



**China Rongzhong Financial Holdings Company Limited**

(incorporated in the Cayman Islands with limited liability)

**Stock Code: 03963**

**2016**  
Annual Report



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### COMPANY NAME

China Rongzhong Financial Holdings Company Limited

### STOCK CODE

3963

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr. Xie Xiaoqing (*Chairman*)

Mr. Li Fan

#### *Non-executive Directors*

Mr. Ding Chung Keung Vincent

Mr. Sun Changyu

Ms. Wong Jacqueline Yue Yee

#### *Independent non-executive Directors*

Mr. Duan Chang Feng

Mr. Nie Yong

Ms. Zou Lin

### AUDIT COMMITTEE

Mr. Nie Yong (*Chairman*)

Mr. Ding Chung Keung Vincent

Mr. Duan Chang Feng

Mr. Sun Changyu

Ms. Zou Lin

### NOMINATION COMMITTEE

Mr. Xie Xiaoqing (*Chairman*)

Mr. Duan Chang Feng

Mr. Nie Yong

Mr. Sun Changyu

Ms. Zou Lin

### REMUNERATION COMMITTEE

Mr. Duan Chang Feng (*Chairman*)

Mr. Ding Chung Keung Vincent

Mr. Nie Yong

Mr. Sun Changyu

Ms. Zou Lin

### RISK MANAGEMENT COMMITTEE

Mr. Xie Xiaoqing (*Chairman*)

Mr. Li Fan

Mr. Duan Chang Feng

Mr. Nie Yong

Ms. Zou Lin

### COMPANY SECRETARY

Mr. Wong Tsz Lun

### REGISTERED OFFICE

PO Box 1350, Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Rooms 5001 to 5003 and 5005 to 5007

First Phase, New World International Trade Building

No. 568 Jianshe Avenue

Jiangnan District

Wuhan, Hubei Province

China

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTER UNDER PART 16 OF THE COMPANY ORDINANCE

Unit 417, 4/F, Tower 2, Lippo Centre

89 Queensway

Hong Kong

### COMPANY WEBSITE

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

### AUDITOR

Deloitte Touche Tohmatsu

Certified Public Accountants

### LEGAL ADVISER

JTC Solicitors

### PRINCIPAL SHARE REGISTRAR

Appleby Trust (Cayman) Ltd.

Clifton House

75 Fort Street, PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### PRINCIPAL BANKER

China Everbright Bank Xinhua Branch, Wuhan

Bank of Communications Co., Ltd. Hong Kong Branch

China Everbright Bank, Hong Kong Branch

### COMPLIANCE ADVISOR

Alliance Capital Partners Limited

On behalf of the board of Directors (the "Board") of China Rongzhong Financial Holdings Company Limited (the "Company"), together with its subsidiaries (the "Group"), I am pleased to present the annual results of the Group for the year ended 31 March 2016 (the "Reporting Period") to our shareholders.

In January 2016, the Company successfully completed its listing on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), marking yet another milestone of the Group in business development and entering the international capital platform. This step forward not only enabled us to strengthen our operations in Hubei Province, had also given us extensive opportunities and robust capital strength towards continuous expansion in financial leasing and related business throughout China.

During the year, despite the continuation of downturn economic pressure in the PRC, we strive to maintain our operations at a similar level in comparing to last year. Although the result had slightly declined, it was within the anticipation of the Board, as a result, appropriate measures and transitional strategic decision were implemented. We adopted a prudent and conservative strategy to promote business and selected customers of high caliber and creditability, some of which are our existing customers, and making improvements to our management capabilities with focus on mitigating risks, in order to safeguard the Group's asset. During the static economy, it is inevitable for some of our customers to be effected by the short term financial pressure, and we strive to assist our customers to face the challenges ahead. By carefully selecting customers with good credit history, we would provide financial advice and re-design finance lease proposal based on their business and funding requirements in order to ease their temporary stress during the course of economic recovery. At the same, we would request additional collateral from these customers in order to minimise our risk.

Looking forward in 2016, the Board believes that the financial leasing industry is of great potential for further development. The Company will make continuous efforts to support the Group to further develop its operations in Hubei Province, and will continue to strengthen the Group's competitive position in other regions in PRC with similar dynamics to Wuhan and Hubei Province, while seeking growth opportunities in various new industries that may requires financial leasing as an alternative means to meeting their funding need, such as transportation, medical, educational, cultural and art related industries.

The Company is likely to face challenges from the overall economic down-turn, and face with the result of many corporations and SMEs continue to be effected by short term liquidity pressure due to tightening of credit policies and collections on receivables. Despite the challenges still being posed to the PRC and global economy, and the effects of exchange rates fluctuation, we will endeavor to uphold our high standards in management and maintain our leading position among industry players to achieve satisfactory results in the future.

Finally, on behalf of all members of the Board and management, I would like to extend our sincere gratitude to all shareholders, business partners, customers, and all staffs of the Group for their continued support and encouragement.

**Xie Xiaoqing**  
*Chairman of the Board*

Wuhan, 24 June 2016

## Four-Year Financial Summary

### RESULTS

|                                         | Year ended 31 March |              |              |              |
|-----------------------------------------|---------------------|--------------|--------------|--------------|
|                                         | 2016<br>HK\$        | 2015<br>HK\$ | 2014<br>HK\$ | 2013<br>HK\$ |
| Revenue                                 | 205,010,114         | 226,942,893  | 220,376,318  | 181,817,521  |
| Profit before taxation                  | 74,181,483          | 91,763,834   | 94,500,803   | 89,263,501   |
| Taxation                                | (22,587,342)        | (26,200,670) | (24,252,940) | (22,221,342) |
| Profit for the year                     | 51,594,141          | 65,563,164   | 70,247,863   | 67,042,159   |
| Other comprehensive income              | (42,871,588)        | –            | 11,192,879   | –            |
| Total comprehensive income for the year | 8,722,553           | 65,563,164   | 81,440,742   | 67,042,159   |

### ASSETS AND LIABILITIES

|                   | As at 31 March  |                 |                 |                 |
|-------------------|-----------------|-----------------|-----------------|-----------------|
|                   | 2016<br>HK\$    | 2015<br>HK\$    | 2014<br>HK\$    | 2013<br>HK\$    |
| Total assets      | 2,018,212,325   | 2,082,112,860   | 1,999,382,574   | 1,878,164,756   |
| Total liabilities | (1,175,413,976) | (1,472,727,036) | (1,455,559,914) | (1,436,236,170) |
| Total equity      | 842,798,349     | 609,385,824     | 543,822,660     | 441,928,586     |

## INDUSTRY OVERVIEW

The recovery of global economy continued to be slow and remained divergent from 2015 throughout 2016 across different economies. Some developed economies recovered in a slow yet increasing pace while the overall economic growth of emerging markets and many other developing economies continued to decline and global economy underwent a series of adjustments.

Despite the continuation of decrease in growth rate of the domestic economy, as well as the fixed asset investment and consumption remaining at low levels, many industries are faced with relatively greater pressure to reform and enhance their development strategies in order to recuperate, and in turn, regain and optimize their market potential in the long run. In recent years, China's financial leasing industry has developed rapidly in terms of market shares, competitiveness amongst enterprises, promotions of industrial innovation, and optimizing fund raising channels, driven by the development of new industries and the encouragement on economic restructuring, all the above factors has played an important role in the recent developments of the finance lease industry.

In view of the above, the Office of the State Council had issued a document regarding the guidance on accelerating the development of the PRC leasing industry in September 2015, in order to achieve a more stable economic growth for the upgrading and transformation of the financial leasing industry in order to adhere to domestic economic growth while achieving expansion to overseas market. With aims set out to reform and refine the existing regulation and policy, also to promote financial leasing services in the development of new energy transportation, environmental related industries such as public utilities, sewage disposal, agricultural planning and equipment and other high-end technology, together with the continue promotion on SME financial leasing services, which leads to the increase in domestic spending. In addition to the above, emphasis was placed on encouraging the development of cross-border leasing, through engineering machinery, railway and related grid networks, electricity systems, aircraft, vessels, marine engineering equipment, other heavy machinery and equipment giving support for the Chinese finance leasing enterprises to explore the international market.

## BUSINESS OVERVIEW

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

### Sales and leaseback

In typical sales and leaseback transactions, the lessee would sell their existing assets to the lessor, and the Group, being the lessor would then leases the assets back to the lessee for its use during the lease term. The lease term is usually three years, or in some cases on longer terms, the lessee repays the purchase amount of the assets, together with interests and other fees to the lessor. The ownership of the assets will be transferred to the lessee at minimal or zero value at the end of the lease term or when all obligations under the lease had been fulfilled by the lessee. Sale-leaseback is primarily used by our customers who require working capital to cater the specific needs of their operations.

## Direct Finance Leasing

In the provision of direct finance leasing services, we as the lessor, will purchase the assets under the lease agreement from the seller, pursuant to the instructions given by the lessee. The assets will be provided for the lessee's use under the terms of the lease, usually for a lease term of three years, or in some cases on longer terms, the lessee repays the purchase amount of the assets, together with interest and other fees to the lessor. The ownership of the assets will be transferred to the lessee at minimal or zero value at the end of the lease term, or when all the obligations under the lease had been fulfilled by the lessee. Direct finance leasing is very popular amongst customers who plan to commence on new projects, expand production, making advancements and upgrading in technology or have financing demands to purchase new equipment. In some cases, we will work with equipment manufacturers in conducting direct finance leasing where the Group (as Purchaser) will purchase the equipment from the equipment manufacturers (as the seller) according to the instructions of the lessee. Then the Group as lessor would leases the equipment back to the lessee for a lease term of three years or longer. The lessee repays the purchase amount of the assets, together with interest and other fees to the lessor and at the end of the lease term or when all obligations under the lease had been fulfilled by the lessee, the ownership of the assets will be transferred to the lessee at minimal or zero value. Advantages of working with the equipment manufacturers is that, the manufacturers will usually provide certain guarantees to us in regards to the performance of the lessee's obligations under the finance lease.

## Advisory Services

Advisory service is provided to our finance lease customers as a value added service in conjunction with our financial leasing service. Usually, throughout the course of our due diligence work when arranging financing for our customers, we learned that our customers usually requires some forms of financial planning or advisory services in relation to their financing options, cash management and optimizing the use of their assets for the purpose of fund raising. From the information we have collected about the customers, we were then able to offer advisory services catering their specific needs and requirements. Hence, we have make use of this opportunity and emerged into the provision of advisory services for customers in order to complement our finance lease services in a more unique aspect.

## Global offering

In January 2016, the Company successfully completed its listing on the Main Board of the Stock Exchange, marking yet another milestone of the Group in business development and entering the international capital platform. This step forward not only enable us to strengthen our operations in Hubei Province, had also given us extensive opportunities and robust capital strength toward continuous expansion in financial leasing and related business throughout China.

## Use of proceeds from the initial public offering

The Company was listed on the Main Board of the Stock Exchange on 28 January 2016. The net proceeds from the Company's issue of new shares (including the proceeds from the exercise of the over-allotment option) were approximately HK\$197.6 million (after deducting expenses relating specifically to the issue of new shares in the listing and expenses relating generally to the listing of all the Shares of the Company, whether existing or new).

As at 31 March 2016, the net proceeds from the initial public offering has been utilised in the following manner:

|                              | HK\$' million<br>approximately |
|------------------------------|--------------------------------|
| Net proceeds                 | 197.6                          |
| Financial leasing operations | (99.4)                         |
| Balance at bank              | 98.2                           |

## 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 service and our financial advisory services provided as a valued added service to our leasing customers, which in turns generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Our advisory income is determined solely on the advisory services we provide and since our advisory services are 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\$205.0 million, representing a decrease of approximately 9.7% from approximately HK\$226.9 million as recorded in the last year. This was mainly due to the Group's prudent and conservative strategy to promote business with customers of high caliber and creditability during the static economy in order to safeguard our asset.

### Staff costs

Staff costs of the Group amounted to approximately HK\$9.7 million for the Reporting Period, representing an increase of approximately 115.6% from approximately HK\$4.5 million recorded in the last year. This was mainly due to the additional appointment of staffs and directors, and incentive payments in relation to the global offering.

### Other operating expenses

During the Reporting Period, the other operating expenses of the Group amounted to approximately HK\$31.9 million, which is increased by approximately 92.2% compared with approximately HK\$16.6 million of last year. This increase was mainly due to non-recurring expenses for global offering.

### Impairment losses on finance lease receivable

The impairment losses on finance lease receivable of the approximately HK\$9.5 million, representing a decrease of approximately 35.4% from approximately HK\$14.7 million recorded last year.

### Other income

Other income of the Group mainly comprised of interest income from loan to a related company and bank interest income. During the year, the other income of the Group amounted to approximately HK\$3.5 million, which is a decrease of approximately 39.7% from approximately HK\$5.8 million recorded last year. This is mainly due to decrease in interest income from loan to a related Company which was fully repaid to us prior to the completion of global offering on 28 January 2016 and does not fall under the disclosure requirements of Chapter 14A of the Listing Rules. For further information on the loan to a related company, please refer to pages 303-304 under section headed "Relationship with our Controlling Shareholders" of the Company's prospectus dated 18 January 2016 (the "Prospectus").

### Finance costs

Finance costs of the Group comprised of interest on bank borrowings, guarantee fee paid to a related company and imputed interest expense on interest-free deposits from finance lease customers. During the year, finance costs of the Group amounted to approximately HK\$87.7 million, representing a decrease of approximately 16.6% from approximately HK\$105.2 million last year. This is mainly due to the decrease in both amount of bank borrowings and bank borrowings guaranteed by a related company. The guarantee provided by a related company had lapsed on the date of global offering, 28 January 2016 and does not fall under the disclosure requirements of Chapter 14A of the Listing Rules. For further information on the guarantee fee paid to a related company, please refer to page 304 under section headed "Relationship with our Controlling Shareholders" of the Prospectus.



# Management Discussion and Analysis

As at 31 March 2016, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK\$153.6 million and no guarantee fee is payable to the related parties. For further information, please refer to the section headed “Exempt Continuing Connected Transactions”, sub-section headed “The Bank Guarantee Agreements” on page 24 of this annual report.

## **Profit for the year attributable to the owners of the Company**

Profit for the year attributable to the owners of the Company amounted to approximately HK\$51.6 million, representing a decrease of approximately 21.3% from approximately HK\$65.6 million recorded in the year ended 31 March 2015. The decrease was mainly due to listing expenses recognised during the Reporting Period, apart from this reason, the profit slightly decrease to approximately HK\$71.6 million (2015: approximately HK\$72.4 million).

## **Dividends**

The Board does not recommend the payment of final dividend for the year ended 31 March 2016. The proposal is subject to the approval of shareholders of the Company at the 2016 annual general meeting (the “2016 AGM”) to be held on 29 August 2016.

## **Liquidity, financial resources and Capital Resources**

As at 31 March 2016, the aggregate sum of the Group’s bank balances and cash, short-term bank deposits amounted to approximately HK\$233.0 million, representing an increase of approximately HK\$208.5 million compared to last year, this was mainly due to proceed from global offering. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK\$729.8 million (2015: approximately HK\$705.4 million) and approximately HK\$842.8 million (2015: approximately HK\$609.4 million).

As at 31 March 2016, the Group’s bank borrowings with maturity within one year amounted to approximately HK\$353.4 million (2015: approximately HK\$467.8 million) and the Group’s bank borrowings with maturity exceed one year amounted to approximately HK\$462.9 million (2015: approximately HK\$540.5 million). Our operation relies substantially on interest-bearing bank loans, and our bank loans are categorised as fixed-rate borrowings and variable-rate borrowings, for particulars of bank borrowing of the Group as at 31 March 2016, please refer to note 21 of the consolidated financial statements. Our gearing ratio (total bank borrowings/total equity) as at 31 March 2016 is approximately 96.9% (2015: approximately 165.5%).

## **Charges on Group’s assets**

As at 31 March 2016, the Group’s finance lease receivable with an aggregate carrying value of approximately HK\$809.9 million (2015: approximately HK\$1,003.5 million) was pledged to several banks in PRC respectively to secure certain bank borrowings of the Group.

## **Capital commitments and other commitments**

As at 31 March 2016, the Group’s capital commitments amounted to approximately HK\$0.2 million (2015: Nil).

As at 31 March 2016, details of the Group’s other commitments are set out in note 26 to the consolidated financial statements.

## **Employees and remuneration policy**

As at 31 March 2016, the Group had 48 staffs (including directors) located in both Hong Kong and China, their remuneration is determined based on the employees’ performance, experience and prevailing industry practices.

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

PRC employees are covered by the mandatory social security schemes operated by the PRC government. The Group is required by the PRC laws to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. For further information, please refer to note 27 to the consolidated financial statements headed “Retirement Benefit Schemes”.

## **RISK FACTORS AND MANAGEMENT**

### **Credit Risk of SMEs in China**

Our business is position to fulfill the financing need of SMEs in Hubei Province and the sustainability of our business and future growth depends 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 China, 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. As a result, may pose increased risk of default to our Group. In addition, the value of the leased asset and the collateral securing our leases may decline upon repossession due to various factors such as economic downturn, reduced of market demand, devaluation, oversupply, or damage. Our management had been closely monitoring the possibility of increase in credit risk, and we had, in fact, in some cases requested additional collaterals and pledge assets from certain customers as a form of precaution measures and we will continue to closely monitor and take additional measures in order to further minimise our risk exposure.

### **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 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 turns charging to our clients by the same amount in order to minimise our risk of exposure to such interest rate risk.

### **Foreign exchange risk**

The functional currency of the Company and the Group is Renminbi (“RMB”) and the consolidate financial statements are presented in Hong Kong dollars. As a result, fluctuations in the value of the RMB could have an adverse effect on our performance, results of operations and financial condition. Even though substantially all of our revenue and expenses are denominated in RMB, fluctuations in exchange rates may nonetheless in the future adversely affect the value of our net assets and earnings. In particular, distributions to holders of our Shares are made in Hong Kong dollars. The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider appropriate measures should the need arise.

### **Key Sources of Estimation Uncertainty**

Details of the key sources of estimation uncertainty as at 31 March 2016 are set out in Note 4 to the consolidated financial statements.

## **CONTINGENT LIABILITIES**

As at 31 March 2016, the Group did not have any material contingent liabilities of guarantees (2015: nil).

## **EVENTS AFTER THE PERIOD UNDER REVIEW**

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

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

- i) conduct the following business:
  - financial leasing business;
  - leasing business;
  - purchase of domestic and overseas leased assets;
  - disposal of the residual value of and maintenance of leased property;
  - lease transaction consultancy and security services; and
  - other business approved by MOFCOM
  
- ii) may be carry out financial leasing activities by ways of:
  - direct leasing;
  - sub-leasing;
  - sale-leaseback;
  - leveraged leasing;
  - entrusted leasing; and
  - joint leasing

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

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

The audited financial and accounting report for the preceding year together with appended notes thereto should also be submitted prior to 30 April of each year.

During the year, the operating entity engaged in provision of financial leasing had complied with the above key statutory requirements and restrictions.

## PROSPECTS

Looking forward in 2016, the Company will make continuous efforts to support the Group to further develop its operations in Hubei Province, and will continue to strengthen the Group’s competitive position in other regions in PRC with similar dynamics to Wuhan and Hubei Province while seeking growth opportunities in various new industries that may requires financial leasing as a means to meeting their funding need.

The Company is likely to face challenges from the overall economic down-turn, and face with the result of many corporations and SMEs continue to be effected by the short term liquidity pressure due to tightening of credit policies and collections on receivables. Despite the challenges still being posed to the PRC and global economy and the effects of exchange rates fluctuation, we will endeavor to uphold our high standards of management as to maintain our leading status among industry players and achieve satisfactory results in this challenging environment.

## 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 2016.

## BOARD OF DIRECTORS

### Executive Directors

**Mr. XIE Xiaoqing**, aged 56, is the founder of our Group. He was appointed as an executive director and the chairman of our Company on June 23, 2015 and is primarily responsible for our Group's development, strategic planning, positioning and overall operational management. Mr. Xie has over 14 years of experience in investment and finance industry. In 2001, Mr. Xie founded the Rongzhong guarantee companies in the PRC to engage in the provision of loan guarantee services for personal consumption loans. Mr. Xie graduated from Guanming Chinese Medicine University 光明中醫函授大學 in June 1989 and obtained the qualification of senior operator from Hubei Labour Department in May 2000. He is a representative of the 11th and 12th Hubei Provincial People's Congress, the chairman of the Wuhan Pawn Association, an arbitrator of the Wuhan Arbitration Commission, a member of the board of directors of Wuhan University and the head of the Beijing Success Cultural Exchange Centre (Central China area).

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

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

**Mr. LI Fan**, aged 54, was appointed as a director on June 5, 2015 and the chief executive officer of our Company on June 19, 2015 and re-designated as an executive director on June 23, 2015. He is primarily responsible for our Group's development, strategic planning, positioning and overall operational management. He graduated from Wuhan University in September 1987 with a bachelor's degree in economics management, and in June 1990 Mr. Li obtained his master degree in industrial economics from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law). Mr. Li has over 20 years of experience in banking and finance industries, he worked in The Bank of China first as the credit division's deputy chief (Wuhan branch) and later as the risk management department's credit specialist (Hubei branch) from May 1992 to April 2000. In April 2000, Mr. Li joined China Dongfang Asset Management Company (Wuhan Office) as an assistant manager. From September 2002 to August 2009, Mr. Li worked for Shanghai Pudong Development Bank(Wuhan branch) and assumed senior management positions, mainly responsible for overseeing the risk management department and approval for the credit business of branches. From October 2009 to June 2011, Mr. Li worked for Shenzhen Development Bank (now known as Ping An Bank) (Wuhan branch) as an assistant president, mainly responsible for managing and operating the banking company business and the retail business. In November 2011, Mr. Li was appointed as the president of Rongzhong Capital Investments Group Limited ("Rongzhong Capital Investment") and Mr. Li was also responsible for overseeing the financial leasing business of the Group. In order to put more emphasis and concentration on the development of the Group, Mr. Li resigned from Rongzhong Capital Investment on September 1, 2014 and was appointed as the president of Rongzhong International Financial Leasing Co., Ltd, a wholly-owned subsidiary of the Company on the same day.

### Non-Executive Directors

**Mr. DING Chung Keung Vincent**, aged 46, was appointed as a non-executive director on June 23, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group. Mr. Ding graduated from The Chinese University of Hong Kong in 1991 with a bachelor degree in business administration, he is also an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Ding has more than 20 years of experience in investment, audit and finance industries. He was the managing director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) (a company listed on the Stock Exchange with stock code 199) from January 2003 to December 2003, an executive director of Capital Estate Limited (a company listed on the Stock Exchange with stock code 193) from July 2002 to November 2003 and an independent non-executive director of 21 Holdings Limited (a company listed on the Stock Exchange with stock code 1003) from September 2011 to March 2014.

Currently, Mr. Ding is the director of three (3) subsidiaries of the Company. Mr. Ding is a director of Perfect Honour Limited (“Perfect Honour”), a wholly-own subsidiary of Goldbond Group Holdings Limited (“Goldbond”). Mr. Ding is also an executive director and chief executive officer of Goldbond, (a company listed on the Stock Exchange with stock code 00172) since 2005 and 2010 respectively, and a director of most of Goldbond’s subsidiaries. Mr. Ding was not interested in any underlying Shares of the Company within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Ding does not have any relationship with any other Directors, senior management, controlling shareholders or substantial shareholders of the Company.

**Mr. SUN Changyu**, aged 46, was appointed as a non-executive director on October 15, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group.

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

Mr. Sun is currently the managing director of Hony Capital and has been a supervisor of the Bank of Chengdu Co., Ltd. since September 2013. He has been the non-executive director of Holly Futures Co., Ltd. (a company listed on the Stock Exchange with stock code 3678) since November 2015.

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

**Ms. WONG Jacqueline Yue Yee**, aged 30, was appointed as a non-executive director on June 23, 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group. Ms. Wong graduated from the University of Southern California in May 2007 with a bachelor of arts degree in political science. Since 2014, Ms. Wong has been an executive director of Wah Link Investments Limited, a company which principally engaged in property investment and her role in Wah Link Investments Limited mainly involves acquiring, managing and maintaining residential and commercial real estate projects in Asia and in United States.

Ms. Wong is interested in Legend Crown International Limited and Plenty Boom Investments Limited which had interest in the shares of the Company. Ms. Wong is also the founder of a discretionary trust and the beneficiary of a trust. Ms. Wong was taken to be interested in a total of 164,040,145 underlying Shares within the meaning of Part XV of the SFO.

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

### Independent Non-executive Directors

**Mr. DUAN Chang Feng**, aged 64, was appointed as an independent non-executive Director on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Duan has 20 years of experience in banking and finance industries. From December 1992 to July 2012, he worked for China Merchants Bank first as the deputy general manager of the administration department (head office) and later as the president of several branches and sub-branches.

Mr. Duan has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three (3) years.

**Mr. NIE Yong**, aged 54, was appointed as an independent non-executive director on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Mr. Nie has over 18 years of experience in audit and finance. He completed the associate degree programme in industrial accounting from Zhongnan University of Economics (now known as Zhongnan University of Economics and Law) in July 1993 and a bachelor degree in monetary banking from Southwestern University of Finance and Economics in July 1998. From November 1980 to January 1989, Mr. Nie was a soldier with the Wuhan Military. From August 1989 to August 2007, Mr. Nie worked for the Wuhan Office of the China National Audit Office (the "CNAO Wuhan Office") first as an officer and rose to the rank of senior officer in 1994. In December 1995, Mr. Nie was qualified as a statistician by the Middle-Level Qualification Committee of Statistic Profession of Hubei Province. During his service with the CNAO Wuhan Office, Mr. Nie had led and participated in the audit of many state-owned entities and government departments.

Mr. Nie has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three (3) years.

**Ms. ZOU Lin**, aged 52, was appointed as an independent non-executive director on December 18, 2015 and is mainly responsible for supervising and providing independent judgment to our Board. Ms. Zou is a qualified PRC lawyer. Ms. Zou obtained her master degree in civil law from China University of Political Science and Law in November 1999. She is also an arbitrator of Wuhan Arbitration Committee and a qualified tax agent. From October 1982 to June 1990, Ms. Zou worked for the Wuchang Branch of Wuhan Bureau of Public Security. From June 1990 to August 1994, Ms. Zou worked for the Department of Justice in Hubei Province.

Currently, Ms. Zou has been working in Hubei Pengzhan Law Office as a lawyer since September 2000.

Ms. Zou has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three (3) years.

The directors of the Company (the “Directors”) are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2016 (the “Reporting Period”).

## PRINCIPAL ACTIVITIES

The Company and its subsidiaries (the “Group”) are engaged in the provision of financial leasing services in Hubei Province, PRC, with the longest operating history amongst Hubei-based financial leasing companies.

Pursuant to Schedule 5, Contents of Directors’ Report: Business Review to the Companies Ordinance, a directors’ report must contain a business review of the Group including:

- (a) a fair review of the business;
- (b) a discussion of the principal risks and uncertainties facing the Group;
- (c) particulars of important events affecting the Group that have occurred since the end of the financial year; and
- (d) an indication of likely future development in the Group’s business;

and the business review must also include:

- (a) an analysis using financial key performance indicators;
- (b) a discussion on the Group’s environmental policies and performance; and the Group’s compliance with the relevant laws and regulations that have a significant impact on the Group; and
- (c) an account of the Group’s key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group’s success depends.

Further discussion and analysis as required by Schedule 5 to the Company Ordinance are set out in the “Chairman’s Statement”, “Management Discussion and Analysis”, “Corporate Governance Report” and “Notes to the Consolidated Financial Statements” sections of this annual report. The above sections form part of the Directors’ Report.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2016 are set out in the consolidated statement of profit or loss and other comprehensive income in this annual report.

The Board of Directors (the “Board”) does not recommend the payment of any final dividend for the year ended 31 March 2016.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results published in the Company’s Prospectus, assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, are set out on page 4. This summary does not form part of the audited consolidated financial statements.

## EQUIPMENT

Movements in equipment are set out in note 14 to the consolidated financial statements.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2016 are set out in note 21 to the consolidated financial statements.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2016.

## **RESERVES AND DISTRIBUTABLE RESERVES**

Details of movements in the reserves and distributable reserves of the Company during the year ended 31 March 2016 is set out in note 32 to the consolidated financial statements.

As at 31 March 2016, details of movements in the reserves and distributable reserves of the Group is set out in the consolidated statement of changes in equity on page 44.

## **SHARE CAPITAL**

Details of movements in the Company's share capital during the year ended 31 March 2016 are set out in note 22 to the consolidated financial statements.

## **GLOBAL OFFERING**

The Company completed its global offering and the shares were first listed on the Stock Exchange on 28 January 2016. Net proceed from the global offering (including the proceeds from the exercise of the over-allotment option) was approximately HK\$197.6 million (after deducting all listing related expenses specifically to the issue of new shares in the listing and expenses relating generally to the listing of all the shares of the Company, whether existing or new). Please refer to the "Management Discussion and Analysis" section in this annual report for more details of the use of proceeds as at 31 March 2016.

## **MAJOR CUSTOMERS AND SUPPLIERS**

During the Year, our five largest customers accounted for approximately 46.7% (2015: approximately 42.3%) of the Group's total revenue and our largest customer accounted for approximately 18.8% (2015: approximately 18.4%) of our total revenue.

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

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

## **DIRECTORS AND SERVICE CONTRACTS**

The Directors since the completion date of global offering and up to the date of this report were:

### **Executive Directors**

Mr. Xie Xiaoqing  
Mr. Li Fan

### **Non-Executive Directors**

Mr. Ding Chung Keung Vincent  
Mr. Sun Changyu  
Ms. Wong Jacqueline Yue Yee

### **Independent Non-Executive Directors**

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



Pursuant to article 108 of the articles of association of the Company (the “Articles”), Messrs. Xie Xiaoqing, Ding Chung Keung Vincent and Zou Lin shall retire from the Board at the forthcoming 2016 AGM. All retiring Directors, being eligible and offering themselves for re-election at the 2016 AGM. Details of the retiring Directors standing for re-election are set out in the circular to the Company’s shareholders sent together with this report.

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

None of the Directors being proposed for re-election or election at the 2016 AGM has or will have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS

As at 31 March 2016, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO); (ii) to be entered into the register kept by the Company pursuant to Section 352 of the SFO, or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer (the “Model Code”) as set out in Appendix 10 to the Listing Rules, were as follows:

### Interest in long positions in shares (“Shares”)/underlying Shares of the Company

| Name of Director                          | Capacity/<br>nature of interest                                                                 | Number of Shares/underlying Shares |                        |                         |                   | Approximate %<br>of issued shares |
|-------------------------------------------|-------------------------------------------------------------------------------------------------|------------------------------------|------------------------|-------------------------|-------------------|-----------------------------------|
|                                           |                                                                                                 | Personal<br>Interest               | Corporate<br>Interest  | Other<br>Interest       | Total<br>Interest |                                   |
| Mr. Xie Xiaoqing (“Mr. Xie”)              | Interest of controlled corporations                                                             | –                                  | 12,704,220<br>(Note 1) | –                       | –                 | –                                 |
|                                           |                                                                                                 | –                                  | 38,503,380<br>(Note 2) | –                       | 51,207,600        | 12.41%                            |
| Mr. Li Fan (“Mr. Li”)                     | –                                                                                               | –                                  | –                      | –                       | –                 | –                                 |
| Mr. Ding Chung Keung Vincent (“Mr. Ding”) | –                                                                                               | –                                  | –                      | –                       | –                 | –                                 |
| Mr. Sun Changyu (“Mr. Sun”)               | –                                                                                               | –                                  | –                      | –                       | –                 | –                                 |
| Ms. Wong Jacqueline Yue Yee (“Ms. Wong”)  | Interest of controlled corporations/founder of a discretionary trust and beneficiary of a trust | –                                  | 20,234,242<br>(Note 3) | 143,805,903<br>(Note 4) | 164,040,145       | 39.77%                            |
| Mr. Duan Chang Feng (“Mr. Duan”)          | –                                                                                               | –                                  | –                      | –                       | –                 | –                                 |
| Mr. Nie Yong (“Mr. Nie”)                  | –                                                                                               | –                                  | –                      | –                       | –                 | –                                 |
| Ms. Zou Lin (“Ms. Zou”)                   | –                                                                                               | –                                  | –                      | –                       | –                 | –                                 |

## Notes:

1. Such interests include 2,117,370 Shares held by Capital Grower Limited (“Capital Grower”), and 10,586,850 Shares held by Clifton Rise International Limited (“Clifton Rise”), which are all companies owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Capital Grower and Clifton Rise under the SFO.
2. Such Shares are held by Yong Hua International Ltd. (“Yong Hua”), a company owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Yong Hua under the SFO.
3. Such interest included 10,127,176 Shares held by Legend Crown International Limited (“Legend Crown”) and 10,107,066 Shares held by Plenty Boom Investments Limited (“Plenty Boom”). Ms. Wong founded the discretionary trust (the “Ace York Management Trust”) of which the property included the entire issued share capital of Legend Crown and Plenty Boom. The trustee of the Ace York Management Trust is Ace York Investment Management Limited (“Ace York Management”, a company owned as to 50% by Ms. Wong), where the beneficiaries are Ms. Michelle Yat Yee Wong (“Ms. Michelle Wong”) and Ms. Wong and their respective issue(s). By virtue of the above, both Ms. Wong and Ace York Management are taken to have a duty of disclosure in relation to the said Shares held by Legend Crown and Plenty Boom under the SFO.
4. Such Shares are held by Perfect Honour Limited (“Perfect Honour”) which is a wholly owned subsidiary of Goldbond Group Holdings Limited (“Goldbond”). Mr. Wong Charles Yu Lung and Mrs. Wong Fang Pik Chun, parents of Ms. Michelle Wong and Ms. Wong, established the Allied Luck Trust (as defined below) and Ms. Michelle Wong and Ms. Wong established the Aceyork Trust (as defined below), where both with Ms. Michelle Wong and Ms. Wong and their respective issue(s) being the beneficiaries. The assets of the Allied Luck Trust include all the Goldbond shares held by Allied Luck Trading Limited (“Allied Luck”, a company wholly-owned by the Allied Luck Trust), being approximately 30.99% of the total issued share capital of Goldbond, (the “Allied Luck Trust”), and the assets of the Aceyork Trust included all the Goldbond shares held by Ace Solomon Investments Limited (“Ace Solomon”) being approximately 25.92% of the total issued share capital Goldbond. Ace Solomon is a company jointly owned by Allied Golden Investment Limited (“Allied Golden”) and Aceyork Investment Limited (“Aceyork”) which (in each of the cases of Allied Golden and Aceyork) in turn are wholly-owned by the Aceyork Trust (the “Aceyork Trust”). Ms. Wong being a beneficiary of the Allied Luck Trust and the Aceyork Trust, in turn, holds approximately 34.86% of our issued share capital through Perfect Honour. By virtue of the above, Ms. Wong is taken to have a duty of disclosure in relation to the said Shares held by Perfect Honour under the SFO.

Save as disclosed above, as at 31 March 2016, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2016, to the best knowledge of the Directors and chief executives of the Company, the interest or short position in the Shares and underlying Shares of Substantial Shareholders of the Company (except for the Directors and chief executives of the Company) which are required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### Long Positions in the Shares/underlying Shares of the Company

| Name of substantial shareholder                              | Capacity/<br>nature of interest                                         | Number of Shares/<br>underlying Shares | Total<br>Interest | Approximate %<br>of issued shares |
|--------------------------------------------------------------|-------------------------------------------------------------------------|----------------------------------------|-------------------|-----------------------------------|
| Ms. Wong Jacqueline Yue Yee<br>("Ms. Wong")                  | (i) Interest in controlled corporation/founder of a discretionary trust | 20,234,242<br>(Note 1)                 | 164,040,145       | 39.77%                            |
|                                                              | (ii) Beneficiary of a trust                                             | 143,805,903<br>(Note 2)                |                   |                                   |
| Mr. Wong Charles Yu Lung<br>("Mr. Wong")                     | (i) Trustee                                                             | 143,805,903<br>(Note 2)                |                   | 34.86%                            |
| Mrs. Wong Fang Pik Chun<br>("Mrs. Wong")                     | (i) Trustee                                                             | 143,805,903<br>(Note 2)                |                   | 34.86%                            |
| Perfect Honour Limited<br>("Perfect Honour")                 | Beneficial Owner                                                        | 143,805,903<br>(Note 2)                |                   | 34.86%                            |
| Goldbond Group Holdings Limited<br>("Goldbond")              | Interest in controlled corporation                                      | 143,805,903<br>(Note 2)                |                   | 34.86%                            |
| Mr. Zhao John Huan ("Mr. Zhao")                              | Interest in controlled corporation                                      | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Silver Creation Investments Limited<br>("Silver Creation")   | Beneficial Owner                                                        | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Hony Capital Fund 2008, L.P.<br>("Hony Capital")             | Interest in controlled corporation                                      | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Hony Capital Fund 2008 GP, L.P.<br>("Hony GP, L.P.")         | Interest in controlled corporation                                      | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Hony Capital Fund 2008 GP Limited<br>("Hony GP")             | Interest in controlled corporation                                      | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Hony Group Management Limited<br>("Hony Management")         | Interest in controlled corporation                                      | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Hony Managing Partners Limited<br>("Hony Partners")          | Interest in controlled corporation                                      | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Exponential Fortune Group Limited<br>("Exponential Fortune") | Interest in controlled corporation                                      | 84,752,255<br>(Note 3)                 |                   | 20.55%                            |
| Mr. Xie Xiaoqing ("Mr. Xie")                                 | Interest in controlled corporation                                      | 12,704,220<br>(Note 4)                 | 51,207,600        | 12.41%                            |
| Yong Hua International Ltd.<br>("Yong Hua")                  | Beneficial Owner                                                        | 38,503,380<br>(Note 5)                 | –                 | –                                 |

### Notes:

1. Reference to the 20,234,242 Shares relate to the same block of Shares held by Legend Crown and Plenty Boom. Please refer to Note 3 on page 17 of this report for further details. By virtue of the above, Ms. Wong is taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.
2. The five references to the 143,805,903 Shares relate to the same block of Shares held by Perfect Honour Limited. Please refer to Note 4 on page 17 of this report for further details. By virtue of the above, Ms. Wong, Mr. Wong, Mrs. Wong, Perfect Honour and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour.
3. The eight references to the 84,752,255 Shares relate to the same block of Shares held by Silver Creation Investments Limited ("Silver Creation"). Silver Creation is wholly-owned by Hony Capital Fund 2008, L.P.. Hony Capital is controlled by its sole general partner Hony Capital Fund 2008 GP, L.P., which in turn is controlled by its sole general partner, Hony Capital Fund 2008 GP Limited. Hony Capital Fund 2008 GP Limited is wholly-owned by Hony Group Management Limited, which is owned as to approximately 80.00% by Hony Managing Partners Limited. Hony Managing Partners Limited is 100% owned by Exponential Fortune Group Limited, which is a company owned as to approximately 49% by Mr. Zhao. By virtue of the above, Mr. Zhao, Silver Creation, Hony Capital, Hony GP, L.P., Hony GP, Hony Management, Hony Partners, and Exponential Fortune are taken to have a duty of disclosure in relation to these Shares held by Silver Creation.
4. References to the 12,704,220 Shares relate to the same block of Shares held by Capital Grower, and Clifton Rise. Please refer to Note 1 on page 17 for further details. By virtue of the above, Mr. Xie, is taken to have duty of disclosure in relation to these Shares held by Capital Grower and Clifton Rise.
5. Reference to the 38,503,380 Shares relates to the same block of shares held by Yong Hua. Please refer to Note 2 on page 17 for further details. By virtue of the above, Mr. Xie, is taken to have duty of disclosure in relation to these Shares held by Yong Hua.

Save as disclosed above, as at 31 March 2016, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SUBSIDIARIES

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

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year end 31 March 2016, the following Directors declared their interest in the following companies with business which may compete or may likely to compete, either directly or indirectly, with the business of the Group:

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

| Name of Directors        | Name of Companies                                                                                   | Nature of Business Considered to Compete or Likely to Compete with the Business of the Group | Nature of Interest of the Directors in the Companies                                      |
|--------------------------|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|
| Li Fan                   | Rongzhong Small Loan (Hubei) Limited Company (a wholly owned subsidiary of Rongzhong Group Limited) | Provision of small loan business in Hubei Province                                           | A director                                                                                |
|                          | Rongzhong Capital Investment Group Limited                                                          | Provision of financial/ advisory service and project financing                               | A director of Rongzhong Capital Investments Group Limited and certain of its subsidiary   |
| Ding Chung Keung Vincent | Goldbond Group Holdings Limited and its subsidiaries                                                | Provision of non-bank financial services to SME in China                                     | A director, chief executive officer and directors of certain of its subsidiaries          |
|                          | Rongzhong Group Limited and its subsidiaries <sup>Note 1</sup>                                      | Investment holding                                                                           | A director of Rongzhong Group Limited and certain of its subsidiaries                     |
|                          | Rongzhong Capital Investments Group Limited and its subsidiaries                                    | Provision of financial consultancy/advisory service and project financing.                   | A director of Rongzhong Capital Investments Group Limited and certain of its subsidiaries |
| Sun Changyu              | Hony Capital Fund 2008, L.P.                                                                        | Private equity firm engaged in investment holding                                            | Managing Director                                                                         |
|                          | Rongzhong Group Limited and its subsidiaries <sup>Note 1</sup>                                      | Investment holding                                                                           | A director of certain subsidiaries of Rongzhong Group Limited                             |
|                          | Rongzhong Capital Investments Group Limited and its subsidiaries                                    | Provision of financial consultancy/advisory service and project financing.                   | A director                                                                                |
| Wong Jacqueline Yue Yee  | Legend Crown International Limited                                                                  | Investment holding                                                                           | Having certain deemed interest and a director                                             |
|                          | Plenty Boom Investments Limited                                                                     | Investment holding                                                                           | Having certain deemed interest and a director                                             |

Note 1: As at 31 March 2016, Rongzhong Group Limited is owned as to 40% by Goldbond through Perfect Honour, 40% by Honys Capital through Silver Creation, approximately 12.42% by Yong Hua, approximately 3.79% by Legend Crown and approximately 3.79% by Plenty Boom.

For further information on delineation of business, please refer to pages 280 – 304 of our Prospectus. In order to better protect our Group from potential competition, the Company had entered into the deeds of non-competition with the covenantors and the deed of undertaking with Goldbond, for further information, please refer to the sections headed “Non-Competition Deeds” and “Deed of Undertaking” on pages 25 to 29 of this annual report.

The Directors are aware of their fiduciary duties and will act honestly and in good faith in the interest of the Company and will avoid any potential conflicts of interest and duty. Save as disclosed in this annual report, none of the Directors were interested in any business apart from the Group’s business which may compete or may likely to compete, either directly or indirectly, with the Group’s business.

### CONTINUING CONNECTED TRANSACTIONS

*Expressions used in the sections headed “Connect Persons”, “Exempt Continuing Connected Transactions”, “Non-competition Deeds” and “Deed of Undertakings” shall have the same meanings given to them in the Company’s Prospectus.*

### CONNECTED PERSONS

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

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

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

Mr. Xie, our chairman and executive director, is directly interested in 100.00% and approximately 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 and Wuhan Rongzhong are associates of Mr. Xie and therefore are connected persons of our Company.

## EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Trademark Licence Agreements

On June 15, 2015, Rongzhong Capital, our wholly-owned subsidiary, entered into a trademark 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 non-exclusive 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 the paragraph headed “Further Information about our Business – 2. Our Intellectual Property Rights” in Appendix IV to the Prospectus subject to the terms and conditions therein. During the term of the Trademark 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 Trademark 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 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 Trademark 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 finance leases, in addition to the leased assets, we normally require our customers to provide additional securities to us to 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 finance leasing entity. In this regard Rongzhong PRC, our main operating entity, entered into (i) three finance lease guarantee agreements with Wuhan Rongzhong on November 25, 2014, December 30, 2014 and May 1, 2015, respectively and (ii) two finance lease guarantee agreements with Wuhan Jinhong on May 15, 2014 and January 13, 2016 (collectively as the “Finance Lease Guarantee Agreements”) 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 leases entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong. 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 lapsed. 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

We are involved in a number of legal proceedings arising in the ordinary course of our operations. These legal proceedings generally involve claims initiated by us to recover lease payments from our customers. In some of these legal proceedings, we have applied to the PRC courts to freeze the assets of some of our customers 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, our main operating entity, entered into a litigation guarantee framework agreement (the “Litigation Guarantee Framework Agreements”) with each of Wuhan Jinhong and Wuhan Rongzhong on December 29, 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 22 February 2016, Mr. Xie and Rongzhong Capital Investments had each entered into a bank guarantee agreement with the bank (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.

As at 31 March 2016, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to bank as security for its grant of loans to the Rongzhong PRC.

| Guarantor(s)                  | *As at 28                            | As at 31    |
|-------------------------------|--------------------------------------|-------------|
|                               | January, 2016                        | March, 2016 |
|                               | <i>(HK\$' million approximately)</i> |             |
| Mr. Xie                       | –                                    | 153.6       |
| Rongzhong Capital Investments | –                                    | 153.6       |

\* Completion date of global offering

The Trademark Licence 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 Trademark Licence Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee Agreements qualified as continuing connected transactions exempt from reporting, announcement and independent shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules.

### NON-COMPETITION DEEDS

In order to protect the Group from potential competition from our shareholders and executive directors, on 18 December 2015, the Company had entered into a deed of non-competition with each of the following parties respectively:

- a. Rongzhong Group Limited (other than through member of the Group)
- b. Mr. Wong, Mrs. Wong, Legend Crown and Plenty Boom (except for Rongzhong Group and its close associates)
- c. Mr. Xie, Yong Hua, Clifton Rise and Capital Grower (except Rongzhong Group and its close associates)

collectively referred to as the “Covenantors” and each “Covenantor”.

Each of the Covenantors, among other matters, has irrevocably 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 our Group), partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the finance leasing business currently and from time to time engaged by our Group including but not limited to the provision of direct leasing, sale leaseback and finance leasing related advisory services to SMEs in the PRC (the “Restricted Activity”) (other than the small loan business operated by Yancheng Goldbond Technology Small Loan Company Limited (the “Yancheng Goldbond”) and Rongzhong Small Loan (Hubei) Limited Company (the “Rongzhong Small Loan”)), unless pursuant to the exception set out below;
- (ii) not solicit any existing employee of our Group for employment by it or its subsidiaries and/or close associates (as applicable) (excluding members of our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to its knowledge in its capacity as our Controlling Shareholder or Director for any purpose of engaging, investing or participating in any Restricted Activity;
- (iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to our Group for consideration;
- (v) not invest or participate in any Restricted Activity unless pursuant to the exceptions set out below; and
- (vi) procure its subsidiaries and/or its close associates (as applicable) (excluding members of our Group) not to invest or participate in any project or business opportunity of the Restricted Activity, unless pursuant to the exceptions set out below.

## **New business opportunity**

Save for the situations as set out in the paragraphs headed “Customer referral obligation” and “Conflict check obligation”, each of the Covenantors has unconditionally and irrevocably undertaken to us that in the event that it or its subsidiaries and/or its close associates (as applicable) (other than members of our Group) (the “Offeror”) is given or identified or offered any business investment or commercial opportunity which directly or indirectly competes, or may lead to competition with the Restricted Activity (the “New Opportunities”), it will and will procure its subsidiaries and/or its close associates (as applicable) to refer the New Opportunities to us as soon as practicable in the following manner:

- (i) each of the Covenantors is required to, and shall procure its subsidiaries and/or its close associates (as applicable) (other than members of our Group) to refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group and our Shareholders as a whole to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the “Offer Notice”); and
- (ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 Business Days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from our Independent Non-executive Directors who do not have a material interest and will form an independent board committee (the “Independent Board Committee”) as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of our Group and our Shareholders as a whole to pursue the New Opportunities.

## **Right of first refusal**

Where any of the Covenantors (or any of its subsidiaries and/or its close associates) (as applicable) (other than members of our Group) has acquired business investment or interest in any entity relating to the Restricted Activity (the “Acquired Entity”) pursuant to the paragraph headed “New business opportunity” above, the relevant Covenantor and/or its subsidiaries and/or its close associates (as applicable) (other than members of our Group) shall provide us with a right of first refusal (the “Right of First Refusal”) for a duration of one month to acquire any such Restricted Activity if they intend to dispose any equity interest in the Acquired Entity. Where the Independent Board Committee of our Company decides to waive the Right of First Refusal by way of written notice, the relevant Covenantor and/or its subsidiaries and/or its close associates (as applicable) may offer to sell such Restricted Activity to other third parties on such terms which are no more favorable than those made available to our Group. In deciding whether to exercise the above options, our Directors will consider various factors including the purchase price, the nature of the products and services and their values and benefits, as well as the benefits that they will bring to our Group.

## **Customer referral obligation**

If a significant amount of the collateral provided by any of the new customer of Rongzhong Small Loan are within the scope of the Permitted Leased Assets, Rongzhong Group shall procure Rongzhong Small Loan to use its best endeavors to conduct due diligence on the new customer before entering into any agreement with the new customer to check whether (i) the ownership of the collateral are capable of being transferred and (ii) the new customer is willing to transfer the ownership of the collateral as security for loan until repayment of loan, which are essential to the creation of a lessee-lessor relation under finance leasing, and if items (i) and (ii) are satisfied, Rongzhong Group shall procure Rongzhong Small Loan to refer the new customer to our Group by written notice (the “Written Notice”) and that Rongzhong Small Loan will be entitled to enter into an agreement with the new customer only if (a) it has received a notice from us declining to provide services to the new customer; or (b) it has not received such notice from us within three (3) Business Days from our receipt of the Written Notice (the “Customer Referral Obligation”).

## Conflict check obligation

Rongzhong Group shall procure Rongzhong Small Loan to check the customers list provided by our Company to it on a monthly basis to ensure that the new customer is not one of Rongzhong PRC'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 our risk management committee has completed an evaluation on the new customer and is satisfied that Rongzhong PRC is not qualified to provide finance leasing services to the new customer (the "Conflict Check Obligation").

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

- (a) the aggregate interests or number of shares held by the Covenantor (including its subsidiaries and/or its close associate) (as applicable) does not exceed 5.00% of the issued share capital of the Subject Company; and
- (b) neither the Covenantor nor its subsidiaries and and/or close associates (as applicable) has board or management control of the Subject Company.

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

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

Each of the Covenantor confirms that they have each complied with the terms of their Deed of Non-competition respectively and have provided to the Group with information and annual confirmation for the annual review with regards to compliance of the terms of each of the Deed of Non-competition respectively.

The Independent Non-executive Directors of the Company confirms that each of the Covenantors have provided to the Group with information necessary for the annual review by the Independent Non-executive Directors of the Company with regard to compliance of the terms of the Deeds of Non-competition by the Covenantors and the enforcement of the Deeds of Non-competition and confirms that each of the Covenantor have complied with the terms of each of their Deed of Non-competition respectively.

### DEED OF UNDERTAKING

Although the geographic location, approval requirements, potential customers and under the qualification of the currently applicable PRC laws differentiate our Group with the small loan business operated by Yancheng Goldbond, however, in order to ensure that there is 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 our Company that it shall procure Yancheng Goldbond to check the customers list provided by our Company to it on a monthly basis to ensure that Yancheng Goldbond's new customer is not one of Rongzhong PRC's existing customers before entering into any agreement with the new customer. Where the new customer is one of Rongzhong PRC's existing customers, Goldbond shall procure Yancheng Goldbond to inform us of the proposed transaction (including the particulars of the proposed transaction and the new customer) to enable our risk management committee to evaluate whether Rongzhong PRC is qualified to take on the new customer and the benefits of such business opportunities will bring to us. In the event that Rongzhong PRC is qualified and is interested in taking on the new customer, both Yancheng Goldbond and Rongzhong PRC 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 other service providers (if applicable). In the event that Rongzhong PRC is not qualified or is not interested in taking on the new customer, Yancheng Goldbond may proceed to enter into an agreement with the new customer ("Goldbond's Conflict Check Undertaking").

In consideration of Goldbond's Conflict Check Undertaking, our Company has also irrevocably and unconditionally undertaken to Goldbond that our Company shall procure Rongzhong PRC to check the customers list provided by Goldbond to it on a monthly basis to ensure that Rongzhong PRC's new customer is not one of Yancheng Goldbond's existing customers before entering into any agreement with the new customer. Where the new customer is one of Yancheng Goldbond's existing customers, our Company shall procure Rongzhong PRC to inform Goldbond of the proposed transaction (including the particulars of the proposed transaction and the new customer) to enable Goldbond to evaluate whether Yancheng Goldbond is qualified to take on the new customer and the benefits of such business opportunities will bring to Goldbond. In the event that Yancheng Goldbond is qualified and is interested in taking on the new customer, both Yancheng Goldbond and Rongzhong PRC may pitch to the new customer and Rongzhong PRC is only entitled to enter into an agreement with the new customer if the new customer selects its service over those of Yancheng Goldbond and 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, as the "Conflict Check Undertakings").

The Conflict Check Undertakings shall commence from the Listing Date and shall expire on the earlier of the dates below:

- (a) the date on which Goldbond or its subsidiaries, individually or taken as a whole, ceases to be a Controlling Shareholder of the Company; and
- (b) the date on which our Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

The Risk Management Committee of the Company confirms that it has designated an officer to be responsible for:

- (a) providing periodic updates of the Company's new customers to Yancheng Goldbond and Rongzhong Small Loan on a monthly basis in order to fulfil its Customer Referral Obligation and Conflict Check Obligation and Goldbond to comply with Goldbond's Conflict Check Undertaking;

- (b) regularly checked Rongzhong PRC's customers lists against the customers lists of Yancheng Goldbond provided by Goldbond to ensure the Group's compliance with the Company's Conflict Check Undertaking;
- (c) conduct an annual review on Rongzhong Small Loan and Yancheng Goldbond to ensure that Rongzhong Small Loan has implemented internal procedures to fulfil its Customer Referral Obligation and Conflict Check Obligation and Yancheng Goldbond has implemented internal procedures to comply with its obligations under Goldbond's Conflict Check Undertaking; and
- (d) conduct regular reviews on our internal procedures to ensure that we have complied with the Company's Conflict Check Undertaking.

### **SHARE OPTION SCHEME**

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

#### **Purpose**

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

#### **Eligible participants to the share option scheme**

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

#### **Grant of options**

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

- (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half year, quarter or any other interim period (whether or not required under the Listing Rules); and
- (b) the deadline for our Company to publish an announcement of, its results for any year or half-year under the Listing Rules, or quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. For the avoidance of doubt, the period during which no option shall be granted mentioned above shall include any period of delay in the publication of a results announcement.

#### **Payment on acceptance of option offer**

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

## Subscription price

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

## Option period

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

## Exercise of option

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

## Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being 40,000,000 Shares in total. Please refer to section headed "Statutory and General Information" in Appendix IV of our Prospectus.

## EQUITY-LINKED AGREEMENTS

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

## CHANGE IN INFORMATION OF DIRECTORS

Save as listed below, up to the date of this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

| <b>Name of Director</b> | <b>Details of Change</b>                                                                          |
|-------------------------|---------------------------------------------------------------------------------------------------|
| Mr. Li Fan              | Monthly remuneration revised to the total of RMB30,000 and HK\$50,000 with effect from 1 May 2016 |

## PERMITTED INDEMNITY AND PROVISION

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

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

### **CORPORATE GOVERNANCE**

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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.

### **PRE-EMPTIVE RIGHTS**

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

### **SUFFICIENCY OF PUBLIC FLOAT**

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

### **AUDITOR**

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

On behalf of the Board

**Xie Xiaoqing**  
*Chairman of the Board*

Wuhan, 24 June 2016



## CORPORATE GOVERNANCE REPORT

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28 January 2016 (the “Listing Date”). The Board hereby presents to the Shareholders the corporate governance report for the period from the Listing Date to 31 March 2016 (the “Period”).

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.

## BOARD OF DIRECTORS

### Composition

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

#### *Executive Director and Chairman*

Mr. Xie Xiaoqing

#### *Executive Director and Chief Executive Officer*

Mr. Li Fan

#### *Non-executive Directors*

Mr. Ding Chung Keung Vincent

Mr. Sun Changyu

Ms. Wong Jacqueline Yue Yee

#### *Independent Non-executive Directors (“INEDs”)*

Mr. Duan Chang Feng

Mr. Nie Yong

Ms. Zou Lin

## Responsibilities of the Board

The Board is entrusted with the overall responsibility of managing the Company’s business and affairs and the ultimate responsibility of the day-to-day management of the Company which is delegated to the Chairman, the Chief Executive Officer and the Senior Management.

The Board is responsible for the setting of the Company’s corporate strategy, supervising and monitoring its implementation and reviewing the overall operational and financial performance of the Group by making decisions in major aspects of the Company’s matters, including but not limited to approving and monitoring key policies, material transactions, business plans, annual budgets, internal control and risk management, annual and interim results.

Mr. Xie Xiaoqing, the Chairman of the Company is responsible for formulating business strategies and providing leadership to the Board, ensuring effective running of the Board so that it acts in the best interest of the Company. The Chairman ensures that issues are properly discussed and addressed at Board meetings and all Directors received adequate, complete and reliable information.

Mr. Li Fan, the Chief Executive Officer of the Company is responsible for the day-to-day management of the Group’s business and operations as well as the implementation of the Group’s business strategies. The roles of the Chairman and the Chief Executive Officer are separate. The Chairman is responsible for the overall management and operations of the Group and for proposing and reviewing the corporate directions and strategies of the Group, and the Chief Executive Officer works with the senior management team to ensure proper implementation of these strategies throughout the development of the Group.

During the Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board; one of the INEDs is required to possess appropriate professional qualifications of accounting or related financial management expertise. The Board received from each of the INEDs a written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence. The Company is of the view that all INEDs meet the independence guidelines set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

## Non-executive Directors

Each of the Non-Executive Directors of the Company 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.

## Appointment and Rotation of Directors

Pursuant to Articles, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

## Board Meetings and Attendance

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

During the Period, the Company did not hold any extraordinary general meeting (as defined below).

During the Period, the Board held one regular board meeting and two meetings of the Risk Management Committee. The attendance record of each member of the Board at the Board meeting is set out below:

|                                                           | Regular<br>Board<br>Meeting | AGM | EGM | Nomination<br>Committee | Remuneration<br>Committee | Audit<br>Committee | Risk<br>Management<br>Committee |
|-----------------------------------------------------------|-----------------------------|-----|-----|-------------------------|---------------------------|--------------------|---------------------------------|
| <b>Executive Director and Chairman</b>                    |                             |     |     |                         |                           |                    |                                 |
| Mr. Xie Xiaoqing                                          | 1/1                         | N/A | N/A | N/A                     | N/A                       | N/A                | 2/2                             |
| <b>Executive Director and<br/>Chief Executive Officer</b> |                             |     |     |                         |                           |                    |                                 |
| Mr. Li Fan                                                | 1/1                         | N/A | N/A | N/A                     | N/A                       | N/A                | 2/2                             |
| <b>Non-executive Directors</b>                            |                             |     |     |                         |                           |                    |                                 |
| Mr. Ding Chung Keung Vincent                              | 1/1                         | N/A | N/A | N/A                     | N/A                       | N/A                | N/A                             |
| Mr. Sun Changyu                                           | 1/1*                        | N/A | N/A | N/A                     | N/A                       | N/A                | N/A                             |
| Ms. Wong Jacqueline Yue Yee                               | 1/1                         | N/A | N/A | N/A                     | N/A                       | N/A                | N/A                             |
| <b>Independent Non-executive<br/>Directors ("INEDs")</b>  |                             |     |     |                         |                           |                    |                                 |
| Mr. Duan Chang Feng                                       | 1/1                         | N/A | N/A | N/A                     | N/A                       | N/A                | 2/2                             |
| Mr. Nie Yong                                              | 1/1                         | N/A | N/A | N/A                     | N/A                       | N/A                | 2/2                             |
| Ms. Zou Lin                                               | 1/1                         | N/A | N/A | N/A                     | N/A                       | N/A                | 2/2                             |

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

\* Mr. Sun had appointed a representative to attend this meeting on his behalf during his absence.

## Induction and Continuous Professional Development

The newly appointed Directors was provided with a comprehensive and formal induction prior to the listing of the Company in the Stock Exchange to ensure all the Directors were fully aware of their responsibilities as a listed company director under the Listing Rules and any other regulatory requirements.

The Company encourages all Directors to participate in continuous professional development to further enhance and refresh their knowledge and skills. The Directors received the following training for the Period ended 31 March 2016 according to the records provided by the Directors:

## Directors' Securities Transactions

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

## Directors' Insurance

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

## Directors' Remuneration

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 March 2016 is set out in Note 11 to the consolidated financial statements.

## Board Diversity Policy

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

## BOARD COMMITTEES

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

## Audit Committee

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

During the Period, the Company did not hold any Audit Committee meeting.

Up to the date of this report, the Audit Committee has reviewed with the management team and the external auditors the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters and results of the Group of the Reporting Period and proposed adoption of the same by the Directors.

## Nomination Committee

The Nomination Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with Code Provision A.5 of the CG Code. The primary duties of the Nomination Committee include but not limited to selecting and recommending candidates for directorship, review of the structure, size and composition of the Board and assessment of the independence of the INEDs and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and chief executive officer. As at the date of this report, the Nomination Committee consisted of one executive Director: Mr. Xie Xiaoqing, one non-executive Director: Mr. Sung Changyu, and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong and Ms. Zou Lin. The chairman of the Nomination Committee is Mr. Xie Xiaoqing.

During the Period, the Company did not hold any Nomination Committee meeting.

## Remuneration Committee

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

## Risk Management Committee

The Risk Management Committee was established by the Board on 18 December 2015. The primary duties of the risk management committee are to formulate and monitor the implementation of our major risk management policies and systems, ensuring necessary measures adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks and conduct regular review on the risk management reports submitted by the senior management. It is also in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB100.0 million and other risk-related issues during our operations that may have a material impact on our business. As at the date of this report, the Risk Management Committee consisted of two executive Directors: Mr. Xie Xiaoqing and Mr. Li Fan and three INEDs: Mr. Duan Chang Feng, Mr. Nie Yong, and Ms. Zou Lin. The chairman of the Risk Management Committee is Mr. Xie Xiaoqing.

During the Period, two Risk Management Committee meetings were held in February and March 2016 respectively, which among other matters, reviewed and recommended to the Board finance lease arrangement proposals that are RMB100.0 million or larger. The attendance records are set out under the section headed "Board Meetings and Attendance" in this report.

## EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

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

The remuneration paid to Deloitte in respect of audit and non-audit services for the year ended 31 March 2016 is set out below:

| <b>Types of services provided by Deloitte</b> | <b>Amount of Fees</b><br>HK\$'000<br>approximately |
|-----------------------------------------------|----------------------------------------------------|
| Audit services                                | 800                                                |
| Non-audit services                            | –                                                  |
| <b>Total</b>                                  | <b>800</b>                                         |

## DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for each financial period with a true and fair presentation of the financial position of the Group. The Company's financial statements are prepared in accordance with all statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and the related interpretations, adjustments and estimates made are prudent and reasonable and have prepared the accounts on a going concern basis. The Directors are not aware of any material uncertainties relating to events of conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

## RISK MANAGEMENT AND INTERNAL CONTROL

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

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

## COMPANY SECRETARY

On 19 October 2015, Mr. Wong Tsz Lun, was appointed as the Company Secretary of the Company, is a full time employee of the Group and has substantial knowledge of the Company's day-to-day affairs. For the Period ended 31 March 2016, Mr. Wong had complied with Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training.

## SHAREHOLDERS' COMMUNICATION POLICY

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

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

## SHAREHOLDERS' RIGHTS

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

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

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

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

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

### – Procedures for shareholders to raise enquiries

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

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

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

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

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

As a channel to promote effective communication, the Group maintains a website at [www.chinarzfh.com](http://www.chinarzfh.com) where information on the Company’s announcements, financials information and other information are posted.

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

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

## EXCELLENT WORKING ENVIRONMENT

Promoting sustainability through good corporate governance, environmental protection, community investment and workplace practice is one of the Company's key strategic objectives. We understand our staffs are valuable assets to the Company and the foundation of its survival and development. The Company treats all employees with fairness and respect. Adhering to the strategic goal of becoming a "people-oriented and talent based corporation", the Company is keen to expand its recruitment channels while optimizing our training and continue professional development for our staffs. The Company is keen to put more efforts into building a corporate culture that creates a harmonious and healthy atmosphere for all staffs.

The Company provides and maintains statutory benefits for employees in accordance with the requirements under the laws, regulations and relevant policies in Hong Kong and the PRC, including but not limited to provident fund, basic medical insurance, pension insurance, maternity insurance, job-related injury insurance, unemployment insurance. Employees are also entitled to day-offs on public holidays, marriage leave, funeral leave and maternity leave.

The Group strongly supports our staff in self-enhancement and continuing professional development through organizing various training courses and seminars, and circulations of business and professionally related reading materials from time to time in order to enhance their professional capability.

## ENVIRONMENTAL PROTECTION

The Company aims to minimise the impact of our activities on the environment and will remind our staff to follow the same principle. Despite the Company is engaged in less labor intensive industry with minimal pollutants generations, we adheres to the approach of low carbon, waste and emission reduction, energy and cost saving and environmentally friendly approach in business management. We have adopted the following measures:

- (1) encourage staffs to recycle papers;
- (2) encourage staffs to reduce printing and photocopying documents;
- (3) encourage staff to turn off all electricity and do not leave them on stand-by mode, so as to reduce wastage on electricity.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group has adopted internal control measures to monitor the continuous compliance with relevant laws and regulations. During the Reporting Period, the Company did not violate any laws or regulations that resulted in material effect on the business of the Group.

The Group maintains good relationships with existing and potential customers, so as to better understand the market trends and fulfil the diverse needs and requirement of individual and corporate customers more effectively. As a result, the Group is able to take up cooperation opportunities with customers and appropriately adjusting our operational strategies for the better development of our business.

As part of our ongoing commitment to promoting sustainability, we will be progressively expanding our scope of environmental, social and governance reporting covering our operations in mainland China starting in 1 April 2016. The Board would like to take this opportunity to thank our staffs for their contribution and support to our business objectives and charitable activities and donation during the year. Through enhancing our governance and inspiring our staffs on sustainable development, we are confident that the Group will continue to maintain good relationships with existing and potential customers and cater their diverse needs and requirements more effectively, hence, creating a long-lasting and strong impact on our society.



## Deloitte.

德勤

**TO THE MEMBERS OF CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED**

**(中國融眾金融控股有限公司)**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of China Rongzhong Financial Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 82, which comprise the consolidated statement of financial position as at 31 March 2016, 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 a summary of significant accounting policies and other explanatory information.

### **DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

### **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

24 June 2016

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

|                                                                      | NOTES | 2016<br>HK\$ | 2015<br>HK\$  |
|----------------------------------------------------------------------|-------|--------------|---------------|
| Revenue                                                              | 6     | 205,010,114  | 226,942,893   |
| Other income                                                         | 7     | 3,526,484    | 5,816,853     |
| Net exchange gain                                                    |       | 4,402,206    | –             |
| Staff costs                                                          | 10    | (9,727,417)  | (4,539,010)   |
| Impairment losses on finance lease receivable                        |       | (9,481,330)  | (14,667,475)  |
| Other operating expenses                                             |       | (31,851,368) | (16,554,529)  |
| Finance costs                                                        | 8     | (87,697,206) | (105,234,898) |
| Profit before taxation                                               |       | 74,181,483   | 91,763,834    |
| Taxation                                                             | 9     | (22,587,342) | (26,200,670)  |
| Profit for the year                                                  | 10    | 51,594,141   | 65,563,164    |
| <b>Other comprehensive income</b>                                    |       |              |               |
| <i>Item that will not be reclassified to profit or loss:</i>         |       |              |               |
| Exchange differences arising on translation to presentation currency |       | (42,871,588) | –             |
| Total comprehensive income for the year                              |       | 8,722,553    | 65,563,164    |
| Earnings per share                                                   |       |              |               |
| Basic and diluted (HK cents)                                         | 13    | 16           | 22            |

# Consolidated Statement of Financial Position

At 31 March 2016

|                                                                        | NOTES | 2016<br>HK\$         | 2015<br>HK\$  |
|------------------------------------------------------------------------|-------|----------------------|---------------|
| <b>Non-current assets</b>                                              |       |                      |               |
| Equipment                                                              | 14    | 1,291,634            | 2,136,150     |
| Finance lease receivable                                               | 15    | 647,370,392          | 594,676,244   |
| Deposit for equipment                                                  |       | 437,331              | –             |
| Deferred tax assets                                                    | 23    | 10,689,058           | 8,900,810     |
|                                                                        |       | <b>659,788,415</b>   | 605,713,204   |
| <b>Current assets</b>                                                  |       |                      |               |
| Loan to a related company                                              | 16    | –                    | 73,297,468    |
| Finance lease receivable                                               | 15    | 1,107,845,927        | 1,343,512,390 |
| Prepayments and other receivables                                      |       | 10,866,689           | 11,293,517    |
| Security deposits                                                      | 17    | 6,672,052            | 23,764,827    |
| Short term bank deposits with original maturity<br>within three months | 18    | 51,006,839           | 6,019,840     |
| Bank balances and cash                                                 | 18    | 182,032,403          | 18,511,614    |
|                                                                        |       | <b>1,358,423,910</b> | 1,476,399,656 |
| <b>Current liabilities</b>                                             |       |                      |               |
| Amount due to a related company                                        | 16    | –                    | 469,061       |
| Other payables and accrued charges                                     | 19    | 48,178,294           | 10,189,353    |
| Deposits from finance lease customers                                  | 15    | 204,275,709          | 268,946,687   |
| Deferred income                                                        | 20    | 8,359,555            | 16,936,245    |
| Tax liabilities                                                        |       | 14,325,433           | 6,663,829     |
| Bank borrowings                                                        | 21    | 353,435,714          | 467,810,127   |
|                                                                        |       | <b>628,574,705</b>   | 771,015,302   |
| Net current assets                                                     |       | <b>729,849,205</b>   | 705,384,354   |
| Total assets less current liabilities                                  |       | <b>1,389,637,620</b> | 1,311,097,558 |

# Consolidated Statement of Financial Position

At 31 March 2016

|                                       | NOTES | 2016<br>HK\$         | 2015<br>HK\$  |
|---------------------------------------|-------|----------------------|---------------|
| <b>Capital and reserves</b>           |       |                      |               |
| Share capital                         | 22    | 4,125,090            | 814,492       |
| Reserves                              |       | 838,673,259          | 608,571,332   |
| <b>Total equity</b>                   |       | <b>842,798,349</b>   | 609,385,824   |
| <b>Non-current liabilities</b>        |       |                      |               |
| Deposits from finance lease customers | 15    | 78,551,194           | 152,701,000   |
| Deferred income                       | 20    | 5,349,089            | 6,952,507     |
| Bank borrowings                       | 21    | 462,938,988          | 540,475,949   |
| Deferred tax liabilities              | 23    | –                    | 1,582,278     |
|                                       |       | <b>546,839,271</b>   | 701,711,734   |
|                                       |       | <b>1,389,637,620</b> | 1,311,097,558 |

The consolidated financial statements on pages 41 to 82 were approved and authorised for issue by the board of directors on 24 June 2016 and are signed on its behalf by:

**Mr. Xie Xiaoqing**  
Director

**Mr. Li Fan**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

|                                                                         | Share<br>capital<br>HK\$ | Share<br>premium<br>HK\$ | Capital<br>reserve<br>HK\$<br>(note i) | Statutory<br>surplus<br>reserve<br>HK\$<br>(note ii) | Translation<br>reserve<br>HK\$ | Retained<br>profits<br>HK\$ | Total<br>HK\$      |
|-------------------------------------------------------------------------|--------------------------|--------------------------|----------------------------------------|------------------------------------------------------|--------------------------------|-----------------------------|--------------------|
| At 1 April 2014 (note i)                                                | 814,492                  | 331,438,840              | –                                      | 20,692,540                                           | 12,007,234                     | 178,869,554                 | 543,822,660        |
| Profit and total comprehensive income<br>for the year                   | –                        | –                        | –                                      | –                                                    | –                              | 65,563,164                  | 65,563,164         |
| Transferred to statutory surplus reserve                                | –                        | –                        | –                                      | 6,243,042                                            | –                              | (6,243,042)                 | –                  |
| At 31 March 2015 (note i)                                               | 814,492                  | 331,438,840              | –                                      | 26,935,582                                           | 12,007,234                     | 238,189,676                 | 609,385,824        |
| Profit for the year                                                     | –                        | –                        | –                                      | –                                                    | –                              | 51,594,141                  | 51,594,141         |
| Exchange difference arising on<br>translation                           | –                        | –                        | –                                      | –                                                    | (42,871,588)                   | –                           | (42,871,588)       |
| Total comprehensive income for the year                                 | –                        | –                        | –                                      | –                                                    | (42,871,588)                   | 51,594,141                  | 8,722,553          |
| Transferred to statutory surplus reserve                                | –                        | –                        | –                                      | 5,117,206                                            | –                              | (5,117,206)                 | –                  |
| Issue of new shares (note 22)                                           | 1,125,090                | 236,268,900              | –                                      | –                                                    | –                              | –                           | 237,393,990        |
| Transaction costs attributable to issue of<br>new shares                | –                        | (12,704,018)             | –                                      | –                                                    | –                              | –                           | (12,704,018)       |
| Arising from reorganisation (note 22)                                   | 1,044                    | 332,252,288              | (332,253,332)                          | –                                                    | –                              | –                           | –                  |
| Issue of shares by capitalisation of<br>share premium account (note 22) | 2,998,956                | (2,998,956)              | –                                      | –                                                    | –                              | –                           | –                  |
| Transfers on reorganisation (note i)                                    | (814,492)                | (331,438,840)            | 332,253,332                            | –                                                    | –                              | –                           | –                  |
| <b>At 31 March 2016</b>                                                 | <b>4,125,090</b>         | <b>552,818,214</b>       | <b>–</b>                               | <b>32,052,788</b>                                    | <b>(30,864,354)</b>            | <b>284,666,611</b>          | <b>842,798,349</b> |

## Notes:

- (i) The amounts of HK\$814,492 and HK\$331,438,840 represented the share capital and share premium, respectively, of Rongzhong Capital Holdings Limited (“Rongzhong Capital”), a subsidiary of the Company, prior to the completion of the Reorganisation (as defined in note 1). The capital reserve represents the difference between i) the share capital and share premium of Rongzhong Capital and ii) the net asset value of Rongzhong Capital on the date of the Reorganisation.
- (ii) Pursuant to the articles of association of the subsidiary established in the People’s Republic of China (“PRC”), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each year to the statutory surplus reserve until the balance reaches 50% of its registered capital.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2016

|                                                                 | 2016<br>HK\$       | 2015<br>HK\$         |
|-----------------------------------------------------------------|--------------------|----------------------|
| <b>OPERATING ACTIVITIES</b>                                     |                    |                      |
| Profit for the year                                             | 51,594,141         | 65,563,164           |
| Adjustments for:                                                |                    |                      |
| Taxation                                                        | 22,587,342         | 26,200,670           |
| Impairment losses on finance lease receivable                   | 9,481,330          | 14,667,475           |
| Depreciation of equipment                                       | 848,496            | 433,031              |
| Finance costs                                                   | 87,697,206         | 105,234,898          |
| Interest income from loan to a related company                  | (3,288,118)        | (5,568,377)          |
| Interest income from bank deposits                              | (237,449)          | (248,476)            |
| Effect of foreign exchange rate changes                         | (4,402,206)        | –                    |
| <b>Operating cash flows before movements in working capital</b> | <b>164,280,742</b> | <b>206,282,385</b>   |
| Decrease in amount due from a related company                   | –                  | 371,826              |
| Decrease (increase) in finance lease receivable                 | 64,406,351         | (230,613,023)        |
| Decrease (increase) in security deposits                        | 15,976,693         | (10,469,425)         |
| Increase in prepayments and other receivables                   | (4,898,328)        | (383,097)            |
| Increase (decrease) in other payables and accrued charges       | 40,635,678         | (55,438,579)         |
| (Decrease) increase in amount due to a related company          | (469,061)          | 469,061              |
| Decrease in deferred income                                     | (8,951,457)        | (11,226,315)         |
| Decrease in deposits from finance lease customers               | (140,484,930)      | (65,684,915)         |
| Cash generated from (used in) operations                        | 130,495,688        | (166,692,082)        |
| Enterprise Income Tax paid in the PRC                           | (18,273,065)       | (20,872,032)         |
| <b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>             | <b>112,222,623</b> | <b>(187,564,114)</b> |
| <b>INVESTING ACTIVITIES</b>                                     |                    |                      |
| Repayments from a related company                               | 314,178,450        | 309,822,785          |
| Interest received from loan to a related company                | 3,288,118          | 5,568,377            |
| Interest received from bank deposits                            | 237,449            | 248,476              |
| Purchase of equipment and deposit paid for equipment            | (557,798)          | (1,278,724)          |
| Advances to a related company                                   | (247,582,587)      | (175,632,911)        |
| <b>NET CASH FROM INVESTING ACTIVITIES</b>                       | <b>69,563,632</b>  | <b>138,728,003</b>   |
| <b>FINANCING ACTIVITIES</b>                                     |                    |                      |
| Bank loans raised                                               | 254,336,178        | 499,189,873          |
| Proceeds from issue of new shares                               | 237,393,990        | –                    |
| Guarantee fee paid to a related company                         | (3,647,851)        | (4,345,270)          |
| Expenses on issue of new shares                                 | (12,704,018)       | –                    |
| Interest paid                                                   | (57,099,132)       | (74,175,017)         |
| Repayment of bank loans                                         | (391,838,563)      | (385,102,721)        |
| <b>NET CASH FROM FINANCING ACTIVITIES</b>                       | <b>26,440,604</b>  | <b>35,566,865</b>    |

# Consolidated Statement of Cash Flows

For the year ended 31 March 2016

|                                                                        | 2016<br>HK\$       | 2015<br>HK\$        |
|------------------------------------------------------------------------|--------------------|---------------------|
| <b>NET INCREASE (DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>        | <b>208,226,859</b> | <b>(13,269,246)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>              | <b>24,531,454</b>  | <b>37,800,700</b>   |
| <b>Effect of foreign exchange rate changes</b>                         | <b>280,929</b>     | <b>–</b>            |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                    | <b>233,039,242</b> | <b>24,531,454</b>   |
| Analysis of balances of cash and cash equivalents                      |                    |                     |
| Bank balances and cash                                                 | <b>182,032,403</b> | 18,511,614          |
| Short term bank deposits with original maturity within<br>three months | <b>51,006,839</b>  | 6,019,840           |
|                                                                        | <b>233,039,242</b> | <b>24,531,454</b>   |

## 1. GENERAL

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

In preparing for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the companies now comprising the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) underwent the group reorganisation (the “Reorganisation”) to rationalise the group structure. As a result of the Reorganisation, the Company became the holding company of the Group on 18 December 2015. Details of the Group Reorganisation are more fully explained in the section headed “History and Reorganisation” of the prospectus of the Company dated 18 January 2016 (the “Prospectus”). The Group resulting from the Reorganisation is regarded as a continuing entity. The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the Group for the years ended 31 March 2016 and 31 March 2015 and the consolidated statement of the financial position of the Group as at 31 March 2015 have been prepared on the basis as if the group structure upon completion of the Reorganisation has been in existence since 1 April 2014, taking into account the respective date of establishment, incorporation or acquisition of the different entities comprising the Group, as appropriate.

The shares of the Company were listed on the Stock Exchange on 28 January 2016. 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 functional currency of the Company and its subsidiaries 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.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### *New and revised HKFRSs issued but not yet effective*

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

|                      |                                                            |
|----------------------|------------------------------------------------------------|
| HKFRS 9              | Financial Instruments <sup>1</sup>                         |
| HKFRS 15             | Revenue from Contracts with Customers <sup>1</sup>         |
| HKFRS 16             | Leases <sup>3</sup>                                        |
| Amendments to HKAS 1 | Disclosure Initiative <sup>2</sup>                         |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012-2014 Cycle <sup>2</sup> |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2016

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2019



## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### *New and revised HKFRSs issued but not yet effective (continued)*

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

### **HKFRS 9 Financial Instruments**

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting period. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

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

The directors of the Company are in the process of assessing the impact of these requirements on the consolidated financial statements and expect that the application of the expected credit loss model will have a material impact on the impairment of the Group’s finance lease receivable. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

### **HKFRS 15 Revenue from Contracts with Customers**

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

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

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

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

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

### **HKFRS 16 Leases**

HKFRS 16, which upon the effective date will supersede HKAS 17 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17, in terms of which no right-of-use asset or lease liability is required to be recognised for operating leases by the lessee but for which the details of lease commitments are disclosed as in note 24.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors’ reports and audits, and to streamline with HKFRSs, which became effective for the Group for the financial year ended 31 March 2016. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

### Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of HKAS 17 *Leases*.

The principal accounting policies are as follows:

### Basis of consolidation

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

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

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

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

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

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

### Revenue recognition

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

Financial leasing services income mainly consists of finance lease income and is recognised over the period of lease (see accounting policy in respect of leasing below).

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

### Guarantee fee expense

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

### Equipment

Equipment is stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment

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

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

### Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group are translated into the presentation currency of the Group (i.e. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

### Borrowing costs

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

### Retirement benefit costs

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

### Leasing

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Leasing (continued)

#### *The Group as lessor*

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

#### *The Group as lessee*

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

### Taxation

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

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

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

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

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

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

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

Current and deferred tax is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated financial statements when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### Financial assets

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

#### *Effective interest method*

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

Interest income is recognised on an effective interest basis.

#### *Loans and receivables*

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

### Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Financial instruments (continued)

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

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

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

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

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

##### *Financial liabilities and equity instruments*

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

##### *Equity instruments*

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

##### *Financial liabilities*

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

##### *Effective interest method*

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

Interest expense is recognised on an effective interest basis.



## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial instruments (continued)

#### *Derecognition*

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

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

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

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

#### **Estimated impairment of finance lease receivable**

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 2016, the carrying amount of finance lease receivable is HK\$1,755,216,319 (2015: HK\$1,938,188,634).

## 5. SEGMENT INFORMATION

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 5. SEGMENT INFORMATION (continued)

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

|            | 2016<br>HK\$ | 2015<br>HK\$     |
|------------|--------------|------------------|
| Customer A | 38,449,063   | 41,866,960       |
| Customer B | 20,745,763   | N/A <sup>1</sup> |

<sup>1</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 6. REVENUE

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

## 7. OTHER INCOME

|                                                | 2016<br>HK\$     | 2015<br>HK\$ |
|------------------------------------------------|------------------|--------------|
| Interest income from loan to a related company | 3,288,118        | 5,568,377    |
| Bank interest income                           | 237,449          | 248,476      |
| Others                                         | 917              | –            |
|                                                | <b>3,526,484</b> | 5,816,853    |

## 8. FINANCE COSTS

|                                                                                    | 2016<br>HK\$      | 2015<br>HK\$ |
|------------------------------------------------------------------------------------|-------------------|--------------|
| Interest on borrowings                                                             | 56,577,777        | 72,358,893   |
| Guarantee fee paid to a related company                                            | 3,647,851         | 4,345,270    |
| Imputed interest expense on interest-free deposits<br>from finance lease customers | 27,471,578        | 28,530,735   |
|                                                                                    | <b>87,697,206</b> | 105,234,898  |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 9. TAXATION

|                                        | 2016<br>HK\$       | 2015<br>HK\$ |
|----------------------------------------|--------------------|--------------|
| The charge comprises:                  |                    |              |
| Current tax                            |                    |              |
| Enterprise Income Tax in the PRC       |                    |              |
| – Provision for the current year       | 25,204,995         | 28,223,371   |
| – (Over) under provision in prior year | (247,320)          | 61,890       |
| – Withholding tax                      | 1,582,278          | –            |
|                                        | <b>26,539,953</b>  | 28,285,261   |
| Deferred tax (Note 23)                 | <b>(3,952,611)</b> | (2,084,591)  |
|                                        | <b>22,587,342</b>  | 26,200,670   |

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.

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:

|                                                                                            | 2016<br>HK\$      | 2015<br>HK\$ |
|--------------------------------------------------------------------------------------------|-------------------|--------------|
| Profit before taxation                                                                     | 74,181,483        | 91,763,834   |
| Tax at the domestic income tax rate in the PRC of 25%                                      | 18,545,371        | 22,940,959   |
| Tax effect of income not taxable for tax purposes                                          | (7,689,924)       | (8,524,778)  |
| Tax effect of expenses not deductible for tax purposes                                     | 11,979,215        | 10,140,321   |
| Deferred tax (reversed) recognised on undistributed earnings of the Group's PRC subsidiary | (1,582,278)       | 1,582,278    |
| (Over) under provision in prior year                                                       | (247,320)         | 61,890       |
| Withholding tax levied on dividend declared                                                | 1,582,278         | –            |
| Tax charge for the year                                                                    | <b>22,587,342</b> | 26,200,670   |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 10. PROFIT FOR THE YEAR

|                                                         | 2016<br>HK\$     | 2015<br>HK\$     |
|---------------------------------------------------------|------------------|------------------|
| Profit for the year has been arrived at after charging: |                  |                  |
| Directors' remuneration:                                |                  |                  |
| – Fee                                                   | 459,398          | 120,000          |
| – Short-term benefits                                   | 2,179,563        | 743,869          |
| – Retirement benefit scheme contributions               | 76,623           | 3,038            |
| Salaries, allowances and other staff benefits           | 6,422,686        | 3,422,844        |
| Staff's retirement benefit scheme contributions         | 589,147          | 249,259          |
| <b>Total staff costs</b>                                | <b>9,727,417</b> | <b>4,539,010</b> |
| Depreciation of equipment                               | 848,496          | 433,031          |
| Auditor's remuneration                                  | 964,286          | 916,229          |
| Operating lease rentals in respect of properties        | 3,069,935        | 2,465,343        |
| Listing expenses                                        | 20,025,359       | 6,882,025        |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (a) Directors and the chief executive

The directors of the Company were appointed in June 2015. The emoluments paid or payable to the directors and the chief executive of the Company (including emoluments paid or payable for their services as employees/directors of other group entities prior to their becoming directors of the Company) by the entities comprising the Group during the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong CO, are as follows:

For the year ended 31 March 2016

| Name of directors                           | Directors' Fee<br>HK\$ | Retirement benefit scheme contributions<br>HK\$ | Other emoluments mainly salaries and other benefits<br>HK\$ | Total<br>HK\$ |
|---------------------------------------------|------------------------|-------------------------------------------------|-------------------------------------------------------------|---------------|
| <b>Executive directors:</b>                 |                        |                                                 |                                                             |               |
| Mr. Xie Xiaoqing                            | 219,398                | 36,374                                          | 1,042,964                                                   | 1,298,736     |
| Mr. Li Fan ( <i>Note i</i> )                | –                      | 40,249                                          | 1,136,599                                                   | 1,176,848     |
| Non-executive directors:                    |                        |                                                 |                                                             |               |
| Mr. Chen Shuai ( <i>Note ii</i> )           | –                      | –                                               | –                                                           | –             |
| Mr. Huang Haichen ( <i>Note ii</i> )        | –                      | –                                               | –                                                           | –             |
| Mr. Sun Changyu ( <i>Note ii</i> )          | 40,000                 | –                                               | –                                                           | 40,000        |
| Mr. Ding Chung Keung Vincent                | 40,000                 | –                                               | –                                                           | 40,000        |
| Ms. Wong Jacqueline Yue Yee                 | 40,000                 | –                                               | –                                                           | 40,000        |
| <b>Independent non-executive directors:</b> |                        |                                                 |                                                             |               |
| Mr. Nie Yong                                | 40,000                 | –                                               | –                                                           | 40,000        |
| Mr. Duan Chang Feng                         | 40,000                 | –                                               | –                                                           | 40,000        |
| Mr. Zou Lin                                 | 40,000                 | –                                               | –                                                           | 40,000        |
|                                             | 459,398                | 76,623                                          | 2,179,563                                                   | 2,715,584     |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (a) Directors and the chief executive (continued)

For the year ended 31 March 2015

| Name of directors            | Directors' Fee<br>HK\$ | Retirement benefit scheme contributions<br>HK\$ | Other emoluments mainly salaries and other benefits<br>HK\$ | Total<br>HK\$ |
|------------------------------|------------------------|-------------------------------------------------|-------------------------------------------------------------|---------------|
| Executive directors:         |                        |                                                 |                                                             |               |
| Mr. Xie Xiaoqing             | 120,000                | –                                               | 569,519                                                     | 689,519       |
| Mr. Li Fan ( <i>Note i</i> ) | –                      | 3,038                                           | 174,350                                                     | 177,388       |
|                              | 120,000                | 3,038                                           | 743,869                                                     | 866,907       |

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

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

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

Notes:

- (i) Li Fan is the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.
- (ii) Mr. Chen Shuai and Mr. Huang Haichen resigned as non-executive directors of the Company on 15 October 2015 and 21 September 2015, respectively. Mr. Sun Changyu was appointed as a non-executive director of the Company on 15 October 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

### (b) Five highest paid employees

The five highest paid employees of the Group during the year included two directors (2015: two directors), details of whose remuneration are set out in note 11 (a) above. Details of the remuneration for the year of the remaining three (2015: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

|                                                 | 2016<br>HK\$ | 2015<br>HK\$ |
|-------------------------------------------------|--------------|--------------|
| Salaries, allowances and other benefits         | 1,505,557    | 1,632,569    |
| Staff's retirement benefit scheme contributions | 95,836       | 50,810       |
|                                                 | 1,601,393    | 1,683,379    |

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

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

## 12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

## 13. EARNINGS PER SHARE

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 year on the assumption that the Reorganisation had been effective since 1 April 2014.

|                                                                                                                   | 2016<br>HK\$ | 2015<br>HK\$ |
|-------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Earnings:                                                                                                         |              |              |
| Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share | 51,594,141   | 65,563,164   |
| Number of shares:                                                                                                 |              |              |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share                | 318,785,087  | 300,000,000  |

The Group has 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 is 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 has no impact on the computation of diluted earnings per share. The Group had no other potential ordinary shares in issue during the years ended 31 March 2016 and 2015.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 14. EQUIPMENT

|                                 | Furniture, fixtures<br>and other fixed assets |                  |
|---------------------------------|-----------------------------------------------|------------------|
|                                 | 2016<br>HK\$                                  | 2015<br>HK\$     |
| <b>COST</b>                     |                                               |                  |
| At the beginning of the year    | 4,545,529                                     | 3,266,805        |
| Exchange adjustments            | (272,771)                                     | –                |
| Additions                       | 103,450                                       | 1,278,724        |
| Written-off                     | (1,639,129)                                   | –                |
| <b>At the end of the year</b>   | <b>2,737,079</b>                              | <b>4,545,529</b> |
| <b>ACCUMULATED DEPRECIATION</b> |                                               |                  |
| At the beginning of the year    | 2,409,379                                     | 1,976,348        |
| Exchange adjustments            | (173,301)                                     | –                |
| Charge for the year             | 848,496                                       | 433,031          |
| Written-off                     | (1,639,129)                                   | –                |
| <b>At the end of the year</b>   | <b>1,445,445</b>                              | <b>2,409,379</b> |
| <b>NET CARRYING VALUES</b>      |                                               |                  |
| At the end of the year          | 1,291,634                                     | 2,136,150        |

The above items of equipment are depreciated on a straight-line basis at the rates of 20% to 33 $\frac{1}{3}$ % per annum.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 15. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS

The Group provides financial leasing services in the PRC.

|                                                    | Minimum lease payments |               | Present value of minimum lease payments |               |
|----------------------------------------------------|------------------------|---------------|-----------------------------------------|---------------|
|                                                    | 2016<br>HK\$           | 2015<br>HK\$  | 2016<br>HK\$                            | 2015<br>HK\$  |
| Finance lease receivable comprise:                 |                        |               |                                         |               |
| Within one year                                    | 1,273,212,641          | 1,499,499,155 | 1,141,753,945                           | 1,371,075,228 |
| In more than one year but not more than five years | 736,666,149            | 672,844,254   | 656,218,606                             | 602,716,647   |
|                                                    | <b>2,009,878,790</b>   | 2,172,343,409 | <b>1,797,972,551</b>                    | 1,973,791,875 |
| Less: Unearned finance income                      | (211,906,239)          | (198,551,534) | –                                       | –             |
| Present value of minimum lease payment             | <b>1,797,972,551</b>   | 1,973,791,875 | <b>1,797,972,551</b>                    | 1,973,791,875 |
| Less: Collective impairment allowance              | (16,291,562)           | (18,662,651)  | (16,291,562)                            | (18,662,651)  |
| Individual impairment allowance                    | (26,464,670)           | (16,940,590)  | (26,464,670)                            | (16,940,590)  |
|                                                    | <b>1,755,216,319</b>   | 1,938,188,634 | <b>1,755,216,319</b>                    | 1,938,188,634 |
| Analysed for reporting purposes as:                |                        |               |                                         |               |
| Current assets                                     |                        |               | 1,107,845,927                           | 1,343,512,390 |
| Non-current assets                                 |                        |               | 647,370,392                             | 594,676,244   |
|                                                    |                        |               | <b>1,755,216,319</b>                    | 1,938,188,634 |

The Group's finance lease receivable 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 9.3% to 25.0% (2015: 9.3% to 24.3%) per annum as at 31 March 2016.

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

|                                        | 2016<br>HK\$         | 2015<br>HK\$  |
|----------------------------------------|----------------------|---------------|
| Neither past due nor impaired          | 702,092,787          | 820,254,118   |
| Past due but not individually impaired | 404,732,954          | 722,114,115   |
| Past due but individually impaired     | 691,146,810          | 431,423,642   |
| Subtotal                               | <b>1,797,972,551</b> | 1,973,791,875 |
| Less: Collective impairment allowance  | (16,291,562)         | (18,662,651)  |
| Individual impairment allowance        | (26,464,670)         | (16,940,590)  |
|                                        | <b>1,755,216,319</b> | 1,938,188,634 |

## 15. FINANCE LEASE RECEIVABLE/DEPOSITS FROM FINANCE LEASE CUSTOMERS (continued)

Finance lease receivable 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 2016, the customers' deposits of HK\$282,826,903 (2015:HK\$421,647,687) 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 receivable which are past due but not individually impaired (instalments which are not yet due at the end of the reporting period are excluded):

|                                                | 2016<br>HK\$      | 2015<br>HK\$ |
|------------------------------------------------|-------------------|--------------|
| Less than one month                            | 1,810,641         | 1,611,885    |
| More than one month but less than three months | 2,577,838         | 185,745,898  |
| More than three months but less than one year  | 52,941,664        | 2,714,989    |
| More than one year                             | –                 | 29,530,084   |
|                                                | <b>57,330,143</b> | 219,602,856  |

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2016, an aggregate carrying amount of HK\$57,330,143 (2015: HK\$219,602,856) 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\$5,957,336 (2015: HK\$8,737,576) was provided on past due but not individually impaired finance lease receivable accordingly.

Included in the individual impairment allowance are individually impaired finance lease receivable with an aggregate balance of HK\$26,464,670 (2015: HK\$16,940,590) of which the customers are in financial difficulties.

## 16. LOAN TO A RELATED COMPANY/AMOUNT DUE TO A RELATED COMPANY

As at 31 March 2015, the loan to a related company, being a joint venture of the major shareholder, of HK\$73,297,468, bearing a fixed interest rate of 3% per annum, was unsecured and repayable on demand. The amount was fully settled during the year ended 31 March 2016.

As at 31 March, 2015, the amount due to a related company, being a joint venture of the major shareholder, of HK\$469,061, was unsecured, interest free and repayable on demand. The amount was fully settled during the year ended 31 March 2016.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 17. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the finance lease services in the PRC. The security deposits carry interest at prevailing market rate of 0.35% (2015: 0.35%) per annum.

## 18. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH

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

|                                     | 2016<br>%        | 2015<br>% |
|-------------------------------------|------------------|-----------|
| Range of interest rates (per annum) | <b>0.01~0.35</b> | 0.01~0.35 |

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

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

|                            | 2016<br>HK\$      | 2015<br>HK\$ |
|----------------------------|-------------------|--------------|
| Hong Kong dollars ("HK\$") | <b>60,970,255</b> | 6,702,559    |
| US dollars ("US\$")        | <b>146,360</b>    | 142,707      |
|                            | <b>61,116,615</b> | 6,845,266    |

## 19. OTHER PAYABLES AND ACCRUED CHARGES

|                                               | 2016<br>HK\$      | 2015<br>HK\$ |
|-----------------------------------------------|-------------------|--------------|
| Payables to finance lease equipment suppliers | <b>25,107,290</b> | 309,087      |
| Interest payable                              | <b>1,793,548</b>  | 2,314,903    |
| Other tax payables                            | <b>10,019,051</b> | 1,070,461    |
| Advance receipt from customers                | <b>6,048,800</b>  | 324,807      |
| Accrued charges                               | <b>5,165,168</b>  | 6,089,023    |
| Other payables                                | <b>44,437</b>     | 81,072       |
|                                               | <b>48,178,294</b> | 10,189,353   |

## 20. DEFERRED INCOME

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 21. BANK BORROWINGS

|                                                   | 2016<br>HK\$         | 2015<br>HK\$  |
|---------------------------------------------------|----------------------|---------------|
| Secured                                           | 699,708,036          | 759,551,899   |
| Unsecured                                         | 116,666,666          | 248,734,177   |
|                                                   | <b>816,374,702</b>   | 1,008,286,076 |
| Carrying amount repayable*:                       |                      |               |
| Within one year                                   | 353,435,714          | 467,810,127   |
| More than one year, but not exceeding two years   | 357,835,417          | 233,640,506   |
| More than two years, but not exceeding five years | 105,103,571          | 306,835,443   |
|                                                   | <b>816,374,702</b>   | 1,008,286,076 |
| Less: amounts shown under current liabilities     | <b>(353,435,714)</b> | (467,810,127) |
|                                                   | <b>462,938,988</b>   | 540,475,949   |

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

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

|                          | 2016<br>HK\$ | 2015<br>HK\$ |
|--------------------------|--------------|--------------|
| Variable-rate borrowings | 153,571,429  | 221,772,152  |
| Fixed-rate borrowings    | 662,803,273  | 786,513,924  |

As at 31 March 2016, the Group's bank borrowings of variable-rate borrowings carry interest rate per annum at the range of 100% (2015:115% to 120%) of the benchmark rate offered by the People's Bank of China ("PBOC"). The remaining balance of fixed-rate borrowings carry interest at the rate of 5.94% to 8.05% (2015: 6.15% to 7.69%) per annum.

As at 31 March 2016, the Group's bank borrowings of RMB587,754,750 equivalent to HK\$699,708,036 (2015: RMB554,846,000 equivalent to HK\$702,336,709) were granted by several banks in the PRC respectively and secured by charges over certain finance lease receivable of the Group with an aggregate carrying values of HK\$809,901,805 (2015: HK\$1,003,527,421).

As at 31 March 2015, the Group's bank borrowings of RMB45,200,000 equivalent to HK\$57,215,190 were secured by charges over certain bank accounts of the Group with balances RMB34,679 equivalent to HK\$43,897 and were guaranteed by a major shareholder of the Company and a director of the Company. The full amount of the relevant bank borrowings has been repaid during the year ended 31 March 2016.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 21. BANK BORROWINGS (continued)

As at 31 March 2015, the Group's bank borrowings of RMB629,846,000 equivalent to HK\$797,273,418 were guaranteed by a joint venture of a major shareholder of the Company.

As at 31 March 2016, the Group's bank borrowings of RMB129,000,000 equivalent to HK\$153,571,429 (2015: RMB121,500,000 equivalent to HK\$153,797,468) were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company.

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

## 22. SHARE CAPITAL

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

|                                                                                                                | Number of shares | Share capital<br>HK\$ |
|----------------------------------------------------------------------------------------------------------------|------------------|-----------------------|
| Ordinary shares of HK\$0.01 each                                                                               |                  |                       |
| <b>Authorised:</b>                                                                                             |                  |                       |
| At 5 June 2015 (date of incorporation) (note i)                                                                | 37,000,000       | 370,000               |
| Increase in authorised capital (note ii)                                                                       | 9,963,000,000    | 99,630,000            |
| At 31 March 2016                                                                                               | 10,000,000,000   | 100,000,000           |
| <b>Issued:</b>                                                                                                 |                  |                       |
| Issued on date of incorporation (note i)                                                                       | 1                | –                     |
| Issued on date of reorganisation (note ii)                                                                     | 104,421          | 1,044                 |
| Issue of shares upon listing of the Company's<br>shares on the Stock Exchange<br>on 28 January 2016 (note iii) | 399,895,578      | 3,998,956             |
| Issue of shares on the exercise of<br>over-allotment option (note iv)                                          | 12,509,000       | 125,090               |
| At 31 March 2016                                                                                               | 412,509,000      | 4,125,090             |
|                                                                                                                |                  | 2016<br>HK\$          |
| Shown in the consolidated statement of financial position                                                      |                  | 4,125,090             |

## 22. SHARE CAPITAL (continued)

Notes:

- (i) The Company was incorporated in the Cayman Islands on 5 June 2015 as an exempted company and was registered as a non-Hong Kong Company under Part 16 of the new CO (Cap.622) on July 16, 2015. At incorporation, the Company had an authorised capital of HK\$370,000, divided into 37,000,000 shares of HK\$0.01 each. On the date of incorporation, 1 share of HK\$0.01 each of the Company was allotted and issued to Reid Services Limited at par value, then transferred to Plenty Boom Investments Limited on the same date.
- (ii) Pursuant to the resolution passed by the shareholders of the Company on 18 December 2015, the authorised share capital of the Company was increased from HK\$370,000 to HK\$100,000,000 by the creation of additional 9,963,000,000 ordinary shares of HK\$0.01 each.

On the same date, a sale and purchase agreement (the "Sale and Purchase Agreement") was entered into between the Company (as purchaser), and each of Perfect Honour Limited, Silver Creation Investments Limited, Yong Hua International Ltd., Clifton Rise International Limited, Legend Crown International Limited, Plenty Boom Investments Limited and Capital Grower Limited (collectively as the "Vendors"), pursuant to which the Company acquired 104,422 shares of US\$1.00 each (the "Sale Shares") in Rongzhong Capital, representing the entire issued share capital of Rongzhong Capital, which were legally and beneficially held by the Vendors. In consideration of the Vendors agreeing to sell the Sale Shares to the Company, the Company allotted, issued, and credited as fully paid the aggregate of 104,421 ordinary shares of HK\$0.01 each in the Company for the Vendors' sale of the Sale Shares to the Company. As a result of the Reorganisation, each of the Vendors holds equity interests of the Company, in the same proportion as the equity interest in Rongzhong Capital held by each of the Vendors before the Reorganisation.

- (iii) On 28 January 2016, the Company issued a total of 100,000,000 ordinary shares of HK\$0.01 each at the HK\$2.11 pursuant to the initial public offering of the Company's shares. On the same date, the Company allotted and issued 299,895,578 ordinary shares of HK\$0.01 each credited as fully paid to the shareholders by capitalising an amount of HK\$2,998,956 from the share premium account of the Company.
- (iv) On 23 February 2016, 12,509,000 ordinary shares of HK\$0.01 each at the HK\$2.11 pursuant to the exercise of over-allotment option. The proceeds of HK\$125,090 representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately HK\$26,268,900, before issuing expenses, were credited to share premium account of the Company.
- (v) All the shares issued during the reporting period ranked pari passu in all respects with the then existing shares in issue.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 23. DEFERRED TAX ASSETS/LIABILITIES

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

|                                       | Allowances<br>for bad and<br>doubtful debts<br>HK\$ | Undistributed<br>earnings of<br>a subsidiary<br>HK\$ | Total<br>HK\$ |
|---------------------------------------|-----------------------------------------------------|------------------------------------------------------|---------------|
| At 1 April 2014                       | 5,233,941                                           | –                                                    | 5,233,941     |
| Credit (charge) to profit or loss     | 3,666,869                                           | (1,582,278)                                          | 2,084,591     |
| At 31 March 2015                      | 8,900,810                                           | (1,582,278)                                          | 7,318,532     |
| Exchange adjustments                  | (582,085)                                           | –                                                    | (582,085)     |
| Credit to profit or loss              | 2,370,333                                           | –                                                    | 2,370,333     |
| Release upon distribution of earnings | –                                                   | 1,582,278                                            | 1,582,278     |
| At 31 March 2016                      | 10,689,058                                          | –                                                    | 10,689,058    |

Under the EIT Law, withholding tax of 5% is imposed on dividends declared in respect of profits earned by the subsidiary in the PRC from 1 January 2008 onwards. As at 31 March 2015, the Group provided for deferred tax liability of HK\$1,582,278 in respect of withholding tax imposed on dividend declared after the year ended 31 March 2015 by the subsidiary in the PRC of HK\$31,645,570 for the payment of professional fee relating to initial public offering. Other than that, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the retained profits of the subsidiary in the PRC amounting to approximately HK\$275,784,000 (2015: HK\$206,045,000) as the Group is able to control the timing of the reversal of the temporary differences and the directors of the Company considered that the subsidiary in the PRC will not distribute any further dividend in the foreseeable future.

## 24. OPERATING LEASE COMMITMENTS

As at 31 March 2016, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

### As lessee

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

|                                      | 2016<br>HK\$ | 2015<br>HK\$ |
|--------------------------------------|--------------|--------------|
| Within one year                      | 2,284,379    | 2,821,162    |
| After one year but within five years | 59,064       | 1,196,477    |
|                                      | 2,343,443    | 4,017,639    |

## 25. CAPITAL COMMITMENTS

|                                                  | 2016<br>HK\$ | 2015<br>HK\$ |
|--------------------------------------------------|--------------|--------------|
| Contracted, but not provided for:                |              |              |
| Capital expenditure for acquisition of equipment | 248,929      | –            |

## 26. OTHER COMMITMENTS

As at 31 March 2016, Rongzhong International Financial Leasing Co., Ltd., a subsidiary of the Company, has entered into various agreements to provide finance lease services to various independent parties, amongst which is a finance lease agreement with a contracted purchase price of approximately RMB85 million (equivalent to approximately HK\$101 million) with a lease term of thirty-six months with total future lease payments of approximately RMB99 million (equivalent to approximately HK\$118 million). Details are set out in the Company's announcement dated 17 March 2016.

## 27. RETIREMENT BENEFIT SCHEMES

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

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

Total cost recognised in profit or loss in respect of contributions paid or payable to the schemes by the Group for the year ended 31 March 2016 is HK\$665,770 (2015:HK\$252,297).

## 28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of bank borrowings as set out in note 21, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 29. FINANCIAL INSTRUMENTS

### Categories of financial instruments

|                                                             | 2016<br>HK\$         | 2015<br>HK\$  |
|-------------------------------------------------------------|----------------------|---------------|
| <b>Financial assets</b>                                     |                      |               |
| Finance lease receivable                                    | 1,755,216,319        | 1,938,188,634 |
| Loans and receivables (including cash and cash equivalents) | 240,042,939          | 122,483,436   |
|                                                             | <b>1,995,259,258</b> | 2,060,672,070 |
| <b>Financial liabilities</b>                                |                      |               |
| Deposits from finance lease customers                       | 282,826,903          | 421,647,687   |
| Amortised cost                                              | 843,319,977          | 1,011,460,199 |
|                                                             | <b>1,126,146,880</b> | 1,433,107,886 |

### Financial risk management objectives and policies

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

#### Market risk

##### Currency risk

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

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

|               | 2016<br>HK\$ | 2015<br>HK\$ |
|---------------|--------------|--------------|
| <b>Assets</b> |              |              |
| HK\$          | 60,970,255   | 6,702,559    |
| US\$          | 146,360      | 142,707      |

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

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

##### Currency risk (continued)

##### Sensitivity analysis

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

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

|                    | US\$ impact  |              | HK\$ impact  |              |
|--------------------|--------------|--------------|--------------|--------------|
|                    | 2016<br>HK\$ | 2015<br>HK\$ | 2016<br>HK\$ | 2015<br>HK\$ |
| Decrease in profit | (7,318)      | (7,135)      | (3,048,513)  | (335,128)    |

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

##### *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to cash flow interest rate risk in relation to variable-rate finance lease receivable, security deposits, short term bank deposits, bank balances and bank borrowings (see Notes 15, 17, 18, and 21 for details of these financial instruments respectively). The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risks.

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

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### *Market risk (continued)*

##### *Interest rate risk (continued)*

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

##### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate finance lease receivable and bank borrowings. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period are outstanding for the whole year, a 50 basis points increase or decrease each year represents management's assessment of the reasonably possible changes in interest rates.

If interest rates had been 50 basis points (2015: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2016 would increase/decrease by HK\$3,460,223 (2015: HK\$5,149,554). This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance lease receivable and bank borrowings. Management considers that the interest rate risk exposure to change in interest rate of bank balances and security deposits is not significant.

The tables below summarise the Group's exposure to interest rate risk of the Group's assets and liabilities, including finance lease receivable categorised by the earlier of contractual interest-rate repricing and maturity dates. The Group measures the exposure of its assets and liabilities to fluctuations in interest rates primarily by way of interest rate gap analysis which shows the Group's interest rate risk arising from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Market risk (continued)

#### Interest rate risk (continued)

Interest rate risk table – shown at earlier of contractual interest-rate repricing and maturity dates

|                                                                  | Within<br>1 month<br>HK\$ | 1 to 3<br>months<br>HK\$ | 4 to 12<br>months<br>HK\$ | 1 to 2<br>years<br>HK\$ | Over<br>2 years<br>HK\$ | Non-interest<br>bearing<br>HK\$ | Total<br>HK\$        |
|------------------------------------------------------------------|---------------------------|--------------------------|---------------------------|-------------------------|-------------------------|---------------------------------|----------------------|
| <b>2016</b>                                                      |                           |                          |                           |                         |                         |                                 |                      |
| <b>Assets</b>                                                    |                           |                          |                           |                         |                         |                                 |                      |
| Finance lease receivable                                         | 822,962,184               | 146,583,454              | 251,804,293               | 257,125,710             | 276,740,678             | -                               | 1,755,216,319        |
| Security deposits                                                | 6,672,052                 | -                        | -                         | -                       | -                       | -                               | 6,672,052            |
| Short term bank deposits                                         | 51,006,839                | -                        | -                         | -                       | -                       | -                               | 51,006,839           |
| Bank balances and cash                                           | 182,032,403               | -                        | -                         | -                       | -                       | -                               | 182,032,403          |
| Other receivables                                                | -                         | -                        | -                         | -                       | -                       | 331,645                         | 331,645              |
| <b>Total</b>                                                     | <b>1,062,673,478</b>      | <b>146,583,454</b>       | <b>251,804,293</b>        | <b>257,125,710</b>      | <b>276,740,678</b>      | <b>331,645</b>                  | <b>1,995,259,258</b> |
| <b>Liabilities</b>                                               |                           |                          |                           |                         |                         |                                 |                      |
| Other payables                                                   | -                         | -                        | -                         | -                       | -                       | 26,945,275                      | 26,945,275           |
| Bank borrowings                                                  | 155,952,381               | 8,656,250                | 188,827,083               | 357,835,417             | 105,103,571             | -                               | 816,374,702          |
| Deposits from finance<br>lease customers                         | 65,530,573                | 48,988,077               | 89,757,059                | 36,112,861              | 42,438,333              | -                               | 282,826,903          |
| <b>Total</b>                                                     | <b>221,482,954</b>        | <b>57,644,327</b>        | <b>278,584,142</b>        | <b>393,948,278</b>      | <b>147,541,904</b>      | <b>26,945,275</b>               | <b>1,126,146,880</b> |
| <b>Net position – total financial<br/>assets and liabilities</b> | <b>841,190,524</b>        | <b>88,939,127</b>        | <b>(26,779,849)</b>       | <b>(136,822,568)</b>    | <b>129,198,774</b>      | <b>(26,613,630)</b>             | <b>869,112,378</b>   |
| <b>2015</b>                                                      |                           |                          |                           |                         |                         |                                 |                      |
| <b>Assets</b>                                                    |                           |                          |                           |                         |                         |                                 |                      |
| Finance lease receivable                                         | 1,325,004,754             | 95,580,933               | 184,782,978               | 117,579,799             | 215,240,170             | -                               | 1,938,188,634        |
| Security deposits                                                | 23,764,827                | -                        | -                         | -                       | -                       | -                               | 23,764,827           |
| Short term bank deposits                                         | 6,019,840                 | -                        | -                         | -                       | -                       | -                               | 6,019,840            |
| Bank balances and cash                                           | 18,511,614                | -                        | -                         | -                       | -                       | -                               | 18,511,614           |
| Loan to a related company                                        | 73,297,468                | -                        | -                         | -                       | -                       | -                               | 73,297,468           |
| Other receivables                                                | -                         | -                        | -                         | -                       | -                       | 889,687                         | 889,687              |
| <b>Total</b>                                                     | <b>1,446,598,503</b>      | <b>95,580,933</b>        | <b>184,782,978</b>        | <b>117,579,799</b>      | <b>215,240,170</b>      | <b>889,687</b>                  | <b>2,060,672,070</b> |
| <b>Liabilities</b>                                               |                           |                          |                           |                         |                         |                                 |                      |
| Other payables                                                   | -                         | -                        | -                         | -                       | -                       | 2,705,062                       | 2,705,062            |
| Bank borrowings                                                  | 231,772,153               | 68,455,696               | 167,582,278               | 233,640,506             | 306,835,443             | -                               | 1,008,286,076        |
| Deposits from finance<br>lease customers                         | 93,764,051                | 19,070,599               | 156,112,037               | 129,809,692             | 22,891,308              | -                               | 421,647,687          |
| Amount due to a related company                                  | -                         | -                        | -                         | -                       | -                       | 469,061                         | 469,061              |
| <b>Total</b>                                                     | <b>325,536,204</b>        | <b>87,526,295</b>        | <b>323,694,315</b>        | <b>363,450,198</b>      | <b>329,726,751</b>      | <b>3,174,123</b>                | <b>1,433,107,886</b> |
| <b>Net position – total financial<br/>assets and liabilities</b> | <b>1,121,062,299</b>      | <b>8,054,638</b>         | <b>(138,911,337)</b>      | <b>(245,870,399)</b>    | <b>(114,486,581)</b>    | <b>(2,284,436)</b>              | <b>627,564,184</b>   |

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### *Credit risk*

As at 31 March 2016, the Group's maximum exposure to credit risk which may cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The Group's concentration of credit risk on finance lease receivable (the "Receivables") as at 31 March 2016 includes five major counterparties accounting for 34.2% (2015: 33.3%) of the Receivables. The Group has closely monitored the recoverability of the advances to these counterparties, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

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

#### *Liquidity risk*

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

##### Liquidity tables

|                             | Weighted<br>average<br>effective<br>interest rate<br>% | On demand<br>HK\$  | Within<br>1 month<br>HK\$ | 1 to 3<br>months<br>HK\$ | 4 to 12<br>months<br>HK\$ | 1 to 2<br>years<br>HK\$ | Over<br>2 years<br>HK\$ | Total<br>undiscounted<br>cash flows<br>HK\$ | Carrying<br>amount at<br>31 March 2016<br>HK\$ |
|-----------------------------|--------------------------------------------------------|--------------------|---------------------------|--------------------------|---------------------------|-------------------------|-------------------------|---------------------------------------------|------------------------------------------------|
|                             |                                                        |                    |                           |                          |                           |                         |                         |                                             |                                                |
| <b>As at March 31, 2016</b> |                                                        |                    |                           |                          |                           |                         |                         |                                             |                                                |
| <b>Assets</b>               |                                                        |                    |                           |                          |                           |                         |                         |                                             |                                                |
| Finance lease receivable    | 18.80                                                  | 347,566,784        | 100,980,364               | 252,014,067              | 572,651,426               | 495,763,805             | 240,902,344             | 2,009,878,790                               | 1,755,216,319                                  |
| Security deposits           | 0.35                                                   | -                  | 6,673,998                 | -                        | -                         | -                       | -                       | 6,673,998                                   | 6,672,052                                      |
| Short term bank deposits    | 0.01 to 0.35                                           | -                  | 51,014,490                | -                        | -                         | -                       | -                       | 51,014,490                                  | 51,006,839                                     |
| Bank balances and cash      | 0.01 to 0.35                                           | 182,032,403        | -                         | -                        | -                         | -                       | -                       | 182,032,403                                 | 182,032,403                                    |
| Other receivables           | -                                                      | 331,645            | -                         | -                        | -                         | -                       | -                       | 331,645                                     | 331,645                                        |
| <b>Total assets</b>         |                                                        | <b>529,930,832</b> | <b>158,668,852</b>        | <b>252,014,067</b>       | <b>572,651,426</b>        | <b>495,763,805</b>      | <b>240,902,344</b>      | <b>2,249,931,326</b>                        | <b>1,995,259,258</b>                           |

|                                          | Weighted<br>average<br>effective<br>interest rate<br>% | On demand<br>HK\$ | Within<br>1 month<br>HK\$ | 1 to 3<br>months<br>HK\$ | 4 to 12<br>months<br>HK\$ | 1 to 2<br>years<br>HK\$ | Over<br>2 years<br>HK\$ | Total<br>undiscounted<br>cash flows<br>HK\$ | Carrying<br>amount at<br>31 March 2016<br>HK\$ |
|------------------------------------------|--------------------------------------------------------|-------------------|---------------------------|--------------------------|---------------------------|-------------------------|-------------------------|---------------------------------------------|------------------------------------------------|
|                                          |                                                        |                   |                           |                          |                           |                         |                         |                                             |                                                |
| <b>As at March 31, 2016</b>              |                                                        |                   |                           |                          |                           |                         |                         |                                             |                                                |
| <b>Liabilities</b>                       |                                                        |                   |                           |                          |                           |                         |                         |                                             |                                                |
| Other payables                           | -                                                      | -                 | 26,945,275                | -                        | -                         | -                       | -                       | 26,945,275                                  | 26,945,275                                     |
| Bank borrowings                          | 6.32                                                   | -                 | 6,681,300                 | 17,231,068               | 376,705,816               | 378,339,540             | 109,378,724             | 888,336,448                                 | 816,374,702                                    |
| Deposits from finance<br>lease customers | 5.74                                                   | -                 | 65,573,571                | 49,404,762               | 93,283,404                | 39,464,286              | 48,809,524              | 296,535,547                                 | 282,826,903                                    |
| <b>Total liabilities</b>                 |                                                        | <b>-</b>          | <b>99,200,146</b>         | <b>66,635,830</b>        | <b>469,989,220</b>        | <b>417,803,826</b>      | <b>158,188,248</b>      | <b>1,211,817,270</b>                        | <b>1,126,146,880</b>                           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 29. FINANCIAL INSTRUMENTS (continued)

### Financial risk management objectives and policies (continued)

#### Liquidity risk (continued)

##### Liquidity tables (Continued)

|                             | Weighted<br>average<br>effective<br>interest rate<br>% | On demand<br>HK\$  | Within<br>1 month<br>HK\$ | 1 to 3<br>months<br>HK\$ | 4 to 12<br>months<br>HK\$ | 1 to 2<br>years<br>HK\$ | Over<br>2 years<br>HK\$ | Total<br>undiscounted<br>cash flows<br>HK\$ | Carrying<br>amount at<br>31 March 2015<br>HK\$ |
|-----------------------------|--------------------------------------------------------|--------------------|---------------------------|--------------------------|---------------------------|-------------------------|-------------------------|---------------------------------------------|------------------------------------------------|
| <b>As at March 31, 2015</b> |                                                        |                    |                           |                          |                           |                         |                         |                                             |                                                |
| <b>Assets</b>               |                                                        |                    |                           |                          |                           |                         |                         |                                             |                                                |
| Finance lease receivable    | 18.74                                                  | 384,327,541        | 104,525,577               | 196,950,845              | 813,695,192               | 457,391,666             | 215,452,588             | 2,172,343,409                               | 1,938,188,634                                  |
| Security deposits           | 0.35                                                   | -                  | 23,771,758                | -                        | -                         | -                       | -                       | 23,771,758                                  | 23,764,827                                     |
| Short term bank deposits    | 0.01 to 0.35                                           | -                  | 6,020,743                 | -                        | -                         | -                       | -                       | 6,020,743                                   | 6,019,840                                      |
| Bank balances and cash      | 0.01 to 0.35                                           | 18,511,614         | -                         | -                        | -                         | -                       | -                       | 18,511,614                                  | 18,511,614                                     |
| Loan to a related company   | 3.00                                                   | -                  | -                         | -                        | 74,396,930                | -                       | -                       | 74,396,930                                  | 73,297,468                                     |
| Other receivables           | -                                                      | 889,687            | -                         | -                        | -                         | -                       | -                       | 889,687                                     | 889,687                                        |
| <b>Total assets</b>         |                                                        | <b>403,728,842</b> | <b>134,318,078</b>        | <b>196,950,845</b>       | <b>888,092,122</b>        | <b>457,391,666</b>      | <b>215,452,588</b>      | <b>2,295,934,141</b>                        | <b>2,060,672,070</b>                           |

|                                          | Weighted<br>average<br>effective<br>interest rate<br>% | On demand<br>HK\$ | Within<br>1 month<br>HK\$ | 1 to 3<br>months<br>HK\$ | 4 to 12<br>months<br>HK\$ | 1 to 2<br>years<br>HK\$ | Over<br>2 years<br>HK\$ | Total<br>undiscounted<br>cash flows<br>HK\$ | Carrying<br>amount at<br>31 March 2015<br>HK\$ |
|------------------------------------------|--------------------------------------------------------|-------------------|---------------------------|--------------------------|---------------------------|-------------------------|-------------------------|---------------------------------------------|------------------------------------------------|
| <b>As at March 31, 2015</b>              |                                                        |                   |                           |                          |                           |                         |                         |                                             |                                                |
| <b>Liabilities</b>                       |                                                        |                   |                           |                          |                           |                         |                         |                                             |                                                |
| Other payables                           | -                                                      | -                 | 2,705,062                 | -                        | -                         | -                       | -                       | 2,705,062                                   | 2,705,062                                      |
| Bank borrowings                          | 6.82                                                   | -                 | 22,308,658                | 120,792,310              | 381,739,867               | 264,498,983             | 316,244,320             | 1,105,584,138                               | 1,008,286,076                                  |
| Deposits from finance<br>lease customers | 6.34                                                   | -                 | 93,843,578                | 19,348,101               | 163,075,063               | 142,877,291             | 26,392,405              | 445,536,438                                 | 421,647,687                                    |
| Amount due to<br>a related company       | -                                                      | 469,061           | -                         | -                        | -                         | -                       | -                       | 469,061                                     | 469,061                                        |
| <b>Total liabilities</b>                 |                                                        | <b>469,061</b>    | <b>118,857,298</b>        | <b>140,140,411</b>       | <b>544,814,930</b>        | <b>407,376,274</b>      | <b>342,636,725</b>      | <b>1,554,294,699</b>                        | <b>1,433,107,886</b>                           |

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

#### Fair value

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 30. RELATED PARTY TRANSACTIONS

### (a) Related parties balances

|                                  | 2016<br>HK\$ | 2015<br>HK\$ |
|----------------------------------|--------------|--------------|
| Loan to a related company*       | –            | 73,297,468   |
| Amount due to a related company* | –            | 469,061      |

### (b) Related party transactions

| Nature of transactions                           | 2016<br>HK\$ | 2015<br>HK\$ |
|--------------------------------------------------|--------------|--------------|
| Interest income received from a related company* | 3,288,118    | 5,568,377    |
| Guarantee fee paid to a related company*         | 3,647,851    | 4,345,270    |

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

### (c) Compensation of key management personnel

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

|                                         | 2016<br>HK\$     | 2015<br>HK\$     |
|-----------------------------------------|------------------|------------------|
| Salaries and other allowances           | 4,515,347        | 1,868,159        |
| Retirement benefit scheme contributions | 273,359          | 39,089           |
|                                         | <b>4,788,706</b> | <b>1,907,248</b> |

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



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 31. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2016 and 2015 are as follows:

| Name of subsidiaries                                     | Place of incorporation/<br>registration/operation | Paid up issued/<br>registered capital |                | Proportion<br>ownership interest<br>held by the Company |      | Principal activities                    |
|----------------------------------------------------------|---------------------------------------------------|---------------------------------------|----------------|---------------------------------------------------------|------|-----------------------------------------|
|                                                          |                                                   | 2016                                  | 2015           | 2016                                                    | 2015 |                                         |
| <i>Directly owned</i>                                    |                                                   |                                       |                |                                                         |      |                                         |
| Rongzhong Capital Holdings Limited                       | British Virgin Islands                            | US\$104,422                           | US\$104,422    | 100%                                                    | 100% | Investment holding                      |
| <i>Indirectly owned</i>                                  |                                                   |                                       |                |                                                         |      |                                         |
| Rongzhong International Finance Lease Holdings Limited   | Hong Kong                                         | HK\$1                                 | HK\$1          | 100%                                                    | 100% | Investment holding                      |
| Rongzhong International Financial Leasing Co.,Ltd (note) | PRC                                               | US\$63,000,000                        | US\$41,000,000 | 100%                                                    | 100% | Provision of financial leasing services |

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                                                     | 2016<br>HK\$       |
|---------------------------------------------------------------------|--------------------|
| <b>Non-current Assets</b>                                           |                    |
| Equipment                                                           | 16,771             |
| Interests in a subsidiary                                           | 482,140,604        |
|                                                                     | <b>482,157,375</b> |
| <b>Current Assets</b>                                               |                    |
| Prepayments and other receivables                                   | 79,373             |
| Short term bank deposits with original maturity within three months | 46,004,333         |
| Bank balances and cash                                              | 8,168,325          |
|                                                                     | <b>54,252,031</b>  |
| <b>Current liabilities</b>                                          |                    |
| Other payables and accrued charges                                  | 450,000            |
| Amount due to subsidiaries                                          | 7,610,265          |
|                                                                     | <b>8,060,265</b>   |
| <b>Net current assets</b>                                           | <b>46,191,766</b>  |
| <b>Total assets less current liabilities</b>                        | <b>528,349,141</b> |
| <b>Capital and Reserves</b>                                         |                    |
| Share capital                                                       | 4,125,090          |
| Reserves                                                            | 524,224,051        |
| <b>Total equity</b>                                                 | <b>528,349,141</b> |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

## 32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

### Movement in reserves

|                                                               | Share<br>premium<br>HK\$ | Translation<br>reserve<br>HK\$ | Accumulated<br>losses<br>HK\$ | Total<br>HK\$      |
|---------------------------------------------------------------|--------------------------|--------------------------------|-------------------------------|--------------------|
| At 5 June 2015 (date of incorporation)                        | –                        | –                              | –                             | –                  |
| Arising from reorganisation                                   | 332,252,288              | –                              | –                             | 332,252,288        |
| Issue of new shares                                           | 236,268,900              | –                              | –                             | 236,268,900        |
| Transaction costs attributable to<br>issue of new shares      | (12,704,018)             | –                              | –                             | (12,704,018)       |
| Issue of shares by capitalisation<br>of share premium account | (2,998,956)              | –                              | –                             | (2,998,956)        |
| Loss for the period                                           | –                        | –                              | (24,571,285)                  | (24,571,285)       |
| Exchange difference arising on translation                    | –                        | (4,022,878)                    | –                             | (4,022,878)        |
| At 31 March 2016                                              | <b>552,818,214</b>       | <b>(4,022,878)</b>             | <b>(24,571,285)</b>           | <b>524,224,051</b> |