China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03963

2019

Annual Report

Contents

Corporate Information

COMPANY NAME

China Rongzhong Financial Holdings Company Limited

STOCK CODE

03963

BOARD OF DIRECTORS

Executive Director

Ms. Wong Emilie Hoi Yan

Non-executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARY

Ms. Lui Mei Yan Winnie

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1306, 13/F, Tai Yau Building
No. 181 Johnston Road
Wan Chai
Hong Kong

COMPANY WEBSITE

www.chinarzfh.com

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISER

JTC Solicitors

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

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

RESULTS

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**70,784**	128,503	183,746	205,010	226,943
(Loss) profit before income tax	**(78,635)**	(335,453)	(236,609)	74,181	91,764
Income tax expense	**(12,775)**	(17,069)	(40,551)	(22,587)	(26,201)
(Loss) profit for the year	**(91,410)**	(352,522)	(277,160)	51,594	65,563
Other comprehensive (expense) income	**(14,086)**	45,411	(49,978)	(42,871)	–
Total comprehensive (expense) income for the year	**(105,496)**	(307,111)	(327,138)	8,723	65,563

ASSETS AND LIABILITIES

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,043,715**	1,245,029	1,505,163	2,018,212	2,082,113
Total liabilities	**(959,091)**	(1,036,480)	(989,503)	(1,175,414)	(1,472,727)
Total equity	**84,624**	208,549	515,660	842,798	609,386

Chairman Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of China Rongzhong Financial Holdings Company Limited (the "**Company**"), together with its subsidiaries (the "**Group**"), I hereby present the annual results of the Group for the year ended 31 March 2019 (the "**Reporting Period**") to the shareholders of the Company (the "**Shareholders**").

2018 was an extremely challenging and demanding year for the Group, besides the many unfavorable changes in the overall economy as a result of the stringent regulatory environment in the People's Republic of China ("**PRC**"); the Group had also undergone major internal restructuring; moreover the escalating trade friction from the US-China trade war presented further challenges. Nonetheless, we stayed focused, making continuous efforts to optimize our recoverability and strive to overcome hurdles which affect the Group indirectly. The Group had taken many proactive actions towards the recovery of its past due financial assets and the strengthening of its internal control. Although we have made some progress in the collection of past due financial assets and managed to clarify the uncertainties from our guarantors, our performance has continued to be affected by the volatile economy.

Looking forward in 2019, outlook for the macro economy remains highly unstable which may lead to further deterioration in asset quality and higher liquidity risk exposure. In spite of the many proactive measures already taken and implemented, the Group remains committed to place strong emphasis on the recovery of past due financial assets and the continue enhancement of credit risk prevention with utmost priority. The Group is prepared to continuously improve its internal management structures in order to enhance the succession of its future development. In addition, the Group aim to seek potential growth opportunities and adjust its development strategies where necessary in order to respond to the volatile economy with a proactive and positive attitude.

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 staff of the Group for their continued support and encouragement.

Chen Shuai
Chairman of the Board

Hong Kong, 25 June 2019

BOARD OF DIRECTORS

Executive Director

Ms. WONG Emilie Hoi Yan ("**Ms. Emilie Wong**"), aged 43, was appointed as an executive Director ("**Executive Director**") on 3 July 2018, she was appointed as the chief executive officer of the Company ("**Chief Executive Officer**") on 12 July 2018. Ms. Emilie Wong is responsible for the implementation of the Group's development strategies as set out by the board, in addition, the management of daily operations of the Company. Ms. Emilie Wong obtained a Bachelor's degree in Science from State University of New York at Buffalo in 1999, she has over 15 years of experience in financial reporting and internal control matters in finance and finance leasing industry. Ms. Emilie Wong joined the Group in 2007 and was appointed as the deputy financial controller of the Company in 2016. She is also a director of various subsidiaries of the Company.

Ms. Emilie Wong is also a director of certain subsidiaries of Rongzhong Group Limited ("**Rongzhong Group**"); Legend Crown International Limited ("**Legend Crown**"); Plenty Boom Investments Limited ("**Plenty Boom**"); and Yancheng Goldbond Technology Small Loan Company Limited.

Ms. Emilie Wong is a cousin of Ms. Wong Jacqueline Yue Yee, a non-executive Director ("**Non-executive Director**") and a controlling shareholder of the Company ("**Controlling Shareholder**"). Ms. Emilie Wong is a niece of Mr. Wong Yu-Lung Charles and Mrs. Wong Fang Pik Chun, each a Controlling Shareholder. She is also a cousin of Ms. Wong, Michelle Yatyee ("**Ms. Michelle Wong**"), a Controlling Shareholder of the Company.

Ms. Emilie Wong was not interested in any underlying shares of the Company ("**Shares**") within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "**SFO**"). Save as disclosed in this annual report, Ms. Emilie Wong does not have any relationship with any other Directors, senior management, Controlling Shareholders or substantial shareholders.

Non-executive Directors

Mr. CHEN Shuai ("**Mr. Chen**"), aged 45, was appointed as a Non-executive Director on 9 July 2018, he was further appointed as the chairman ("**Chairman**") of the Board on 12 July 2018. Mr. Chen is responsible for the Group's development, strategic planning and positioning and provide leadership for the Board.

Mr. Chen has extensive experience in investment management, supplier management and retail business. He joined a management company of Hony Capital being a series of private equity investment funds, together with their respective management companies/general partners (collectively "**Hony Capital**"), in 2003 and has served as a managing director of Hony Capital since 2011. Hony Capital Fund 2008, L.P. being one of the investment funds within Hony Capital, wholly-owns Silver Creation Investments Limited, a substantial shareholder of the Company ("**Substantial Shareholder**"). Mr. Chen is also a director of various subsidiaries of the Company. Mr. Chen holds a Master of Business Administration degree from the China Europe International Business School. He was awarded a bachelor's degree in economics from Beijing Forestry University.

Currently, Mr. Chen is a director of Hony Capital, Shanghai Chengtou Holdings Co., Ltd. (a company listed on the Shanghai Stock Exchange; stock code: 600649) and Shanghai Environment Group Co., Ltd. (a company listed on the Shanghai Stock Exchange; stock code: 601200) and Vice Chairman of Century Ginwa Retail Holdings Limited (a company listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"); stock code: 0162). Mr. Chen is also a director of Rongzhong Group and certain of its subsidiaries, Rongzhong Capital Investments Group Limited and certain of its subsidiaries.

Mr. Chen was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Chen does not have any relationship with any other Directors, senior management, Controlling Shareholders or Substantial Shareholders.

Ms. WONG Jacqueline Yue Yee ("**Ms. Jacqueline Wong**"), aged 33, was appointed as a Non-executive Director on 23 June 2015 and is primarily responsible for advising on strategic development and corporate governance of our Group. Ms. Jacqueline Wong graduated from the University of Southern California in May 2007 with a bachelor of arts degree in political science. Since 2014, Ms. Jacqueline 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. Jacqueline Wong is the founder of a discretionary trust which holds the entire issued share capital of Legend Crown and Plenty Boom which have interest in the Shares. Ms. Jacqueline Wong is also the beneficiary of a trust. Ms. Jacqueline Wong was taken to be interested in a total of 202,543,525 underlying Shares within the meaning of Part XV of the SFO as of the date of this report.

Ms. Jacqueline Wong is a daughter of Mr. Wong Charles Yu Lung and Mrs. Wong Fang Pik Chun, each a Controlling Shareholder. She is a sister of Ms. Michelle Wong, a Controlling Shareholder of the Company. She is a cousin of Ms. Emilie Wong, an Executive Director and the Chief Executive Officer of the Company. Save as disclosed in this annual report, Ms. Jacqueline Wong does not have any relationship with any other Directors, senior management, Controlling Shareholders or Substantial Shareholders of the Company.

Independent Non-executive Directors

Mr. DUAN Changfeng ("**Mr. Duan**"), aged 67, was appointed as an independent non-executive Director ("**Independent Non-executive Director" or "INED**") on 18 December 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Mr. Duan has over 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 was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Duan does not have any relationship with any other Directors, senior management, Controlling Shareholders or Substantial Shareholders.

Mr. YU Yang ("**Mr. Yu**"), aged 43, was appointed as an INED on 30 August 2018, and is primarily responsible for supervising and providing independent judgement to the Board. Mr. Yu has extensive experience in initial public offerings, project refinancing and asset restructuring. Mr. Yu graduated from Jilin University in July 1995 with a bachelor degree in technical economics. In July 2004, he graduated from Nankai University with a master degree in financial management. He was registered as a certified public accountant in August 2008. Since August 2004 to June 2005, he served as the finance manager in CCID Group where he was in charge of the finance department of CCID Consulting Company Limited (a company listed on the GEM of the Stock Exchange; stock code: 08235). From July 2005 to August 2012, he worked for Beijing Zhongyongxin Certified Public Accountants Co., Ltd.（北京中永信會計師事務所有限公司）, where he served as an audit assistant and a project manager. From August 2012 to June 2015, he worked for Beijing Zhongdeheng Certified Public Accountants Co., Ltd（北京中德恒會計師事務所有限公司）as a project manager. From June 2015 to October 2016, he worked for Xinghua Certified Public Accountants (Special General Partnership) as a project manager.

Mr. Yu joined Zhongxinghua Certified Public Accountant LLP and served as a partner since 2016 and he is currently serving as the leading partner of regional business division number nine.

Mr. Yu was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Mr. Yu does not have any relationship with any other Directors, senior management, Controlling Shareholders or Substantial Shareholders.

Ms. ZOU Lin ("**Ms. Zou**"), aged 55, was appointed as an INED on 18 December 2015 and is primarily responsible for supervising and providing independent judgment to the Board. Ms. Zou is a qualified lawyer in PRC. 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.

Ms. Zou has been working in Hubei Pengzhan Law Office as a lawyer since September 2000. Ms. Zou was not interested in any underlying Shares within the meaning of Part XV of the SFO. Save as disclosed in this annual report, Ms. Zou does not have any relationship with any other Directors, senior management, Controlling Shareholders or Substantial Shareholders.

The Board is pleased to present the Corporate Governance Report of the Company for the year ended 31 March 2019.

Corporate Governance Practice

The Group is committed to promote good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("**Listing Rules**"). During the Reporting Period, except as disclosed in this report, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code except for the following:

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

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

BOARD OF DIRECTORS

Board Composition

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

Executive Directors

Ms. Wong Emilie Hoi Yan (appointed on 3 July 2018, subsequently appointed as Chief Executive Officer on 12 July 2018)
Mr. Xie Xiaoqing (removed on 3 July 2018)
Mr. Yao Feng (removed on 3 July 2018)

Non-executive Directors

Mr. Chen Shuai (appointed on 9 July 2018, subsequently appointed as Chairman on 12 July 2018)
Ms. Li Yu Lian Kelly (resigned on 8 October 2018)
Mr. Sun Changyu (resigned on 9 July 2018)
Ms. Wong Jacqueline Yue Yee

Independent Non-executive Directors

Mr. Duan Changfeng
Mr. Nie Yong (retired on 29 August 2018)
Mr. Yu Yang (appointed on 30 August 2018)
Ms. Zou Lin

Responsibilities of the Board

The Board is responsible for setting the Company's corporate strategies, supervising and monitoring its implementation, review of the overall operations and financial performance of the Group, and making decisions in major aspects of the Company's matters including but not limited to the approval and adoption of key policies, material transactions, business plans, annual budgets, internal control, risk management, annual and interim results.

The Board is entrusted with the overall responsibility of monitoring the Company's business and affairs and ultimately responsible for the management of the Company which is delegated to the chairman of the Board, the Chief Executive Officer and the senior managements (the "**Senior Management**") of the Company. The roles of the Chairman and the Chief Executive Officer are separated.

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

The Board received from each of the INEDs a written annual confirmation of his/her independence in compliance 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/her independence. The Company is of the view that all INEDs meet the independence guidelines as set out in Rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines.

The biographical information of the Directors and the relationships among the Directors are set out in the section headed "Biographies of Directors" on pages 5 to 7 of this annual report.

Non-executive Directors

Each of the Non-executive Directors is appointed for a specific term which may be extended as each of the Non-executive Directors and the Company may agree, unless previously terminated in accordance with the terms and conditions of the relevant letter of appointment or director's service contract.

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

Board Meetings and Attendance

In accordance with Appendix 14 to 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 active participation from majority of the Directors, either in person or through other electronic means of communication.

During the Reporting Period, the Company held one extraordinary general meeting ("**EGM**").

During the Reporting Period, the Board held eight regular Board meetings and one annual general meeting ("**AGM**").

During the Reporting Period, the record of each Director attended/being eligible to attend, at the Board meetings, general meetings and committee meetings are set out below:

Directors	Regular Board Meeting	AGM	EGM	Nomination Committee	Remuneration Committee	Audit Committee	Risk Management Committee
Executive Directors							
Ms. Wong Emilie Hoi Yan (appointed on 3 July 2018)	3/3	1/1	N/A	2/2	N/A	N/A	1/1
Mr. Xie Xiaoqing (removed on 3 July 2018)	5/5	N/A	0/1	N/A	N/A	N/A	N/A
Mr. Yao Feng (removed on 3 July 2018)	5/5	N/A	1/1	N/A	N/A	N/A	N/A
Non-executive Directors							
Mr. Chen Shuai (appointed on 9 July 2018)	3/3	1/1	N/A	1/1	2/2	1/1	N/A
Ms. Li Yu Lian Kelly (resigned on 8 October 2018)	5/6	1/1	1/1	N/A	N/A	N/A	N/A
Mr. Sun Changyu (resigned on 9 July 2018)	5/5	N/A	0/1	N/A	N/A	1/1	N/A
Ms. Wong Jacqueline Yue Yee	8/8	1/1	1/1	N/A	N/A	N/A	N/A
Independent Non-executive Directors ("INEDs")							
Mr. Duan Changfeng	7/8	1/1	0/1	2/2	3/3	2/2	1/1
Mr. Nie Yong (retired on 29 August 2018)	5/5	1/1	0/1	1/1	1/1	1/1	N/A
Mr. Yu Yang (appointed on 30 August 2018)	2/2	N/A	N/A	N/A	1/1	1/1	1/1
Ms. Zou Lin	8/8	1/1	0/1	2/2	3/3	2/2	1/1

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

Apart from regular Board meetings, the Chairman also held meeting with the INEDs without the presence of other Directors during the Reporting Period.

Induction and Continuous Professional Development

The Company encourages all Directors to participate in continuous professional development to further enhance and refresh their knowledge and skills, as well as to receive updates on developments in corporate governance practices. In addition, every newly appointed Director is provided with a package comprising the induction materials such as the duties and responsibilities of directors under the Listing Rules and Chapter 622 of the Laws of Hong Kong ("**Hong Kong Companies Ordinance**"), guidelines for directors issued by the Companies Registry of Hong Kong, legal and other new regulatory requirements and the governance policies of the Company. During the Reporting Period, three Directors, namely Ms. Wong Emilie Hoi Yan, Mr. Chen Shuai and Mr. Yu Yang were appointed and the Company has arranged induction briefings given by external legal counsel to the new Directors.

The Directors received the following training for the year ended 31 March 2019 (based on the records provided by the Directors):

Directors	Reading materials/ regulatory updates/ management monthly updates	Attending seminars
Executive Director		
Ms. Wong Emilie Hoi Yan	✓	✓
Non-executive Directors		
Mr. Chen Shuai	✓	✓
Ms. Wong Jacqueline Yue Yee	✓	✓
Independent Non-executive Directors		
Mr. Duan Changfeng	✓	✓
Mr. Yu Yang	✓	✓
Ms. Zou Lin	✓	✓

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

Directors' and officers' Insurance

The Directors and officers 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 of Directors is determined by the Board based on the recommendation of the Remuneration Committee (as defined herein) of the Company with reference to their respective duties and responsibilities within the Group and the benchmarks from similar position and prevailing market conditions.

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 March 2019 is set out below:

Name of Directors	Directors' Fee HK$'000	Retirement benefit scheme contributions HK$'000	Other emoluments mainly salaries and other benefits HK$'000	Total HK$'000
For the year ended 31 March 2019				
Executive Directors:				
Ms. Wong Emilie Hoi Yan (Note i)	–	13	844	857
Mr. Xie Xiaoqing (Note ii)	–	13	275	288
Mr. Yao Feng (Note iii)	–	7	159	166
Non-executive Directors:				
Mr. Chen Shuai (Note iv)	175	–	–	175
Ms. Li Yu Lian Kelly (Note v)	125	–	–	125
Mr. Sun Changyu (Note vi)	65	–	–	65
Ms. Wong Jacqueline Yue Yee	240	–	–	240
Independent Non-executive Directors:				
Mr. Duan Changfeng	240	–	–	240
Mr. Nie Yong (Note vii)	99	–	–	99
Mr. Yu Yang (Note viii)	141	–	–	141
Ms. Zou Lin	240	–	–	240
	1,325	33	1,278	2,636

Notes:

(i) Ms. Wong Emilie Hoi Yan was appointed as an Executive Director on 3 July 2018, she was appointed as Chief Executive Officer on 12 July 2018, her emoluments disclosed above include those for services rendered by her as the Chief Executive Officer.

(ii) Mr. Xie Xiaoqing was removed as an Executive Director with effect from 3 July 2018, his emoluments disclosed above include those for services rendered by him during his appointment.

(iii) Mr. Yao Feng was removed as an Executive Director with effect from 3 July 2018, his emoluments disclosed above include those for services rendered by him during his appointment.

(iv) Mr. Chen Shuai was appointed as a Non-executive Director on 9 July 2018, his emoluments disclosed above include those for services rendered by him as a Non-executive Director.

(v) Ms. Li Yu Lian Kelly resigned as a Non-executive Director with effect from 8 October 2018, her emoluments disclosed above include those for services rendered by her during her appointment.

(vi) Mr. Sun Changyu resigned as a Non-executive Director with effect from 9 July 2018, his emoluments disclosed above include those for services rendered by him during his appointment.

(vii) Mr. Nie Yong retired as an Independent Non-executive Director with effect from 29 August 2018, his emoluments disclosed above include those for services rendered by him during his appointment.

(viii) Mr. Yu Yang was appointed as an Independent Non-executive Director on 30 August 2018, his emoluments disclosed above include those for services rendered by him as an Independent Non-executive Director.

Board Diversity Policy

On 18 December 2015, the Company adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board in order to enhance quality of its performance. On 2 May 2019, the Company has adopted a series of terms of reference for Board committees in compliance with the regulations contained in the Companies Law of the Cayman Islands, the Listing Rules and the Articles. The Company recognizes and embraces the benefits of having a diversify Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. Pursuant to the Board Diversity Policy, the Nomination Committee (as defined herein) will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In reviewing and assessing the Board composition, its diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, professional qualifications, skills, knowledge, industry and regional experience. The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered. The Board may adopt and/or amend from time to time as applicable such perspectives that are appropriate to the Company's business and the Board succession planning as applicable.

BOARD COMMITTEES

The Company established four Board committees on 18 December 2015, namely 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 on 18 December 2015. On 2 May 2019, the Company has adopted a terms of reference of the Audit Committee in compliance with the regulations contained in the Companies Law of the Cayman Islands, the Listing Rules and the Articles. The primary duties of the Audit Committee during the year included but not limited to review the Group's financial information, oversee the Group's financial reporting system and internal control procedures, risk management system and maintain relationship with the Group's external auditor and provide recommendations to the Board. As at the date of this report, the Audit Committee consisted of one Non-executive Director: Mr. Chen Shuai, and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang, and Ms. Zou Lin. The chairman of the Audit Committee was Mr. Yu Yang.

During the Reporting Period, two meetings of the Audit Committee, the management of the Company and the external auditor of the Company were held to review the accounting principles and policies adopted by the Group, the financial reporting matters and the audited results of the Group for the Reporting Period and proposed adoption of the same by the Directors. The attendance records are set out under the section headed "Board Meetings and Attendance" of this report.

Nomination Committee

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

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed Independent Non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

As at the date of this report, the Nomination Committee consisted of one Executive Director: Ms. Wong Emilie Hoi Yan, one Non-executive Director: Mr. Chen Shuai, and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang and Ms. Zou Lin. The chairman of the Nomination Committee was Mr. Chen Shuai.

During the Reporting Period, two meetings of the Nomination Committee were held among other matters, to make recommendations to the Board on the appointment of a Non-executive Director and an INED; and to review the structure, size and composition of the Board. The attendance records are set out under the section headed "Board Meetings and Attendance" of this report.

Remuneration Committee

The Remuneration Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with the Listing Rules and the CG Code. The primary duties of the Remuneration Committee during the year included but are not limited to regular monitoring of the remuneration of all the Directors and the Senior Management to ensure that the levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consisted of one Non-executive Director: Mr. Chen Shuai and three INEDs: Mr. Duan Changfeng, Mr. Yu Yang, and Ms. Zou Lin. The chairman of the Remuneration Committee was Mr. Duan Changfeng.

During the Reporting Period, three meetings of the Remuneration Committee were held to review the remuneration packages of the Board and the Senior Management. The attendance records are set out under the section headed "Board Meetings and Attendance" of this report.

Risk Management Committee

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

During the Reporting Period, one meeting of the Risk Management Committee was held which among other matters, to review and make recommendation to the Board regarding a proposed finance lease arrangement. The attendance records are set out under the section headed "Board Meetings and Attendance" in this report.

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the year, the Board had reviewed once the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and written employee guidelines of the Company, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

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

The remuneration paid/payable to BDO in respect of audit and non-audit services for the year ended 31 March 2019 is set out below:

Nature of services provided by BDO	**Amount of Fees** HK$'000 approximately
Audit fee for final results	1,030
Fee for review of interim results	520
Total	1,550

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group. The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report of this annual report on pages 50 to 53.

The Directors are aware of material uncertainty related to going concern in note 2.1 in the consolidated financial statements, which indicates that (a) the Group recorded a net loss attributable to owners of the Company of HK$91,410,000 for the year ended 31 March 2019; (b) the majority of the Group's finance lease receivables were past due as at 31 March 2019 and the Group has experience a significant slow-down in the collection of these receivables and an aggregated impairment of HK$899,192,000 has been recognized in respect of receivables as at 31 March 2019; and (c) the Group is committed to repay bank borrowings of HK$160,855,000 within one year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain an effective risk management and internal control system in order to safeguard the Group's assets and investments and the Shareholders' interest. The Board reviews the effectiveness of the Group's risk management and internal control system at least once a year. During the Reporting Period, the Company engaged an external independent internal audit service provider to review the effectiveness of the Group's internal control system on financial reporting, operation and compliance. The review plan was presented to the Audit Committee and the Board, with strengths and recommendations for improvements. No significant risk and control deficiency was identified.

The relevant assessment and review reports have been considered by the Audit Committee and the Board for assessing the effectiveness of the risk management and internal control systems. The Audit Committee has also reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions performed by the external independent internal audit service provider. The Board, through the reviews made by the external independent internal audit service provider and the recommendations of the Audit Committee, concluded that the risk management and internal control systems are effective and adequate for the Group.

COMPANY SECRETARY

Ms. Wong Tak Yee resigned as the company secretary of the Company on 17 June 2019. Following her resignation, Ms. Lui Mei Yan Winnie was appointed as the company secretary of the Company. Ms. Lui is currently a director of the Corporate Service Division of Tricor Services Limited, which is a global professional services provider specializing in integrated business, corporate and investor services. She is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Lui holds a Bachelor's degree in Business Administration and a Master's degree in Business Administration. Ms. Lui had complied with Rule 3.29 of the Listing Rules to take no less than 15 hours of relevant professional training during the Reporting Period.

CONSTITUTIONAL DOCUMENTS

During the Reporting Period, the Company had not made any changes to its memorandum and Articles of Association.

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 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. The Company encourages 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 auditor will attend the annual general meeting to answer any questions from Shareholders.

SHAREHOLDERS' RIGHTS

– **Procedures for Shareholders to convene EGMs**

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, to require an EGM to be called by the Board for the transaction of any business specified in such requisition (the "**Requisition**").

The Requisition shall be made in writing by post to the Company's principal place of business in Hong Kong at Room 1306, 13/F, Tai Yau Building, No. 181 Johnston Road, Wan Chai, Hong Kong for the attention of the Board of Directors.

Pursuant to Article 64 of the Articles, the Board is required to hold the EGM 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 Services Limited ("**Tricor**"), the Company's Hong Kong branch share registrar. Contact details of Tricor are set out below:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong*
Email: is-enquiries@hk.tricorglobal.com
Telephone: +852 2980 1333
Fax: +852 2810 8185

* with effect from 11 July 2019

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

Address: Room 1306, 13/F, Tai Yau Building, No. 181 Johnston Road, Wan Chai, Hong Kong
Email: info@chinarzfh.com
Telephone: +852 2899 2682
Fax: +852 2899 2029
Attention: Board of Directors

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

As a channel to promote effective communication, the Group maintains a website at www.chinarzfh.com where information about the Company's announcements, financial 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 the Articles will commence no earlier than the day after the dispatch 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.

The Group is principally engaged in the provision of financial leasing services in Hubei Province, the People Republic of China ("**PRC**") with the longest operating history amongst the Hubei-based finance lease companies. The Group mainly offers two categories of financial leasing services to our customers; namely: (i) sales and leaseback; and (ii) direct financial leasing. In addition, value-added services such as advisory and consultancy services are also offered to our finance lease customers. Consistent with past years, the Group values the importance of sustainable development and is committed to responsible operation and value creation for stakeholders and community by integrating environmental and social factors into its management considerations. Sustainability strategy is based on the compliance of the legal requirements applicable to us and opinions from stakeholders and is crucial for the Group's growth in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group has established and implemented various policies to manage and monitor the risks related to environment, employment, operating practices and community. Details of the management approaches to sustainable development and performance of different areas are illustrated in this Environmental, Social and Governance ("**ESG**") report.

ABOUT THIS ESG REPORT

China Rongzhong Financial Holdings Company Limited (the "**Company**" together with its subsidiaries as the "**Group**") is pleased to present our annual ESG report for year ended 31 March 2019 to provide an overview of our commitment in achieving ESG goals through our sustainability pillars and information on the policies, practices implemented and performance.

Preparation Basis and Scope

This ESG report is prepared in accordance with ESG Reporting Guide set out by Appendix 27 of the Main Board Listing Rules and has complied with the "comply or explain" provisions. It summarizes the Group's initiatives and performance in respect of corporate social responsibility during the Reporting Period, covering the Group's core businesses – provision of financial leasing services in the PRC. Certain key performance indicators ("**KPIs**"), which is considered as material by the Group during the Reporting Period (as defined herein), are disclosed in the ESG report. The Group will continue to optimize and improve the disclosure of KPIs. This ESG report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Reporting Period

This ESG report demonstrates our sustainability initiatives and performance during the Reporting Period from 1 April 2018 to 31 March 2019 (the "**Reporting Period**").

Contact Information

The Group welcomes your feedback on this ESG report for our sustainability initiatives. Please contact us by email to info@chinarzfh.com.

STAKEHOLDERS ENGAGEMENT

Consistent with past years, stakeholders engagement is essential to the formulation of strategies for sustainable development. It allows the Group to understand risks and opportunities. The Group has identified key stakeholders that are important to our business and established various channels for communication.

Stakeholder	Expectation	Engagement channel
Government	– To comply with the laws – Proper tax payment – Promote regional economic development and employment	– On-site inspections and checks – Research and discussion through work conferences, work reports preparation and submission for approval – Published information on HKEXnews website, such as annual, interim reports and announcements – Company's website
Shareholders and Investors	– Low risk – Return on the investment – Information disclosure and transparency – Protection of interests and fair treatment of shareholders	– Annual general meeting and other shareholder meetings – Published information on HKEXnews website, such as annual, interim reports and announcements – Meeting with investors and analysts
Employees	– Safeguard the rights and interests of employees – Working environment – Career development opportunities – Self-actualization – Health and safety	– Conference – Trainings, seminars, briefing sessions – Cultural and sport activities – Newsletters – Intranet and emails
Customers	– Safe and high-quality products – Stable relationship – Information transparency – Integrity – Business ethics	– Website, brochures and published information on HKEXnews website, such as annual, interim reports and announcements – Email and customer service hotline – Feedback forms – Regular meeting
Suppliers/Partners	– Long-term partnership – Honest cooperation – Fair, open – Information resources sharing – Risk reduction	– Business meetings, supplier conferences, phone calls, interviews – Regular meeting – Review and assessment – Tendering process
Peer/Industry Associations	– Experience sharing – Cooperations – Fair competition	– Industry conference – Site visit
Financial Institution	– Compliance with the laws and regulations – Information disclosure	– Consulting – Publication of reports
Public and communities	– Community involvement – Social responsibilities	– Volunteering – Charity and social investment

Key measures to response to the corresponding stakeholders are as follows:

1. **Government**

   The Group has operated, and managed according to laws and regulations, strengthened safety management, cooperating the government's supervision, inspection and evaluation (if any), and actively undertook social responsibilities.

2. **Shareholders and Investor**

   The Group has issued notices of general meeting and proposed resolutions according to regulations, disclosed the Group's information by publishing announcements/circulars and periodic reports. The Group has carried out different forms of investor activities with an aim to improve investors' recognition, such as results briefing. The Group also disclosed its contact details on website and in reports and ensured all communication channels available and effective.

3. **Employees**

   The Group has provided a healthy and safe working environment, developed a fair mechanism for promotion, provided communication platforms for employees and organized employee activities.

4. **Customers**

   The Group has developed customer feedback system in order to evaluate the service provided.

5. **Suppliers/Partners**

   The Group has invited tenders publicly to select the best suppliers and contractors, performed contracts according to agreements, enhanced daily communication, and established long-term cooperation with quality suppliers and contractors.

6. **Peer/Industry Association**

   The Group has stuck to fair play, cooperated with peers to realize win-win, shared experiences and attended about a dozen of seminars of the industry so as to promote sustainable development of the industry.

7. **Financial Institution**

   The Group has complied with regulatory requirements in a strict manner, disclosed and reported true information in a timely and accurate manner according to law.

8. **Public and communities**

   The Group has given priority to local people seeking jobs from the Group so as to promote community building and development and maintained communication channels open between the Group and the communities.

ENVIRONMENTAL ASPECTS

Emissions

The Group is committed to the continuous improvement for our environmental sustainability, we strive to achieve our responsibility to reduce the impact of our operations and minimize the consumption of resources and material during the course of our business.

The Group provides services which mainly involves operations within office premises. The Group's "Environmental Office Practices" encompasses our general approach towards controlling environmental impacts of office activities. The Group's most significant environmental impacts are greenhouse gas ("**GHG**") emissions from the electricity consumption in our offices. The Group's businesses are mostly carried out locally in offices in the PRC and Hong Kong. In line with our policy to minimize emissions, the Group has implemented energy saving practices which are mentioned in the section of "Use of Resources" in order to reduce the GHG emissions. Moreover, offices are equipped with audio conferencing facilities to minimize the need for face to face meetings, keeping business travelling to a minimum and currently only a small percentage of employees travel for business. There are no relevant laws and regulations applicable to our business on this aspect. During the Reporting Period, the Group is not aware of any material violation in all applicable environmental laws and regulations.

During the Reporting Period, the GHG emission from the operation is set out below:

GHG Emission

Type of GHG emissions	2019 Equivalent CO2 emission (tonnes)	2018 Equivalent CO2 emission (tonnes)
Scope 1 Direct emissions	**N/A**	N/A
Scope 2 Indirect emission	**59.57**	58.59
Total	**59.57**	58.59
Intensity	**2.13 tonnes/employee**	2.09 tonnes/employee

Note:

The calculation of the greenhouse gas is based on the "Corporate Accounting and Reporting Standard" from greenhouse gas protocol.

Scope 1: Direct emission from the vehicles that is owned by the Group

Scope 2: Indirect emissions from the generation of purchased electricity consumed by the Group

Use of Resources

The Group places high priority on the efficient use of resources. As stipulated in the Group's "Environmental Office Practice", the Group strives to improve the efficient use of natural resources, such as minimize waste streams and emissions and implement effective recycling program. Practical measures are implemented as follows:

Paper Saving

We encourage the employee to use both sides of paper and use suitable font size/shrinkage mode to minimise pages, if possible. Besides, electronic media is recommended for circulation/communication, to minimize using paper.

During the Reporting Period, the total amount of paper consumed in offices is 0.18 tonnes (2018: 0.19 tonnes).

Electricity Conservation

Electrical appliances should be set as energy saving mode where possible. For computers, the idle automatically mode is 20 minutes or less. The room temperature should be set in a range from 20°C to 26°C. Also, power supply should be switched off when they are not in use.

Energy consumption by the Group during the Reporting Period is set out below:

Energy Consumption

Type of energy	**2019 Energy consumed (kWh)**	2018 Energy consumed (kWh)
Purchased electricity	**83,458**	81,964
Energy intensity	**2,980.64 kWh/employee**	2,927.29 kWh/employee

Green Pantry

Employee are encouraged to use reusable cutleries, cups and glasses and environmental friendly cleaning products (e.g. biodegradable or phosphate free detergent, refillable soap, etc.). The Group did not encounter any problems in sourcing water that is fit for purpose. Water rate charges do not form a separate item in the rent, yet the Group encourages staff to reduce water wastage, for example, by not running water taps while cleaning their lunch boxes in the pantry.

Materials Re-use and Stationery Conservation

Non-hazardous waste, which is mainly office waste, is handled by the property management company, which charges for its services. Waste papers are used as fillers for packing and/or reduce using fillers, if possible. Employee should handle and store materials carefully to reduce breakage and wastage. Boxes/fillers/other materials are reused for packaging/storage/delivery. Environmental friendly stationery is suggested to use. Cord binder, envelopes and other materials or stationery should be reused until worn out.

During the Reporting Period, the group generated/consumed no significant air emissions, discharge into water and land, hazardous waste, non-hazardous waste, water and packaging materials due to its business nature.

The Environment and Natural Resources

According to the Group's "Environmental Policy", the Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst our customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in sections "Emissions" and "Use of Resources", the Group strives to minimize the impacts to the environment and natural resources.

SOCIAL ASPECTS

Employment and Labour Practice

Employment

Being in the financial services industry, our employees are our most valuable asset that drives the long-term development and sustainability of the Group. The Group has established and implemented a set of human resources management policies and procedures in place with the aim to provide ideal working environment to its staff in order to comply with local employment laws and regulations, such as Employment Ordinance in Hong Kong and Labour Law of the PRC. The Group's Staff Handbook sets out the Group's standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The remuneration management aims to attract potential employees and motivate current staff. Employees receive social welfare benefits and other benefits. All employees are treated equally and their employment, remuneration and promotion opportunities will not be affected by their nationality, race, age, religion and marital status.

We provide competitive and attractive remuneration package to reward and retain our employees. The package includes basic salary, allowance, Mandatory Provident Fund (MPF) and required social security benefits to variable incentive-based remuneration such as discretionary bonus.

During the Reporting Period, no non-compliance regarding employment brought against the Group or its employees were noted.

Below is a detailed breakdown of our employees by gender and age group as at 31 March 2019 and 31 March 2018:

	2019		2018	
	Number of staff	**% of total**	Number of staff	% of total
By gender				
Male	**16**	**59**	16	57
Female	**11**	**41**	12	43
Total	**27**	**100**	28	100
By age group				
30 or below	**3**	**11**	2	7
31-40	**13**	**48**	10	36
41-50	**7**	**26**	11	39
51 or above	**4**	**15**	5	18
Total	**27**	**100**	28	100

Below is a detailed breakdown of our employees turnover rate by gender and age group as at 31 March 2019 and 31 March 2018:

	2019	2018
Turnover rate by gender		
Male	**44%**	38%
Female	**45%**	33%
Turnover rate by age group		
30 or below	**67%**	Nil
31-40	**31%**	90%
41-50	**71%**	9%
51 or above	**25%**	Nil

Health and Safety

In the daily operation of the Group, there is no significant operational hazards as compared to industries like manufacturing and mining etc. The Group aims to enhance wellness of the employee by providing a harmonious and comfortable environment. The Group has adhered with related laws and regulations, such as Occupational Safety and Health Ordinance in Hong Kong and Law of the PRC on the Prevention and Control of Occupational Diseases. As stipulated in the Group's "Guidelines on Occupational Health and Safety", the Group have implemented measure in the following aspects:

Lighting

Good lighting conditions in the workplace enable the staff to see comfortably and avoid possible danger. Fluorescent lights recessed into the false ceiling and fitted with louver or diffuser to control glare and distribution of light. Blinds or curtains should be used to prevent glare and control the lighting level. Anti-glare filters can be used if necessary to reduce screen reflection and improve visual quality of the display.

Indoor Air Quality and Ventilation

Smoking is prohibited in all workplace and indoor area of the office. The indoor temperature and humidity are controlled in an optimum level to make the workplace more comfortable and help preventing bacteria from flourishing. Air outlets to be cleaned regularly in the office to reduce the dust level of indoor air and increase efficiency of the ventilation system.

Office Furniture/Working Posture

Staff are provided with adjustable chairs to allow them to adjust the seat height. To enable the staff having a comfortable work office, staff should assume correct seated posture so as to avoid musculoskeletal injury.

Office Equipment

Carbon powder used in photocopiers may contain harmful substances. During photocopying, it is necessary to place the cover properly to prevent eye irritation from the strong light. All office equipment will be properly maintained in good conditions as well.

Manual Work Handling

Heavy manual work handling relates to moving items either by lifting, lowering, carrying, pushing or pulling. These works should be minimized in the office. Risk assessment should be conducted for unavoidable manual handling operations before it is undertaken.

Others Safety Measures

All the fire safety equipment are checked regularly and complied with the fire safety rules in the office. First aid box has been placed in the office. The items as required to be provided in the first aid box are in compliance with the regulation of Occupational Safety and Health Council as issued by the Labour Department.

During the Reporting Period, there was no related work injuries or fatalities and no legal case regarding health and safety brought against the Group.

Development and Training

The Group provides comprehensive training to employees based on the Group's Staff Handbook and other related internal policies. The Group provides diversified on-the-job training to employees. Orientation training is offered to new employee, such as skill and attitude training. Orientation training allows new employee to familiar with the corporate culture and the background of the company. Skill and attitude trainings are offered to employee depending on their job duties and the development of the company. Continuous assessment is conducted to keep track on the performance of employee.

The training covers a wide variety of topics in order to cater the needs for employees from different departments. For instance, management skills and filling procedures are covered. The Group believes development of employee is crucial to the sustainable development of the business. The Group will enhance the training system in order to improve the personal development of employee.

Labour Standards

According to the Group's "Code of Conduct" in the Staff Handbook, the Group strives to provide a fair, equal opportunity, respectful and pleasant work environment to all employees. All practices are designed to ensure that all individuals of the corporation are recruited, hired, assigned, trained, promoted, compensated and retained on the basis of their qualifications, experience and/or the terms and conditions, and treated equally in these respects without regard to race, color, creed, religion, sex, sexual orientation, age, marital status, national origin, disability or family status. The Group requires that the office environment be free from all forms of discrimination and harassment. There is no significant risk related to recruitment of child labour and forced labour as the Group's business requires employee equipped with specialized skills and adequate educational background. The Group has been in strict compliance with the requirements of the legislation on antidiscrimination in Hong Kong, including Sex Discrimination Ordinance, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance. During the Reporting Period, no non-compliance regarding labour standard brought against the Group or its employees were noted.

Operating Practices

Supply Chain Management

The Group's business nature is service-orientated. Therefore, we have relatively fewer suppliers and a less complicated supply chain. Our main suppliers are only involved in third-party services providers such as information technology service, property management service, advertising service, legal and consulting service, office equipment, printing and stationery suppliers. The Group has established "Environmental Purchasing Policy" to support the purchase of recycled and environmentally preferred products in order to minimize environmental impacts relating to our work.

The Group has encouraged our suppliers to use recycled paper to print our annual reports and interim reports and opted the use of sustainable and energy saving electronic appliance with grade 1 energy label in our procurement.

During engagement with new supplier such as new system and software vendor selection, we have policies and procedures to ensure that the new system is compatible with our current system to minimise undesirable replacements and reassure the new system security by multiple rounds of testing. To provide a fair overview on supplier selection, we opt to select more than one supplier for comparison purpose during the primary engagement process.

Product Responsibility

Providing efficient and high-quality service to customers are the utmost concern for the Group. Our aim is for our customers to have confidence in our services and sufficient information to make informed choices. Therefore, the Group has a set of policies and procedures to oversee and manage issues related to quality management, compliant handling and customer data information protection and privacy.

Quality Management

The Group has established "Quality Management Policy" with aims to add value for our clients through our business processes that support the services offered. To enhance our service quality, the Group collects customers' feedback on services provided and reports to management by designated staff. The Group has also issued operational manual for its staff and organised training sessions to familiarize its staff with the standard operational procedures. The Group is committed to provide quality service to its customers through improving the administrative ability of its senior management and the functional capability of its operation staff.

Customer Data Protection and Privacy

The Group upholds a belief that information security and privacy are the key principle for operation. According to the Group's Staff Handbook, employee are required to protect all the customers' information. Information only can be used in authorized business activities. If employee disclose those information to other parties, it is considered as data theft. The related employee's employment will be terminated.

During the Reporting Period, there were no cases of non-compliance with the relevant laws or regulations that related to product responsibility.

Anti-Corruption

In the Group's "Staff Handbook", one of the most important rules that the Group requires all employee to avoid any relationship, influence, interest or activity that could compromise the best interest of the Group. As part of their responsibility, all employees should avoid any position whereby their judgment, decision or influence on behalf of the Group may give rise to their personal interests, finance and/or other means of interest. They should ensure that dealings with clients, suppliers, contractors, job applicants, colleagues or any other third party are met with good judgment, careful observance of all applicable laws and regulations, and the highest standard of integrity at all times.

As stipulated in the Group's "Whistleblowing Policy", employees should raise concerns about any suspected misconduct or malpractice verbally or in writing. The Group will make every effort to treat all reporting in a strictly confidential manner. The identity of the employee making any report and/or complaint will not be disclosed without such employee's consent, unless the Group is legally obliged to reveal the employee's identity and other information. In cases of suspected corruption or other criminal offences, a report will be made to the Independent Commission Against Corruption (ICAC) or the appropriate authorities.

The Group has been in strict compliance with Prevention of Bribery Ordinance in Hong Kong, Anti-Unfair Competition Law of the PRC and Anti-Money Laundering Law of the PRC. During the Reporting Period, there was no any legal case regarding corrupt practices brought against the Group or its employees.

Community

Community Investment

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group also actively encourage employees to join various community activities which aimed to promote exercise and healthy lifestyle. The Group has organised a wide variety of sports and art activities for employees, which creates an energetic working environment, strengthens cohesion and sense of belonging of employees.

Furthermore, the Group has made donation of HK$1.0 million to The Community Chest of Hong Kong in 2016. During the Reporting Period, the Group continued to contribute to the sustainable development of the community by serving with care and concern for the underprivileged through the activities as follows:

- Donation of toys and clothes to church

- Support of local restaurants in their campaigns for donation of meals to elderlies living alone

The board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of China Rongzhong Financial Holdings Company Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), hereby presents the annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2019 (the "**Reporting Period**") to the shareholders of the Company (the "**Shareholders**").

PRINCIPAL ACTIVITIES

The Group is engaged in the provision of financial leasing services in Hubei Province, in the People's Republic of China ("**PRC**"), with the longest operating history amongst Hubei-based financial leasing companies.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income in this report.

The Board does not recommend the payment of any final dividend for the year ended 31 March 2019.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and the published prospectus of the Company dated 18 January 2016 (the "**Prospectus**"), are set out on page 3. This summary does not form part of the audited consolidated financial statements.

EQUIPMENT

Movements in equipment are set out in note 16 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2019 are set out in note 23 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 2019.

RESERVES AND DISTRIBUTABLE RESERVES

As at 31 March 2019, details of movements in the reserves and distributable reserves of the Group are set out in the consolidated statement of changes in equity on page 57.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 March 2019 are set out in note 24 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, our five largest customers accounted for approximately 68.5% (2018: approximately 52.3%) of the Group's total revenue and our largest customer accounted for approximately 51.5% (2018: approximately 29.2%) 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 best knowledge of the Directors, none of the Directors or their respective close associates as defined in the Listing Rules or any of the Shareholders of the Company 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

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

Executive Directors

Ms. Wong Emilie Hoi Yan (appointed on 3 July 2018, subsequently appointed as Chief Executive Officer on 12 July 2018)
Mr. Xie Xiaoqing (removed on 3 July 2018)
Mr. Yao Feng (removed on 3 July 2018)

Non-executive Directors

Mr. Chen Shuai (appointed on 9 July 2018, subsequently appointed as Chairman on 12 July 2018)
Ms. Li Yu Lian Kelly (resigned on 8 October 2018)
Mr. Sun Changyu (resigned on 9 July 2018)
Ms. Wong Jacqueline Yue Yee

Independent Non-executive Directors

Mr. Duan Changfeng
Mr. Nie Yong (retired on 29 August 2018)
Mr. Yu Yang (appointed on 30 August 2018)
Ms. Zou Lin

The biographical details of the Directors are set out on pages 5 to 7 of this annual report.

Each of the Directors is subject to retirement by rotation in accordance with the Company's Articles. Pursuant to article 108 of the Articles, Mr. Duan Changfeng and Ms. Zou Lin shall retire from the Board at the forthcoming 2019 annual general meeting (the "**2019 AGM**"). In addition, Mr. Yu Yang who was appointed by the Board on 30 August 2018 shall hold office until the 2019 AGM pursuant to Article 112 of the Articles. All of the retiring Directors, being eligible and offering themselves for re-election at the 2019 AGM. Details of the retiring Directors standing for re-election are set out in the circular to the Shareholders sent together with this annual report.

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

None of the Directors being proposed for re-election or election at the 2019 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.

Details of Directors' emoluments by name are set out in note 13 to the consolidated financial statements.

INDUSTRY OVERVIEW

In recent years, due to the slowdown of economic growth, the tightening of the financial regulatory environment, and the intensified competition in the industry, the growth in number of new finance lease establishments and operations have slowed down significantly. In addition, other factors such as the weakening of leased assets quality, increase of financing costs and decrease in profit margin also affected many companies within the industry. On the other hand, as a result of the continuous improvement in the regulatory environment and the gradual release of the national policy, the operating environment of the financial leasing industry as a whole is improving. In comparison with the financial leasing market in developed countries, China's financial leasing industry is still in the primary development stage, with a large market capacity and many potential.

Nonetheless, with the continuous promotion of national policies such as "supply-side structural reform", "One Belt and One Road" and "Made in China 2025", the operating environment of the financial leasing industry continues to be optimized. While the decrease in profit margin and asset quality had put pressure on industry growth, it also aid to enforce higher requirements on risk management as well as strong professionalism amongst leasing companies. Furthermore, as the regulatory functions of financial leasing companies are placed under the China Banking Regulatory Commission, the financial leasing industry will be under strict supervision resulting in the effective prevention of financial risk and credit risk in the industry.

BUSINESS OVERVIEW

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

FINANCIAL REVIEW

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

Revenue

We have one principal business segment, financial leasing, and the two services derived are financial leasing services and financial advisory services provided as value added services to our leasing customers, which in turn generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Advisory income is determined solely on the advisory services we provided and since our advisory services are normally provided in conjunction with our leasing services, we record both types of income as a single item in the consolidated financial statements. The Group realized revenue for the Reporting Period of approximately HK$70.8 million, representing a decrease of approximately 44.9% from approximately HK$128.5 million as recorded in the previous corresponding period ended 31 March 2018. This was mainly due to the Group's prudent and conservative strategy to promote business during the continued static economy in order to safeguard our asset with additional emphasis placed in the recovery of past due finance lease receivables and enhancement of internal control.

Staff costs

Staff costs of the Group amounted to approximately HK$8.5 million for the Reporting Period, representing an increase of approximately 23.6% from approximately HK$6.9 million recorded in the previous corresponding period ended 31 March 2018. This was mainly due to increase in the number of staff hired for the legal and collection department in order to enhance the efficiency of recovery of past due financial assets.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$8.9 million, representing a decrease of approximately 0.3% from approximately HK$8.9 million recorded in the previous corresponding period ended 31 March 2018.

Impairment losses on financial assets

The impairment losses on financial assets is approximately HK$100.8 million for the Reporting Period, representing a decrease of approximately HK$298.1 million from approximately HK$398.9 million recorded in the previous corresponding period ended 31 March 2018.

Other income

Other income of the Group mainly comprised of interest income from loan, government grants and bank interest income. During the Reporting Period, the other income of the Group amounted to approximately HK$3.1 million, representing an increase of approximately 153.0% from approximately HK$1.2 million recorded in the previous corresponding period ended 31 March 2018. Such increase was due to the increase in government grants accounted for as financial support.

Finance costs

Finance costs of the Group comprised of interest on bank borrowings and imputed interest expense on interest-free deposits from finance lease customers. During the Reporting Period, finance costs of the Group amount to approximately HK$37.0 million, representing a decrease of approximately 20.1% from approximately HK$46.3 million in the previous corresponding period ended 31 March 2018. This was mainly due to the decrease in the amounts of bank borrowings.

As at 31 March 2019, the outstanding bank borrowings guaranteed by related parties amount to approximately HK$662.4 million (2018: approximately HK$730.5 million) and the guarantee fee paid to the related parties during the Reporting Period amount to nil (2018: nil). For further information, please refer to the section headed "Exempt Continuing Connected Transactions", sub-section headed "The Bank Guarantee Agreements" on page 42 of this report.

Loss for the year

Loss for the year ended 31 March 2019 of the Company amounted to approximately HK$91.4 million, representing a decrease of approximately 74.1% from approximately HK$352.5 million loss recorded in the previous corresponding period ended 31 March 2018. This was mainly due to decrease in the recognition of provision for the impairment losses on financial assets.

Dividend

The Company has adopted a dividend policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

The Board does not recommend the payment of any final dividend for the year ended 31 March 2019.

Liquidity, financial resources and capital resources

As at 31 March 2019, the aggregate sum of the Group's bank balances and cash and short-term bank deposits amounted to approximately HK$43.2 million (2018: approximately HK$65.7 million), representing a decrease of approximately HK$22.5 million compared to 31 March 2018, this was due to a combination of multiple effects including the Group's conservative strategy to promote business during the economic downturn resulting in a decrease in business volume, slow-down in the collection of past due financial assets; and thus an increase in the use of internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK$309.2 million (2018: approximately HK$223.8 million) and approximately HK$84.6 million (2018: approximately HK$208.5 million).

As at 31 March 2019 the Group's bank borrowings with maturity within one year amounted to approximately HK$160.9 million (2018: approximately HK$491.5 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK$501.5 million (2018: approximately HK$239.0 million). For particulars of bank borrowings of the Group as at 31 March 2019, please refer to note 23 to the consolidated financial statements.

Our gearing ratio (total bank borrowings/total equity) as at 31 March 2019 was approximately 782.7% (2018: approximately 350.3%).

Loan receivable

Loan receivable represents an unsecured loan to a third party of HK$10.0 million (2018: HK$10.0 million) carrying interest at 10% per annum. The loan receivable was past due as at 31 March 2019 and the impairment loss allowance is approximately HK$2.8 million (2018: nil).

Charges on group assets

As at 31 March 2019, the Group's finance lease receivables with an aggregate carrying value of approximately HK$133.9 million (2018: approximately HK$277.5 million) was pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.

Capital commitments

As at 31 March 2019, the Group has no capital commitments (2018: nil).

Employees and remuneration policy

As at 31 March 2019, the Group had 27 staff located in both Hong Kong and the PRC, their remuneration is determined based on the employees' performance, experience and prevailing industry practices. The Group also offers other benefits such as medical insurance, retirement scheme and training subsidies to our employees.

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

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

RISK FACTORS AND MANAGEMENT

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

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

Risk relating to funding sources and interest rate

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

Foreign exchange risk

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

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (2018: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

The Group had no material subsequent events after the 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 ("**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) 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; and

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.

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

As at 31 March 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules ("**Model Code**") were as follows:

Long positions in ordinary shares ("Shares") /underlying Shares of the Company

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

Notes:

1. Such interests include 10,127,176 Shares held by Legend Crown International Limited ("**Legend Crown**") and 10,107,066 Shares held by Plenty Boom Investments Limited ("**Plenty Boom**"). Ms. Jacqueline Wong founded the discretionary trust ("**Ace York Management Trust**") of which the property included the entire issued share capital of Legend Crown and Plenty Boom. The trustee of the Ace York Management Trust is Ace York Investment Management Limited ("**Ace York Management**", a company owned as to 50% by Ms. Jacqueline Wong), where the beneficiaries are the respective issue(s) of Ms. Wong Michelle Yatyee ("**Ms. Michelle Wong**") and Ms. Jacqueline Wong. By virtue of the above, both Ms. Jacqueline Wong and Ace York Management are taken to have a duty of disclosure in relation to the said Shares held by Legend Crown and Plenty Boom under the SFO.

2. Such Shares include 143,805,903 Shares held by Perfect Honour Limited ("**Perfect Honour**") and 38,503,380 Shares held by Solomon Glory Limited ("**Solomon Glory**"), both are wholly owned subsidiaries of Goldbond Group Holdings Limited ("**Goldbond**"). Mr. Wong Charles Yu Lung ("**Mr. Wong**") and Mrs. Wong Fang Pik Chun ("**Mrs. Wong**"), parents of Ms. Michelle Wong and Ms. Jacqueline Wong established the Allied Luck Trust (as defined below) and Ms. Michelle Wong and Ms. Jacqueline Wong established the Aceyork Trust (as defined below), where both with Ms. Michelle Wong and Ms. Jacqueline Wong and their respective issue(s) being the beneficiaries. The assets of the Allied Luck Trust include all the Goldbond's shares held by Allied Luck Trading Limited ("**Allied Luck**", a company wholly-owned by the Allied Luck Trust), being approximately 30.99% of the total issued share capital of Goldbond, ("**Allied Luck Trust**"), and the assets of the Aceyork Trust included all the Goldbond's shares held by Ace Solomon Investments Limited ("**Ace Solomon**") being approximately 26.06% of the total issued share capital of Goldbond. Ace Solomon is a company jointly owned by Allied Golden's Investment Limited ("**Allied Golden**") and Aceyork Investment Limited ("**Aceyork**"), which (in each of the cases of Allied Golden and Aceyork) in turn are wholly-owned by the Aceyork Trust (the "**Aceyork Trust**"). Ms. Jacqueline Wong being a beneficiary of the Allied Luck Trust and the Aceyork Trust, in turn, holds approximately 44.20% of the issued share capital of the Company through Perfect Honour and Solomon Glory. By virtue of the above, Ms. Jacqueline Wong is taken to have a duty of disclosure in relation to the said Shares held by Perfect Honour and Solomon Glory under the SFO.

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

4. As at 31 March 2019, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware as of 31 March 2019, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares	Total Interest	Approximate % of issued shares
Ms. Wong Jacqueline Yue Yee ("**Ms. Jacqueline Wong**")	(i) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (Note 1)		
	(ii) Beneficiary of a trust	182,309,283 (Note 2)	202,543,525	49.10%
Mr. Wong Charles Yu Lung ("**Mr. Wong**")	Trustee	182,309,283 (Note 2)		44.20%
Mrs. Wong Fang Pik Chun ("**Mrs. Wong**")	Trustee	182,309,283 (Note 2)		44.20%
Goldbond Group Holdings Limited ("**Goldbond**")	Interest in controlled corporation	182,309,283 (Note 2)		44.20%
Perfect Honour Limited ("**Perfect Honour**")	Beneficial owner	143,805,903 (Note 2)		34.86%
Solomon Glory Limited ("**Solomon Glory** ")	Having a security interest in Shares	38,503,380 (Note 2)		9.33%
Mr. Zhao John Huan ("**Mr. Zhao**")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Silver Creation Investments Limited ("**Silver Creation**")	Beneficial owner	84,752,255 (Note 3)		20.55%
Hony Capital Fund 2008, L.P. ("**Hony Capital**")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Hony Capital Fund 2008 GP, L.P. ("**Hony GP, L.P.**")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Hony Capital Fund 2008 GP Limited ("**Hony GP**")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Hony Group Management Limited ("**Hony Management**")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Hony Managing Partners Limited ("**Hony Partners**")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares	Total Interest	Approximate % of issued shares
Exponential Fortune Group Limited ("**Exponential Fortune**")	Interest in controlled corporation	84,752,255 (Note 3)		20.55%
Mr. Xie Xiaoqing ("**Mr. Xie**")	Interest in controlled corporation	12,704,220 (Note 4)	51,207,600	12.41%
Yong Hua International Limited ("**Yong Hua**")	Beneficial Owner	38,503,380 (Note 5)		

Notes:

1. Reference to the 20,234,242 Shares relates to the same block of Shares held by Legend Crown and Plenty Boom. Please refer to Note 1 on page 35 of this report for further details. By virtue of the above, Ms. Jacqueline Wong is taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.

2. The six references to the 182,309,283 Shares relate to the same block of Shares held by Perfect Honour and Solomon Glory. Please refer to Note 2 and 3 on page 35 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Mr. Wong, Mrs. Wong, Perfect Honour, Solomon Glory and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour and Solomon Glory.

3. The eight references to the 84,752,255 Shares relate to the same block of Shares held by Silver Creation Investments Limited ("**Silver Creation**"). Silver Creation is wholly-owned by Hony Capital. Hony Capital is controlled by its sole general partner Hony GP, L.P., which in turn is controlled by its sole general partner, Hony GP. Hony GP is wholly-owned by Hony Management, which is owned as to approximately 80.00% by Hony Partners. Hony Partners is 100% owned by Exponential Fortune, which is a company owned as to approximately 49% by Mr. Zhao. By virtue of the above, Mr. Zhao, Silver Creation, Hony Capital, Hony GP, L.P., Hony GP, Hony Management, Hony Partners and Exponential Fortune are taken to have a duty of disclosure in relation to these Shares held by Silver Creation.

4. Such interests include 2,117,370 Shares held by Capital Grower Limited ("**Capital Grower**"), and 10,586,850 Shares held by Clifton Rise International Limited ("**Clifton Rise**"), which are all companies owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Capital Grower and Clifton Rise under the SFO.

5. Such Shares are held by Yong Hua, a company owned as to 100% by Mr. Xie. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Yong Hua under the SFO.

6. As at 31 March 2019, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 31 March 2019, the Directors were not aware of any person who had an interest or short position in the shares and the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SUBSIDIARIES

The name of every person who was a director of the Company's subsidiaries ("**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 ("**Rongzhong Capital**")	Wong Charles Yu Lung Chen Shuai Xie Xiaoqing	Investments holdings
Rongzhong International Finance Lease Holdings Limited ("**Rongzhong HK**") 融眾國際融資租賃集團有限公司	Wong Charles Yu Lung Chen Shuai Xie Xiaoqing Wong Emilie Hoi Yan	Investment holding
Rongzhong International Financial Leasing Co., Ltd ("**Rongzhong PRC**") 融眾國際融資租賃有限公司	Chen Shuai Nie Niu Xie Xiaoqing Wong Emilie Hoi Yan	Provision of financial leasing services

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year end 31 March 2019, 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
Wong Emilie Hoi Yan	Certain subsidiaries of Rongzhong Group Limited	Investment holding	A director of certain subsidiaries of Rongzhong Group Limited
	Legend Crown International Limited	Investment holding	A director
	Plenty Boom Investments Limited	Investment holding	A director
	Yancheng Goldbond Technology Small Loan Company Limited	Provision of non-bank financial services to SMEs in the PRC	A director and legal representative

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
Chen Shuai	Hony Capital Fund 2008, L.P.	Private equity firm engaged in investment holding	Managing Director
	Rongzhong Group Limited and its subsidiaries (Note)	Investment holding	A director of Rongzhong Group Limited and its subsidiaries
	Rongzhong Capital Investments Group Limited and its subsidiaries	Provision of non-bank financial services to SMEs in the PRC	A director of Rongzhong Capital Investments Group Limited and its subsidiaries
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: As at 31 March 2019, Rongzhong Group Limited is owned as to 40% by Goldbond through Perfect Honour, 40% by Hony Capital through Silver Creation, approximately 12.42% by Yong Hua; approximately 3.79% by Legend Crown and approximately 3.79% by Plenty Boom.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in note 29 to the consolidated financial statements, no significant contract to which the Company or any of its subsidiaries was a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Expressions used in the sections headed "Connected 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 date 18 January 2016.

CONTINUING CONNECTED TRANSACTIONS

CONNECTED PERSONS

Rongzhong Group Limited

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

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

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

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

Finance Lease Guarantee Agreements

For all our financial leasing arrangements, in addition to the leased assets, we normally require our customers to provide additional securities to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the "**Additional Assets**") as we are a wholly-foreign invested financial leasing entity. In this regard, our subsidiary and main operating entity, Rongzhong PRC entered into (i) one finance lease guarantee supplemental agreement with Wuhan Rongzhong on 28 March 2019 and (ii) three finance lease guarantee agreements with Wuhan Jinhong on 13 January 2016, 30 March 2016 and 18 May 2016 respectively, (collectively as the "**Finance Lease Guarantee Agreements**" and each a "**Finance Lease Guarantee Agreement**") pursuant to which Wuhan Rongzhong and Wuhan Jinhong acted as a guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance lease agreement entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinghong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

Litigation Guarantee Framework Agreements

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

The Bank Guarantee Agreements

On 28 December 2016, 28 June 2017 and 18 May 2018, Mr. Xie and Rongzhong Capital Investments had each entered into bank guarantee agreements with certain banks (collectively as the "**Bank Guarantee Agreements**") pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantee in favor of the banks for their grant of loans to Rongzhong PRC. The Bank Guarantee Agreements expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for their provision of guarantee services under the Bank Guarantee Agreements.

On 31 March 2019, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantee in favor of the banks for their grant of loans to Rongzhong PRC, such guarantees expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 31 March 2019, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for their grant of loans to Rongzhong PRC.

Guarantor(s)	**As at 31 March 2019**	**As at 31 March 2018**
	(HK$' million approximately)	
Mr. Xie	662.4	730.5
Rongzhong Capital Investments	662.4	730.5

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

NON-COMPETITION DEEDS

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

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

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

c. Mr. Xie, Yong Hua, Clifton Rise and Capital Grower (except Rongzhong Group and its close associates),

collectively referred to as the "Covenantors" and each a "Covenantor".

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

(i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder, other than being a director or shareholder of the Group), partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the finance leasing business currently and from time to time engaged by the Group including but not limited to the provision of direct leasing, sale leaseback and financial leasing related advisory services to SMEs in the PRC (the "**Restricted Activity**") (other than the small loan business operated by Yancheng Goldbond Technology Small Loan Company Limited (the "**Yancheng Goldbond**") and Rongzhong Credit (Hubei) Limited (the "**Rongzhong Small Loan**"), unless pursuant to the exception set out below;

(ii) not to solicit any existing employee of the Group for employment by it or its subsidiaries and/or close associates (as applicable) (excluding members of the Group);

(iii) not, without the consent from the Company, make use of any information pertaining to the business of the Group which may have come to its knowledge in its capacity as our Controlling Shareholder or Director for any purpose of engaging, investing or participating in any Restricted Activity;

(iv) if there is any project or new business opportunity that relates to the Restricted Activity, refer such project or new business opportunity to the Group for consideration;

(v) not to invest or participate in any Restricted Activity unless pursuant to the exceptions set out below; and

(vi) to procure its subsidiaries and/or its close associates (as applicable) (excluding members of the Group) not to invest or participate in any project or business opportunity of the Restricted Activity, unless pursuant to the exceptions set out below.

New business opportunity

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

(i) each of the Covenantors is required to, and shall procure its subsidiaries and/or its close associates (as applicable) (other than members of the Group) to refer, or to procure the referral of, the New Opportunities to us, and shall give written notice to us of any New Opportunities containing all information reasonably necessary for us to consider whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of the Group and the Shareholders as a whole to pursue such New Opportunities, including but not limited to the nature of the New Opportunities and the details of the investment or acquisition costs (the "**Offer Notice**"); and

(ii) the Offeror will be entitled to pursue the New Opportunities only if (a) the Offeror has received a notice from us declining the New Opportunities; or (b) the Offeror has not received such notice from us within 10 business days from our receipt of the Offer Notice. If there is a material change in the terms and conditions of the New Opportunities pursued by the Offeror, the Offeror will refer the New Opportunities as so revised to us in the manner as set out above.

Upon receipt of the Offer Notice, we will seek opinions and decisions from the Independent Non-executive Directors who and will form an independent board committee (the "**Independent Board Committee**") as to whether (a) such New Opportunities would constitute competition with the Restricted Activity; and (b) it is in the interest of the Group and the Shareholders as a whole to pursue the New Opportunities.

Right of first refusal

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

Customer referral obligation

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

Conflict check obligation

Rongzhong Group shall procure Rongzhong Small Loan to check the customers list provided by the Company to it on a monthly basis to ensure that the new customer is not one of Rongzhong PRC's existing customers before entering into any agreement with the new customer. In the event that the new customer is one of Rongzhong PRC's existing customers, Rongzhong Group shall procure Rongzhong Small Loan to inform us of the proposed transaction (including the particulars of the proposed transaction and the new customer) and that Rongzhong Small Loan shall refrain from entering into an agreement with the new customer until and unless the Risk Management Committee has completed an evaluation on the new customer and is satisfied that Rongzhong PRC is not qualified to provide finance leasing services to the new customer (the "**Conflict Check Obligation**").

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

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

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

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

(i) in respect of:

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

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

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

(ii) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

Each of the Covenantor confirms that he/she/it has each complied with the terms of his/her/its Deed of Non-competition respectively.

DEED OF UNDERTAKING

Although the geographic location, approval requirements, potential customers and under the qualification of the currently applicable PRC laws differentiate the Group with the small loan business operated by Yancheng Goldbond, however, in order to ensure that there are no conflicts and competition between the business of the Group and Yancheng Goldbond, the Company and Goldbond have entered into a Deed of Undertaking on 18 December 2015 pursuant to which Goldbond has irrevocably and unconditionally undertake to the Company that it shall procure Yancheng Goldbond to check the customers list provided by the Company to it on a monthly basis to ensure that Yancheng Goldbond's new customer is not one of Rongzhong PRC's existing customers before entering into agreement with the new customer. Where the new customer is one of Rongzhong PRC's existing customers, Goldbond shall procure Yancheng Goldbond to inform us of the proposed transaction (including the particulars of the proposed transaction and the new customer) to enable the Risk Management Committee to evaluate whether Rongzhong PRC is qualified to take on the new customer and the benefits of such business opportunities will bring to us. In the event that the Group is qualified and is interested in taking on the new customer, both Yancheng Goldbond and the Group may pitch to the new customer and Yancheng Goldbond is only entitled to enter into an agreement with the new customer if the new customer selects its service over those of Rongzhong PRC and or other service providers (if applicable). In the event that Rongzhong PRC is not qualified or is not interested in taking on the new customer, Yancheng Goldbond may proceed to enter into an agreement with the new customer ("**Goldbond's Conflict Check Undertaking**").

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

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

(a) the date on which Goldbond or its subsidiaries, individually or taken as a whole, ceases to be a Controlling Shareholder; and

(b) the date on which the Shares cease to be listed on the Stock Exchange or (if applicable) other stock exchange.

Save as disclosed in this report, there has been no other transaction, arrangement or contract of significance subsisting during or at the end of the Reporting Period in which a Director or an entity connected with a Director is or was either directly or indirectly materially interested in.

SHARE OPTION SCHEME

On 18 December, 2015, the Company conditionally approved and adopted the share option scheme (the "**Share Option Scheme**") in accordance with the 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 or any member of the Group (the "**Participant(s)**") with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the 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 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 the 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 the 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 Participant to the 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 Participant 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 Scheme at any time during a period as the Board may in it absolution 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.

Maximum entitlement

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including exercised, cancelled and outstanding options) in any 12 months period shall not exceed 1.00% of the Shares in issue.

Remaining life of the Share Option Scheme

The remaining life of the Share Option Scheme is approximately 6 years.

Present status of the Share Option Scheme

As at the date of this report, there were no options outstanding under the Share Option Scheme nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme. The Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme shall not exceed 10% of the aggregate of the Shares in issue, being 40,000,000 Shares in total.

EQUITY-LINKED AGREEMENTS

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

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 paid 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 promote good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has dedicated its effort to review and monitor the Group's ESG policy and practices to ensure compliance with the relevant legal and regulatory requirements as described in Appendix 27 to the Listing Rules. During the Reporting Period, there was no material non-compliance with laws and regulations related to the environmental and social aspects. Further information on the Group's ESG performance for the Reporting Period is set out in the Environmental, Social and 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 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

The consolidated financial statements of the Company in respect of the financial year ended 31 March 2017 were audited by Messrs. Deloitte Touche Tohmatsu.

During the year ended 31 March 2018, Messrs. Deloitte Touche Tohmatsu resigned as auditor of the Company with effect from 6 November 2017 and BDO Limited was appointed as auditor of the Company with effect from 6 November 2017. Save as disclosed above, there were no other changes of auditor of the Company in the preceding three years.

BDO Limited will retire and, be eligible, offer itself for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint BDO Limited as auditor of the Company.

PROSPECTS

Going forward, the Group is likely to face many challenges as a result of the unfavorable economic and political conditions. Nonetheless, we remain committed to place strong emphasis on the recovery of our past due financial assets and the continue enhancement of effective credit risks prevention. In spite of the many proactive measures already taken and implemented, we will continue to closely monitor the collection of past due financial assets. The Group is prepared to continuously improve its internal management structures to enhance the succession of the Group's future development. In addition, the Group aims to seek potential growth opportunities and adjust its development strategies where necessary in order to safeguard and sustain the long term growth and profitability of the Group.

On behalf of the Board

Chen Shuai
Chairman of the Board

Wuhan, 25 June 2019

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TO THE SHAREHOLDERS 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)

OPINION

We have audited the consolidated financial statements of China Rongzhong Financial Holdings Company Limited ("**the Company**") and its subsidiaries (together "**the Group**") set out on pages 54 to 104, which comprise the consolidated statement of financial position as at 31 March 2019, and 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 year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 in the consolidated financial statements, which indicates that (a) the Group recorded a net loss attributable to owners of the Company of HK$91,410,000 for the year ended 31 March 2019; (b) the majority of the Group's finance lease receivables were past due as at 31 March 2019 and the Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of HK$899,192,000 has been recognised in respect of the receivables as at 31 March 2019; and (c) the Group is committed to repay bank borrowings of HK$160,855,000 within one year. These conditions, along with other matters as set forth in note 2.1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

IMPAIRMENT OF FINANCE LEASE RECEIVABLES

Refer to notes 5 and 17 to the consolidated financial statements.

As at 31 March 2019, the Group had finance lease receivables amounting to HK$975,551,000 and the Group was exposed to credit risk thereof. The Group has applied HKFRS 9 Financial Instruments on 1 April 2018 and assessed impairment for these receivables based on expected credit losses ("**ECL**") model. In determining the impairment losses on finance lease receivables, the management assessed historical default rates, the values of the collaterals, timing of future cash flows as well as those relevant forward-looking information such as the expected future cash flows and forward-looking macroeconomic factors which involve estimation and significant judgement.

Due to the significance of finance lease receivables (representing 93% of total assets) to the consolidated financial statements as a whole and the use of judgement and estimates by management in assessing the recoverability of finance lease receivables, we considered this as a key audit matter.

Our responses:

Our key procedures in relation to the management's impairment assessment on finance lease receivables included:

– Obtaining an understanding of the Group's credit loss policy and methodology for impairment assessment in relation to the application of ECL model under HKFRS 9;

– Inquiring of management for the status of each of the material finance lease receivables past due as at year end date and corroborating explanations from management with supporting evidence, such as understanding credit status of debtors, checking historical and subsequent settlement records and other correspondence with the debtors;

– Performing public search of credit profile of selected debtors, as well as external evidence and factors, to assess whether management's assessment of ECL was appropriate;

– Assessing management's forecast of future repayments and current financial conditions of the debtors; and

– Testing the completeness and accuracy of the ECL calculation.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises all the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants
Wong Kwok Wai
Practising Certificate No. P6047

Hong Kong, 25 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**70,784**	128,503
Other income	8	**3,124**	1,235
Other gains and losses	9	**2,707**	(4,129)
Staff costs	12	**(8,499)**	(6,875)
Impairment losses on financial assets		**(100,802)**	(398,904)
Other operating expenses		**(8,920)**	(8,944)
Finance costs	10	**(37,029)**	(46,339)
Loss before income tax		**(78,635)**	(335,453)
Income tax expense	11	**(12,775)**	(17,069)
Loss for the year	12	**(91,410)**	(352,522)
Other comprehensive (expense)/income			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(14,086)**	45,411
Total comprehensive expense for the year		**(105,496)**	(307,111)
Loss per share	15		
Basic and diluted (HK cents)		**(22)**	(85)

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Equipment	16	**499**	1,409
Finance lease receivables	17	**277,556**	231,313
		278,055	232,722
Current assets			
Finance lease receivables	17	**697,995**	920,419
Loan receivable	18	**8,126**	10,833
Prepayments and other receivables		**8,657**	7,164
Security deposits	19	**7,694**	8,169
Short term bank deposits with original maturity within three months	20	**20,118**	30,128
Bank balances and cash	20	**23,070**	35,594
		765,660	1,012,307
Current liabilities			
Deposits from finance lease customers		**214,364**	222,125
Other payables and accrued charges	21	**18,428**	19,818
Deferred income	22	**166**	1,923
Tax liabilities		**62,642**	53,182
Bank borrowings	23	**160,855**	491,457
		456,455	788,505
Net current assets		**309,205**	223,802
Total assets less current liabilities		**587,260**	456,524

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-current liabilities			
Deposits from finance lease customers		**1,100**	8,823
Deferred income	22	**9**	132
Bank borrowings	23	**501,527**	239,020
		502,636	247,975
Net assets		**84,624**	208,549
Capital and reserves			
Share capital	24	**4,125**	4,125
Reserves		**80,499**	204,424
Total equity		**84,624**	208,549

The consolidated financial statements on pages 54 to 104 were approved and authorised for issue by the board of directors on 25 June 2019 and are signed on its behalf by:

Mr. Chen Shuai
Director

Ms. Wong Emilie Hoi Yan
Director

	Share capital HK$'000	Share premium HK$'000	Statutory surplus reserve HK$'000 (note)	Translation reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 April 2017	4,125	552,818	32,053	(80,842)	7,506	515,660
Loss for the year	–	–	–	–	(352,522)	(352,522)
Exchange difference arising on translation to presentation currency	–	–	–	45,411	–	45,411
Total comprehensive income/(expense) for the year	–	–	–	45,411	(352,522)	(307,111)
Transfer to PRC statutory reserve	–	–	375	–	(375)	–
At 31 March 2018	4,125	552,818	32,428	(35,431)	(345,391)	208,549
Initial application of HKFRS 9 (note 3.1)	–	–	–	–	(18,429)	(18,429)
Restated balances at 1 April 2018	4,125	552,818	32,428	(35,431)	(363,820)	190,120
Loss for the year	–	–	–	–	(91,410)	(91,410)
Exchange difference arising on translation to presentation currency	–	–	–	(14,086)	–	(14,086)
Total comprehensive expense for the year	–	–	–	(14,086)	(91,410)	(105,496)
Transfer to PRC statutory reserve	–	–	2	–	(2)	–
At 31 March 2019	4,125	552,818	32,430	(49,517)	(455,232)	84,624

Note:

Pursuant to the articles of association of the subsidiary established in the People's Republic of China (the "**PRC**"), it is required to appropriate 10% or an amount to be determined by its directors of its profit for the year 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 2019

	2019 HK$'000	2018 HK$'000
Operating activities		
Loss for the year	**(91,410)**	(352,522)
Adjustments for:		
Income tax expense	**12,775**	17,069
Impairment losses on financial assets	**100,802**	398,904
Depreciation of equipment	**866**	915
Finance costs	**37,029**	46,339
Interest income from bank deposits	**(430)**	(235)
Interest income from a loan receivable	**(838)**	(981)
Loss on disposal of equipment	**–**	2
Effect of foreign exchange rate changes	**(2,707)**	4,127
Operating cash flows before working capital changes	**56,087**	113,618
(Increase)/decrease in finance lease receivables	**(12,077)**	18,048
Increase in prepayments and other receivables	**(1,902)**	(725)
(Decrease)/increase in other payables and accrued charges	**(323)**	1,744
Decrease in deferred income	**(1,782)**	(3,868)
Decrease in deposits from finance lease customers	**(3,660)**	(48,259)
Cash generated from operations	**36,343**	80,558
Enterprise income tax paid in the PRC	**(256)**	(1,273)
Net cash from operating activities	**36,087**	79,285
Investing activities		
Interest received from bank deposits	**430**	235
Interest received from loan receivable	**784**	833
Purchase of equipment	**(35)**	–
Net cash from investing activities	**1,179**	1,068

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
Financing activities		
Bank loans raised	**470,307**	341,499
Interest paid	**(34,831)**	(40,452)
Repayment of bank loans	**(496,788)**	(361,786)
Net cash used in financing activities	**(61,312)**	(60,739)
Net (decrease)/increase in cash and cash equivalents	**(24,046)**	19,614
Cash and cash equivalents at beginning of the year	**65,722**	43,256
Effect of foreign exchange rate changes	**1,512**	2,852
Cash and cash equivalents at end of the year	**43,188**	65,722
Analysis of cash and cash equivalents:		
Bank balances and cash	**23,070**	35,594
Short term bank deposits with original maturity within three months	**20,118**	30,128
	43,188	65,722

1. GENERAL

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "**Group**") are provision of financial leasing services in the PRC. Details of the Company's subsidiaries are set out in note 30.

The functional currency of the Company is Renminbi ("**RMB**"). The consolidated financial statements are presented in Hong Kong dollars ("**HK$**") as the Company is listed on the Stock Exchange.

2. BASIS OF PREPARATION

2.1 Going concern basis

The Group recorded a net loss attributable to owners of the Company of HK$91,410,000 for the year ended 31 March 2019. In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had total bank borrowings amounted to HK$662,382,000 as at 31 March 2019 of which bank borrowings of HK$160,855,000 would be due for repayment within 12 months from the date of the consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$43,188,000 only.

In addition, as further detailed in note 17, the majority of the Group's finance lease receivables were past due as at 31 March 2019. The Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of HK$899,192,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 31 March 2019 have not yet been collected as at the date of approval of these consolidated financial statements. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION (continued)

2.1 Going concern basis (continued)

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

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

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

(ii) Implementation of active cost-saving measures

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

(iii) Negotiation of obtaining banking facilities

New or extension of existing banking facilities will be arranged when necessary. During the year ended 31 March 2019, the Group had successfully renewed its debts with principal amounts of approximately HK$470,307,000 for at least two years.

The directors of the Company have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this report. They are of the opinion that after taking into account the above plans, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of this report. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate cash flows through the successful implementation and acceleration of its collecting plan of finance lease receivables to collect a substantial amount of finance lease receivables in the near future.

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

2. BASIS OF PREPARATION (continued)

2.2 Statement of compliance

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

2.3 Basis of measurement

The financial statements have been prepared under the historical cost basis.

3. ADOPTION OF HKFRSs

3.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2018:

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

Other than as noted below, the adoption of the amendments has no material impact on the Group's financial statements.

HKFRS 9 – Financial Instruments ("HKFRS 9")

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

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

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

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new and revised HKFRSs (continued)

HKFRS 9 (continued)

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

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

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

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

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

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

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new and revised HKFRSs (continued)

HKFRS 9 (continued)

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

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

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

The following tables summarised the impact of transition to HKFRS 9 on the opening balance of accumulated losses as of 1 April 2018:

	Notes	HK$'000
Accumulated losses as at 31 March 2018		(345,391)
Recognition of additional expected credit losses on:		
– finance lease receivables	3.1(b)	(17,555)
– loan receivable	3.1(b)	(874)
Restated accumulated losses as at 1 April 2018		(363,820)

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new and revised HKFRSs (continued)

HKFRS 9 (continued)

(b) Impairment of financial assets

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

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

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

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

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

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

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

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new and revised HKFRSs (continued)

HKFRS 9 (continued)

(b) Impairment of financial assets (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

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

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

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

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

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new and revised HKFRSs (continued)

HKFRS 9 (continued)

(b) Impairment of financial assets (continued)

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

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

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

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

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

	Impairment allowances under HKAS 39	**Effect of adoption of HKFRS 9**	**Impairment allowances under HKFRS 9**
	HK$'000	HK$'000	HK$'000
Impairment allowances on:			
– finance lease receivables	817,493	17,555	835,048
– loan receivable	–	874	874
	817,493	18,429	835,922

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new and revised HKFRSs (continued)

HKFRS 9 (continued)

(c) *Transition*

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

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

HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

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

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

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

3. ADOPTION OF HKFRSs (continued)

3.1 Adoption of new and revised HKFRSs (continued)

HKFRS 15 (continued)

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

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

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

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

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

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

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

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKAS 19	Plan Amendment, Curtailment or Settlement (amendments)[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[1]
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting[2]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020

3. ADOPTION OF HKFRSs (continued)

3.2 New/revised HKFRSs that have been issued but are not yet effective (continued)

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and revised HKFRSs that are expected to have impact on the Group's financial statements is provided below. Other new and revised HKFRSs have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, 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 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 the predecessor standard, HKAS 17.

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.

As set out in note 25, the total operating lease commitment of the Group in respect of rented premises as at 31 March 2019 amounted to HK$63,000. The directors of the Company anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group's result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group's financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Equipment

Equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Furniture, fixtures and other fixed assets	3 – 5 years

The gain or loss on disposal of an item of equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.4 Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) 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, to the extent 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 income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leasing

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

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

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

4.6 Financial instruments

(A) Accounting policies applied from 1 April 2018

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirely when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The following are the measurement category into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(A) Accounting policies applied from 1 April 2018 (continued)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for ECL on financial assets measured at amortised cost. The ECL are measured on either of the following bases: (1) 12 months ECL: these are the ECL that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group measures loss allowances for the debt financial assets based on the 12-month ECL. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(A) Accounting policies applied from 1 April 2018 (continued)

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including deposits from customers, accruals and other payables and bank borrowings subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(B) Accounting policies applied until 31 March 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(B) Accounting policies applied until 31 March 2018 (continued)

(i) Financial assets (continued)

The Group's financial assets are classified as loans and receivables, which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers, and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty; and

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including deposits from finance lease customers, other payables and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Financial instruments (continued)

(B) Accounting policies applied until 31 March 2018 (continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4.7 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents comprise bank balances and cash and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4.8 Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

4.9 Government grant

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Income taxes

Income taxes for the year comprise current tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, 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.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.11 Foreign currency

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Foreign currency (continued)

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

4.12 Employee benefits

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

Payments to the defined contribution retirement benefits schemes are charged as an expense when employees have rendered services entitling them to the contributions.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance ("**MPF Scheme**"), for all of its eligible employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentage of their payroll costs to the central pension scheme.

4.13 Capitalisation of borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.14 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable will result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors 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 differ from these estimates.

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

Critical judgements

Going concern assumption

The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the going concern assumption is set out in note 2.1 to the financial statements.

Key sources of estimation uncertainty

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.

Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

6. SEGMENT INFORMATION

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

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

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

	2019 **HK$'000**	2018 HK$'000
Customer A	**36,477**	37,550

7. REVENUE

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

8. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Government grants (note)	**1,852**	–
Interest income from a loan receivable	**838**	981
Bank interest income	**430**	235
Others	**4**	19
	3,124	1,235

Note: These grants are accounted for as financial support with no future related costs expected to be incurred nor related to any assets.

9. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Foreign exchange gain/(loss), net	**2,707**	(4,127)
Loss on disposal of equipment	**–**	(2)
	2,707	(4,129)

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on borrowings	**35,316**	42,471
Imputed interest expense on interest-free deposits from finance lease customers	**1,713**	3,868
	37,029	46,339

11. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax		
Enterprise Income Tax in the PRC		
– Tax for the year	**12,752**	17,050
– Under provision in prior year	**23**	19
Income tax expense	**12,775**	17,069

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 profits 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 income tax expense for the year can be reconciled to the loss before income tax expense in the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 HK$'000	2018 HK$'000
Loss before income tax expense	**(78,635)**	(335,453)
Tax at the domestic income tax rate in the PRC of 25% (2018: 25%)	**(19,659)**	(83,863)
Tax effect of income not taxable for tax purposes	**(1,404)**	(1,240)
Tax effect of expenses not deductible for tax purposes	**5,062**	4,193
Utilisation of tax loss previously not recognised	**–**	(1,766)
Tax effect of tax losses and temporary differences not recognised	**28,753**	99,726
Under provision in prior year	**23**	19
Income tax expense	**12,775**	17,069

No withholding tax has been provided for both years in the consolidated financial statements. 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 2019 and 2018, there is no temporary differences associated with undistributed earnings of the subsidiary in the PRC has been recognised as the directors of the Company considered that the subsidiary in the PRC would not distribute any further dividend in the foreseeable future.

As at 31 March 2019, the Group had unused tax losses of HK$3,113,000 (2018: nil) and had deductible temporary differences of HK$913,145,000 (2018: HK$832,308,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary differences due to unpredictability of future profits stream.

12. LOSS FOR THE YEAR

	2019 **HK$'000**	2018 HK$'000
Loss for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	**1,325**	1,407
– Short-term employee benefits	**1,278**	1,602
– Retirement benefit scheme contributions	**33**	74
Salaries, allowances and other staff benefits	**5,515**	3,508
Staff's retirement benefit scheme contributions	**348**	284
Total staff costs	**8,499**	6,875
Depreciation of equipment	**866**	915
Auditor's remuneration	**1,550**	1,500
Operating lease rentals in respect of properties	**1,831**	1,921

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors and the chief executive

Directors' and chief executive's remuneration for the year, is as follows:

Name of directors	Directors' Fee HK$'000	Retirement benefit scheme contributions HK$'000	Other emoluments mainly salaries and other benefits HK$'000	Total HK$'000
For the year ended 31 March 2019				
Executive directors:				
Ms. Wong Emilie Hoi Yan (note i)	**–**	**13**	**844**	**857**
Mr. Xie Xiaoqing (note ii)	**–**	**13**	**275**	**288**
Mr. Yao Feng (note iii)	**–**	**7**	**159**	**166**
Non-executive directors:				
Mr. Chen Shuai (note iv)	**175**	**–**	**–**	**175**
Ms. Li Yu Lian Kelly (note v)	**125**	**–**	**–**	**125**
Mr. Sun Changyu (note vi)	**65**	**–**	**–**	**65**
Ms. Wong Jacqueline Yue Yee	**240**	**–**	**–**	**240**
Independent non-executive directors:				
Mr. Duan Changfeng	**240**	**–**	**–**	**240**
Mr. Nie Yong (note vii)	**99**	**–**	**–**	**99**
Mr. Yu Yang (note viii)	**141**	**–**	**–**	**141**
Ms. Zou Lin	**240**	**–**	**–**	**240**
	1,325	**33**	**1,278**	**2,636**
For the year ended 31 March 2018				
Executive directors:				
Mr. Xie Xiaoqing	–	47	1,015	1,062
Mr. Yao Feng	–	27	587	614
Non-executive directors:				
Mr. Ding Chung Keung Vincent (note ix)	62	–	–	62
Ms. Li Yu Lian Kelly (note v)	145	–	–	145
Mr. Sun Changyu	240	–	–	240
Ms. Wong Jacqueline Yue Yee	240	–	–	240
Independent non-executive directors:				
Mr. Duan Changfeng	240	–	–	240
Mr. Nie Yong	240	–	–	240
Ms. Zou Lin	240	–	–	240
	1,407	74	1,602	3,083

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (continued)

(a) Directors and the chief executive (continued)

Notes:

(i) Ms. Wong Emilie Hoi Yan was appointed as executive director and chief executive officer with effect from 3 July 2018 and 12 July 2018 respectively and her emoluments disclosed above include those for services rendered by her as the executive director and chief executive officer.

(ii) Mr. Xie Xiaoqing was removed as executive director with effect from 3 July 2018 and his emoluments disclosed above include those for services rendered by him as the executive director during his tenure.

(iii) Mr. Yao Feng was removed as executive director with effect from 3 July 2018 and his emoluments disclosed above include those for services rendered by him as the executive director during his tenure.

(iv) Mr. Chen Shuai was appointed as non-executive director with effect from 9 July 2018 and his emoluments disclosed above include those for services rendered by him as the non-executive director during his tenure.

(v) Ms. Li Yu Lian Kelly was appointed and resigned as non-executive director with effect from 24 August 2017 and 8 October 2018 respectively and her emoluments disclosed above include those for services rendered by her as the non-executive director.

(vi) Mr. Sun Changyu resigned as non-executive director with effect from 9 July 2018 and his emoluments disclosed above include those for services rendered by him as the non-executive director.

(vii) Mr. Nie Yong retired as independent non-executive director with effect from 29 August 2018 and his emoluments disclosed above include those for services rendered by him as the independent non-executive director during his tenure.

(viii) Mr. Yu Yang was appointed as independent non-executive director with effect from 30 August 2018 and his emoluments disclosed above include those for services rendered by him as the independent non-executive director during his tenure.

(ix) Mr. Ding Chung Keung Vincent resigned as non-executive director with effect from 3 July 2017 and his emoluments disclosed above include those for services rendered by him as the non-executive director during his tenure.

13. 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 one (2018: two) director(s), details of whose remuneration are set out in note 13 (a) above. Details of the remuneration for the year of the remaining four (2018: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK$'000 (note)	2018 HK$'000
Salaries, allowances and other benefits	**2,643**	1,692
Staff's retirement benefit scheme contributions	**115**	48
	2,758	1,740

Their emoluments were within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil to HK$1,000,000	**3**	3
HK$1,000,001 to HK$1,500,000	**1**	–

Note:

For the year ended 31 March 2019, the amount include the emoluments of Mr. Xie Xiaoqing and Mr. Yao Feng who were both removed as executive director with effect from 3 July 2018. The total emoluments including retirement benefit scheme contributions of Mr. Xie Xiaoqing and Mr. Yao Feng are approximately HK$1,225,000 and HK$619,000 respectively, of which HK$288,000 and HK$166,000 are for services rendered by them as the executive director during their tenures respectively.

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 or agreed to waive any emoluments during both years.

14. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

15. LOSS PER SHARE

	2019 **HK$'000**	2018 HK$'000
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**91,410**	352,522

	2019 **'000**	2018 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**412,509**	412,509

The basic and diluted loss per share is calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares for the years ended 31 March 2019 and 2018.

The Group had no potential ordinary share in issue during both years.

16. EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2019 **HK$'000**	2018 HK$'000
COST		
At the beginning of the year	**4,418**	4,046
Exchange adjustments	**(258)**	397
Additions	**35**	–
Disposals	**–**	(25)
At the end of the year	**4,195**	4,418
ACCUMULATED DEPRECIATION		
At the beginning of the year	**3,009**	1,879
Exchange adjustments	**(179)**	238
Charge for the year	**866**	915
Disposals	**–**	(23)
At the end of the year	**3,696**	3,009
NET CARRYING VALUES		
At the end of the year	**499**	1,409

The above items of equipment are depreciated on a straight-line basis at the rates of 19% to $33^1/_3$% per annum.

17. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**1,578,714**	1,682,340	**1,551,141**	1,629,257
In more than one year but not more than five years	**298,402**	308,808	**269,448**	262,510
More than five years	**58,229**	85,327	**54,154**	77,458
	1,935,345	2,076,475	**1,874,743**	1,969,225
Less: Unearned finance income	**(60,602)**	(107,250)	**–**	–
Present value of minimum lease payment	**1,874,743**	1,969,225	**1,874,743**	1,969,225
Less: Impairment allowance	**(899,192)**	(817,493)	**(899,192)**	(817,493)
	975,551	1,151,732	**975,551**	1,151,732
Analysed for reporting purposes as:				
Current assets			**697,995**	920,419
Non-current assets			**277,556**	231,313
			975,551	1,151,732

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 7.6% to 16.3% (2018: 7.6% to 21.9%) per annum as at 31 March 2019.

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

	2019
	HK$'000
Neither past due nor credit-impaired	**33,735**
Past due but not credit-impaired	**1,876**
Credit-impaired	**1,839,132**
Subtotal	**1,874,743**
Less: impairment allowance	
– 12-month ECL	**(11,691)**
– Lifetime ECL	**(887,501)**
	975,551

17. FINANCE LEASE RECEIVABLES (continued)

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

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

As at 31 March 2019, finance lease receivables which are past due but not credit-impaired represented the contractual payments have not been settled by customers more than 30 days but were considered not to be credit-impaired as the management considered the reputation of these customers were sound. Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 31 March 2019, an aggregate finance lease receivables of HK$887,501,000 was determined to be impaired under the lifetime ECL. The lifetime ECL impaired receivables related to those credit exposures where there has been a significant increase in credit risk since initial recognition, which the loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

As at 31 March 2019, an aggregate finance lease receivables of HK$11,691,000 was determined to be impaired under the 12-month ECL. The 12-month ECL impaired receivables related to those possible for credit losses that result from default events within the next 12-month.

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

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

17. FINANCE LEASE RECEIVABLES (continued)

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

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

	HK$'000
At 31 March 2018	817,493
Adjustment on initial application of HKFRS 9	17,555
At 1 April 2018, restated	835,048
Impairment losses recognised, net	111,899
Written-off	(1,767)
Exchange realignment	(45,988)
At 31 March 2019	899,192
At 1 April 2017	373,682
Impairment losses recognised, net	398,904
Exchange realignment	44,907
At 31 March 2018	817,493

18. LOAN RECEIVABLE

As at 31 March 2019 and 2018, the unsecured loan receivable to a third party of HK$10,000,000 bore a fixed interest rate of 10% per annum. The loan receivable was due on 24 January 2019 and the balance was past due as at 31 March 2019 (2018: due on 24 March 2018 and the balance was past due as at 31 March 2018).

Movement of the provision for impairment loss on loan receivable is as follows:

	HK$'000
At 31 March 2018	–
Adjustment on initial application of HKFRS 9	874
At 1 April 2018, restated	874
Impairment losses recognised	1,887
At 31 March 2019	2,761

19. 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% (2018: 0.35%) per annum.

20. SHORT TERM BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 March 2019, short term bank deposits and bank balances and cash of the Group carry interest at market rates ranged from 0.01% to 0.35% (2018: 0.01% to 0.35%) per annum.

The short term bank deposits are denominated in Hong Kong dollars 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:

	2019 **HK$'000**	2018 HK$'000
HK$	**23,636**	32,773
US dollars ("**US$**")	**147**	147
	23,783	32,920

21. OTHER PAYABLES AND ACCRUED CHARGES

	2019 **HK$'000**	2018 HK$'000
Other tax payables	**15,456**	13,619
Advance receipt from customers	**600**	4,263
Accrued charges	**1,808**	1,774
Payables to finance lease equipment suppliers	**151**	160
Other payables	**413**	2
	18,428	19,818

22. DEFERRED INCOME

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

23. BANK BORROWINGS AND OTHER CASH FLOW INFORMATION

(a) Bank borrowings

	2019 HK$'000	2018 HK$'000
Secured	**147,267**	359,734
Unsecured	**515,115**	370,743
	662,382	730,477
Carrying amount repayable:		
Within one year	**160,855**	491,457
More than one year, but not exceeding two years	**104,661**	160,231
More than two years, but not exceeding five years	**396,866**	78,789
	662,382	730,477
Less: amounts shown under current liabilities	**(160,855)**	(491,457)
	501,527	239,020

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

	2019 HK$'000	2018 HK$'000
Variable-rate borrowings	**629,868**	410,909
Fixed-rate borrowings	**32,514**	319,568
	662,382	730,477

As at 31 March 2019, the Group's variable-rate bank borrowings carry interest rate at 100% (2018: the range from 100% to 125%) per annum 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 8.05% (2018: 5.94% to 8.05%) per annum.

As at 31 March 2019, the Group's bank borrowings with carrying amount of approximately HK$147,267,000 (2018: HK$359,734,000) were granted by several banks in the PRC and secured by charges over certain finance lease receivables of the Group with an aggregate carrying value of HK$133,923,000 (2018: HK$277,451,000).

As at 31 March 2019, the Group's bank borrowings with carrying amount of approximately HK$482,601,000 (2018: HK$526,552,000) were guaranteed by a joint venture of a major shareholder of the Company, two independent third parties and a director of the Company's subsidiary (2018: were guaranteed by a joint venture of a major shareholder of the Company, two independent third parties and a director of the Company).

23. BANK BORROWINGS AND OTHER CASH FLOW INFORMATION (continued)

(a) Bank borrowings (continued)

As at 31 March 2019, the Group's bank borrowings with carrying amount of approximately HK$179,781,000 (2018: HK$203,925,000) were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company's subsidiary (2018: were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company).

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

(b) Other cash flow information

Reconciliation of liabilities arising from financing activities:

	Bank borrowings HK$'000
At 1 April 2017	682,382
Changes from financing cash flows:	
Bank loans raised	341,499
Repayment of bank loans	(361,786)
Interest paid	(40,452)
Total changes from financing cash flows	(60,739)
Exchange adjustments	66,363
Other changes:	
Interest expenses	42,471
At 31 March 2018 and 1 April 2018	730,477
Changes from financing cash flows:	
Bank loans raised	470,307
Repayment of bank loans	(496,788)
Interest paid	(34,831)
Total changes from financing cash flows	(61,312)
Exchange adjustments	(42,099)
Other changes:	
Interest expenses	35,316
At 31 March 2019	662,382

24. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 March 2019 and 31 March 2018	10,000,000,000	100,000
Issued:		
At 31 March 2019 and 31 March 2018	412,509,000	4,125

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

25. OPERATING LEASE COMMITMENTS

As at 31 March 2019 and 2018, the total future minimum lease payment under non-cancellable operating leases are payable as follows:

As lessee

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

The total future minimum lease payment under non-cancellable operating leases are payable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**63**	1,039
After one year but within five years	**–**	63
	63	1,102

26. RETIREMENT BENEFIT SCHEMES

The Group operates a MPF 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 MPF 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 19% to 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 2019 is HK$381,000 (2018: HK$358,000).

27. 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 23 (a) and equity attributable to owners of the Company, in which comprising issued share capital and reserves.

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 borrowings.

The total debt to equity ratio at the end of the reporting period was as follows:

	2019 **HK$'000**	2018 HK$'000
Current liabilities		
Bank borrowings	**160,855**	491,457
Non-current liabilities		
Bank borrowings	**501,527**	239,020
Total debt	**662,382**	730,477
Total equity	**84,624**	208,549
Total debt to equity ratio	**782.7%**	350.3%

28. FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
At amortised cost:		
– Finance lease receivables	**975,551**	–
– Other financial assets	**59,352**	–
Loan and receivables:		
– Finance lease receivables	**–**	1,151,732
– Loans and receivables (including cash and cash equivalents)	**–**	84,965
	1,034,903	1,236,697
Financial liabilities		
Financial liabilities measured at amortised cost:		
– Deposits from finance lease customers	**215,464**	230,948
– Amortised cost	**662,946**	730,639
	878,410	961,587

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 loan receivable, other receivables, short term bank deposits and bank balances at the reporting date are as follows:

	2019 HK$'000	2018 HK$'000
Assets		
HK$	**32,042**	43,731
US$	**147**	147

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.

28. FINANCIAL RISK MANAGEMENT (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 an increase in loss before income tax for the year. For a 5% strengthening of US$ and HK$ against RMB, there would be an equal and opposite impact on the loss before income tax for the year.

	US$ impact		**HK$ impact**	
	2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
Increase in loss	**(7)**	(7)	**(1,602)**	(2,187)

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 receivables, security deposits, short term bank deposits, bank balances and bank borrowings (see notes 17, 19, 20, and 23 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.

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 receivables 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. Security deposits, short term bank deposits and bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate security deposits, short term bank deposits and bank balances is insignificant.

28. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis (continued)

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2019 would increase/decrease by HK$593,000 (2018: loss would decrease/increase by HK$1,088,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate finance lease receivables 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.

Credit risk

The Group's credit risk is primarily attributable to finance lease receivables, loan receivable, short term bank deposits, security deposits and bank balances and cash.

As at 31 March 2019, 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.

The Group's concentration of credit risk on finance lease receivables as at 31 March 2019 includes five major counterparties accounting for 40.8% (2018: 39.5%) of the finance lease receivables. The Group has concentration of risk on the loan receivable as the loan is made to one borrower, which is an individual in the PRC.

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 the PRC and will consider diversifying its customer base as appropriate.

For finance lease receivables and loan receivable, in order to minimise the credit risk, 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, ensured adequate collateral is received from these counterparties and taken effective measures to ensure timely collection of outstanding balances.

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 has conducted an assessment of ECL according to forward-looking information and use appropriate models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g. the likelihood of default by customers and the corresponding losses). The Group has adopted judgement, assumptions and estimation techniques in order to measure ECL according to the requirements of accounting standards such as criteria for judging significant increases in credit risk, definition of credit impaired financial asset, parameters for measuring ECL and forward-looking information.

28. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECL for finance lease receivables and loan receivable as at 31 March 2019. The average expected loss rate is derived from the gross carrying amount and loss allowance as at 31 March 2019 after taken into accounting of the deposits received from customers, historical default rate and forward looking information when determined the loss allowance. The assessment is performed debtors by debtors.

	Average expected loss rate	**Gross carrying amount** HK$'000	**Loss allowance** HK$'000
Finance lease receivables			
Neither past due nor credit-impaired	34.7%	33,735	11,691
Past due but not credit-impaired	0.1%	1,876	2
Credit-impaired	48.3%	1,839,132	887,499
		1,874,743	899,192
Loan receivable	25.4%	10,887	2,761

Expected loss rates are based on historical loss experience. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of finance lease receivables and loan receivable is as follows:

	2019 **HK$'000**	2018 HK$'000
Balance at the end of last year under HKAS 39	**817,493**	373,682
Impact of initial application of HKFRS 9	**18,429**	–
Adjusted balance at 1 April	**835,922**	373,682
Impairment losses recognised, net		
– finance lease receivables	**111,899**	398,904
– loan receivable	**1,887**	–
Written-off	**(1,767)**	–
Exchange realignment	**(45,988)**	44,907
Balance at 31 March	**901,953**	817,493

The increase in loss allowance of HK$113,786,000 during the year ended 31 March 2019 was mainly due to increase of the days of past due of finance lease receivables.

28. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

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.

Liquidity tables

	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 March 2019
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2019									
Assets									
Finance lease receivables	17.10	1,488,986	8,149	8,408	73,171	194,519	162,112	1,935,345	975,551
Loan receivable	10.00	10,887	–	–	–	–	–	10,887	8,126
Security deposits	0.35	–	7,696	–	–	–	–	7,696	7,694
Short term bank deposits	–	–	20,119	–	–	–	–	20,119	20,118
Bank balances and cash	–	23,070	–	–	–	–	–	23,070	23,070
Other receivables	–	344	–	–	–	–	–	344	344
Total assets		1,523,287	35,964	8,408	73,171	194,519	162,112	1,997,461	1,034,903
Liabilities									
Other payables	–	–	564	–	–	–	–	564	564
Bank borrowings	4.91	–	3,907	6,380	181,034	126,658	404,092	722,071	662,382
Deposits from finance lease customers	5.85	–	210,872	1,163	2,442	1,163	–	215,640	215,464
Total liabilities		–	215,343	7,543	183,476	127,821	404,092	938,275	878,410

28. FINANCIAL RISK MANAGEMENT (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average effective interest rate %	On demand HK$'000	Within 1 month HK$'000	1 to 3 months HK$'000	4 to 12 months HK$'000	1 to 2 years HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2018 HK$'000
As at 31 March 2018									
Assets									
Finance lease receivables	17.01	1,166,846	34,926	203,577	276,991	91,183	302,952	2,076,475	1,151,732
Loan receivable	10.00	10,833	–	–	–	–	–	10,833	10,833
Security deposits	0.35	–	8,171	–	–	–	–	8,171	8,169
Short term bank deposits	–	–	30,129	–	–	–	–	30,129	30,128
Bank balances and cash	–	35,594	–	–	–	–	–	35,594	35,594
Other receivables	–	241	–	–	–	–	–	241	241
Total assets		1,213,514	73,226	203,577	276,991	91,183	302,952	2,161,443	1,236,697
Liabilities									
Other payables	–	–	162	–	–	–	–	162	162
Bank borrowings	5.64	–	3,532	304,695	204,665	169,971	81,710	764,573	730,477
Deposits from finance lease customers	5.84	–	181,027	1,235	41,358	9,383	–	233,003	230,948
Total liabilities		–	184,721	305,930	246,023	179,354	81,710	997,738	961,587

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.

29. RELATED PARTY TRANSACTIONS

(a) Related party transactions

Save as disclosed elsewhere in the financial statements, there was no significant related party transactions for the years ended 31 March 2019 and 2018.

29. RELATED PARTY TRANSACTIONS (continued)

(b) Compensation of key management personnel

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

	2019 HK$'000	2018 HK$'000
Salaries and other allowances	**3,062**	3,383
Retirement benefit scheme contributions	**129**	183
	3,191	3,566

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

30. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 March 2019 and 2018 are as follows:

Name of subsidiaries	Place of incorporation/ registration/operation	Paid up issued/ registered capital 2019	2018	Proportion ownership interest held by the Company 2019	2018	Principal activities
Directly owned						
Rongzhong Capital Holdings Limited	British Virgin Islands	**US$104,422**	US$104,422	**100%**	100%	Investment holding
Indirectly owned						
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$63,000,000	**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.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Interests in a subsidiary	**30,885**	32,792
Current assets		
Loan receivable	**8,126**	10,833
Prepayments and other receivables	**392**	189
Amounts due from a subsidiary	**860**	800
Short term bank deposits with original maturity within three months	**15,036**	25,104
Bank balances and cash	**3,424**	2,524
	27,838	39,450
Current liabilities		
Other payables and accrued charges	**1,112**	980
Amounts due to subsidiaries	**6,643**	7,892
	7,755	8,872
Net current assets	**20,083**	30,578
Net assets	**50,968**	63,370
Capital and reserves		
Share capital	**4,125**	4,125
Reserves	**46,843**	59,245
Total equity	**50,968**	63,370

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Movement in reserves

	Share premium HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March 2017	552,818	(52,210)	(30,648)	469,960
Loss for the year	-	-	(456,895)	(456,895)
Exchange difference arising on translation	-	46,180	-	46,180
At 31 March 2018	552,818	(6,030)	(487,543)	59,245
Initial application of HKFRS 9	–	–	(874)	(874)
Restated balances at 1 April 2018	552,818	(6,030)	(488,417)	58,371
Loss for the year	–	–	(7,615)	(7,615)
Exchange difference arising on translation	–	(3,913)	–	(3,913)
At 31 March 2019	**552,818**	**(9,943)**	**(496,032)**	**46,843**