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 has, throughout the Reporting Period, complied with the required standards set out therein.

ANNUAL GENERAL MEETING

The 2017 AGM will be held on Tuesday, 22 August 2017 at 2/F, J Plus, 35 – 45B Bonham Strand, Sheung Wan, Hong Kong. The notice of the 2017 AGM will be published on the websites of the Stock Exchange and the Company and sent to the Shareholders, together with the Company's 2016/17 Annual Report, in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Thursday, 17 August 2017 to Tuesday, 22 August 2017 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualified for attending and voting at the 2017 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 pm on Wednesday, 16 August, 2017.

By order of the Board
China Rongzhong Financial Holdings Company Limited
Xie Xiaoqing
Chairman

Hong Kong, 29 June 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Xie Xiaoqing and Mr. Yao Fang; the non-executive Directors of the Company are Mr. Ding Chung Keung Vincent, Ms. Wong Jacqueline Yue Yee and Mr. Sun Changyu and the independent non-executive Directors of the Company are Mr. Nie Yong, Mr. Duan Chang Feng, and Ms. Zou Lin.