



China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03963



2019/2020
Interim Report

COMPANY NAME

China Rongzhong Financial Holdings Company Limited

STOCK CODE

03963

BOARD OF DIRECTORS

Executive Director

Ms. Wong Emilie Hoi Yan

Non-executive Directors

Mr. Chen Shuai

Ms. Wong Jacqueline Yue Yee

Ms. Wong Michelle Yatyee

Mr. Wong Ming Bun David

Independent non-executive Directors

Mr. Lie Chi Wing

Mr. Ng Wing Chung Vincent

Mr. Yu Yang

AUDIT COMMITTEE

Mr. Yu Yang (Chairman)

Mr. Chen Shuai

Mr. Lie Chi Wing

Mr. Ng Wing Chung Vincent

Mr. Wong Ming Bun David

NOMINATION COMMITTEE

Mr. Ng Wing Chung Vincent (Chairman)

Mr. Chen Shuai

Mr. Lie Chi Wing

Ms. Wong Michelle Yatyee

Mr. Yu Yang

REMUNERATION COMMITTEE

Mr. Ng Wing Chung Vincent (Chairman)

Mr. Chen Shuai

Mr. Lie Chi Wing

Ms. Wong Michelle Yatyee

Mr. Yu Yang

RISK MANAGEMENT COMMITTEE

Ms. Wong Emilie Hoi Yan (Chairman)

Mr. Ng Wing Chung Vincent

Ms. Wong Michelle Yatyee

Mr. Wong Ming Bun David

Mr. Yu Yang

COMPANY SECRETARY

Ms. Lui Mei Yan Winnie

REGISTERED OFFICE

P.O. Box 10008

Willow House, Cricket Square

Grand Cayman KY1-1001

Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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No. 889 Luoyu Road

East Lake Development Zone

Wuhan, Hubei Province

China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1306, 13/F, Tai Yau Building

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Wan Chai

Hong Kong

COMPANY WEBSITE

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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 BANKER

Bank of Communications Co., Ltd. Hong Kong Branch

China Everbright Bank Xinhua Branch, Wuhan

China Everbright Bank, Hong Kong Branch

Hankou Bank Qiaokou Branch, Wuhan

CEO's 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**” and, together with its subsidiaries, the “**Group**”), I hereby present the unaudited interim results of the Group for the six months ended 30 September 2019 (the “**Reporting Period**”) to the shareholders of the Company (the “**Shareholders**”).

The first half of the financial year 2019/2020 continued to be extremely challenging and demanding for the Group. The Group is faced with many challenges as a result of the unfavorable changes in the overall economy, as well as external factors such as international trade disputes and geopolitics. Through the continued implementation of comprehensive risk prevention measures, together with our proactive actions taken towards recovery, we have made some progress in the collection of past due finance lease receivables. However, our performance has continued to be affected by the volatile economy.

Looking forward, the Group remains committed to adhere to place strong emphasis on the recovery of past due finance lease receivables and to amplify the coverage of risk prevention. We will continue to strengthen and monitor our asset quality and intensify the restructuring and disposal of volatile assets in order to maintain a stable position in the Group's overall asset quality. In addition, as affected by the intensifying international trade disputes and the instability of the overall economy, which may lead to further deterioration of the Group's asset quality and higher liquidity risk exposure, the Group has planned to develop new business in the People's Republic of China (“**PRC**”) and Asia Pacific region as a new source of income in order to diversify its business risk. The management is now carefully assessing any potential opportunities in certain industries including but not limited to the provision of property management technology and may commence preparation work when appropriate.

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.

Wong Emilie Hoi Yan

Chief Executive Officer

Hong Kong, 26 November 2019

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of China Rongzhong Financial Holdings Company Limited (the “**Company**”), hereby presents to the shareholders of the Company (the “**Shareholders**”) the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”), for the six months ended 30 September 2019 (the “**Reporting Period**”) with comparative figures as follows.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2019

	Notes	Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	5	17,058	26,025
Other income		247	2,575
Net exchange gain		1,279	3,478
Staff costs		(3,352)	(4,113)
Reversal of impairment losses/(impairment losses) on finance lease receivables		9,362	(57,070)
Other operating expenses		(5,177)	(4,143)
Finance costs	6	(15,546)	(20,523)
Profit/(loss) before income tax	7	3,871	(53,771)
Income tax expense	8	(4,004)	(2,805)
Loss for the period		(133)	(56,576)
Other comprehensive expense			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		(3,530)	(16,011)
Total comprehensive expense for the period		(3,663)	(72,587)
Loss per share			
Basic and diluted (HK cents)	10	(0.03)	(14)

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	2,575	499
Finance lease receivables	12	221,438	277,556
		224,013	278,055
Current assets			
Finance lease receivables	12	707,741	697,995
Loan receivable	13	8,126	8,126
Prepayments and other receivables		8,707	8,657
Security deposits	14	7,352	7,694
Short term bank deposits with original maturity within three months		15,144	20,118
Bank balances and cash		19,154	23,070
		766,224	765,660
Current liabilities			
Deposits from finance lease customers		205,982	214,364
Other payables and accrued charges	15	17,647	18,428
Deferred income		74	166
Tax liabilities		63,906	62,642
Lease liabilities		1,453	–
Bank borrowings	16	170,021	160,855
		459,083	456,455
Net current assets		307,141	309,205
Total assets less current liabilities		531,154	587,260

Condensed Consolidated Statement of Financial Position

As at 30 September 2019

	Notes	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Non-current liabilities			
Deposits from finance lease customers		–	1,100
Deferred income		–	9
Lease liabilities		946	–
Bank borrowings	16	449,247	501,527
		450,193	502,636
Net assets			
		80,961	84,624
EQUITY			
Capital and reserves			
Share capital	17	4,125	4,125
Reserves		76,836	80,499
Total equity			
		80,961	84,624

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019

	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (note)	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 31 March 2018 (Audited)	4,125	552,818	32,428	(35,431)	(345,391)	208,549
Initial application of HKFRS 9	–	–	–	–	(18,429)	(18,429)
Restated balances at 1 April 2018 (Audited)	4,125	552,818	32,428	(35,431)	(363,820)	190,120
Loss for the period	–	–	–	–	(56,576)	(56,576)
Exchange difference arising on translation	–	–	–	(16,011)	–	(16,011)
Total comprehensive expense for the period	–	–	–	(16,011)	(56,576)	(72,587)
At 30 September 2018 (Unaudited)	4,125	552,818	32,428	(51,442)	(420,396)	117,533
At 31 March 2019 (Audited)	4,125	552,818	32,430	(49,517)	(455,232)	84,624
Loss for the period	–	–	–	–	(133)	(133)
Exchange difference arising on translation	–	–	–	(3,530)	–	(3,530)
Total comprehensive expense for the period	–	–	–	(3,530)	(133)	(3,663)
At 30 September 2019 (Unaudited)	4,125	552,818	32,430	(53,047)	(455,365)	80,961

Note: Pursuant to the articles of association of the subsidiary established in the People's Republic of China ("PRC"), it is required to appropriate 10% or an amount to be determined by its directors of its profit after taxation in accordance with the relevant accounting rules and financial regulations of the PRC before any distribution of dividends to owners each period to the statutory surplus reserve until the balance reached 50% of its registered capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2019

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash from operating activities	21,351	1,808
INVESTING ACTIVITIES		
Interest received from bank deposits	247	199
Interest received from loan receivable	–	838
Purchase of equipment	–	(34)
Net cash from investing activities	247	1,003
FINANCING ACTIVITIES		
Bank loans raised	–	328,125
Repayment of bank loans	(17,579)	(342,914)
Interest paid	(12,329)	(15,698)
Net cash used in financing activities	(29,908)	(30,487)
Net decrease in cash and cash equivalents	(8,310)	(27,676)
Cash and cash equivalents at 1 April	43,188	65,722
Effect of foreign exchange rate changes	(580)	1,042
Cash and cash equivalents at 30 September	34,298	39,088
Analysis of balances of cash and cash equivalents		
Bank balances and cash	19,154	14,014
Short term bank deposits with original maturity within three months	15,144	25,074
	34,298	39,088

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

1. GENERAL INFORMATION

China Rongzhong Financial Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office is P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands and its principal place of business in Hong Kong is Room 1306, 13/F, Tai Yau Building, No. 181 Johnston Road, Wan Chai, Hong Kong.

The Company and its subsidiaries (collectively known as the “**Group**”) is principally engaged in provision of financial leasing services in the PRC.

2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

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

The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2019.

Going Concern

The Group recorded a loss of approximately HK\$133,000 for the six months ended 30 September 2019. In preparing the interim condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had total bank borrowings amounted to approximately HK\$619,268,000 as at 30 September 2019 of which bank borrowings of approximately HK\$170,021,000 would be due for repayment within 12 months from the date of the interim condensed consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of approximately HK\$34,298,000 only.

In addition, as further detailed in note 12, the majority of the Group’s finance lease receivables were past due as at 30 September 2019. The Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of approximately HK\$852,460,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 30 September 2019 have not yet been collected as at the date of this report. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings in the foreseeable future.

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

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

Going Concern (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.

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

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 interim condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2019 except for the adoption of the standards, amendments and interpretations issued by the HKICPA effective for the Group's annual periods beginning on or after 1 April 2019. The impact of the adoption of Hong Kong Financial Reporting Standard ("HKFRS") 16 Leases has been summarised in note 4. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any material impact on the Group's accounting policies.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

4. CHANGE IN ACCOUNTING POLICIES

HKFRS 16 – Leases (“HKFRS 16”)

The Group has applied HKFRS 16 on 1 April 2019. HKFRS 16 replaces HKAS 17 Leases and related interpretations. It introduces a single accounting model, which requires a lessee to recognise right-of-use asset and lease liability for most leases. The standard includes two elective recognition exemptions for lessees, which are leases of low-value assets and short-term leases.

At the commencement date of lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Depreciation and impairment expenses, if any, on the right-of-use asset and the interest accrual on lease liability will be charged to profit or loss.

Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17.

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease applying HKAS 17. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application, i.e. 1 April 2019. Also, based on the allowed practical expedients under HKFRS 16, the Group has elected not to apply the requirements of HKFRS 16 in respect of recognition of lease liabilities and right-of-use assets to leases for which the lease term ends within twelve months of the date of initial application.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

6. FINANCE COSTS

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on borrowings	15,381	19,375
Imputed interest expense on interest-free deposits from finance lease customers	98	1,148
Interest on lease liabilities	67	–
	15,546	20,523

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax has been arrived at after charging:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Directors' remuneration	1,141	1,425
Other staff costs		
– Salaries, allowances and other staff benefits	2,090	2,504
– Staff's retirement benefit scheme contributions	121	184
Total staff costs	3,352	4,113
Depreciation of property, plant and equipment	803	452
Operating lease rentals in respect of properties	–	941
Rental expenses	233	–

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current period	4,214	2,783
– (Over)/under provision in prior period	(210)	22
	4,004	2,805

No provision for Hong Kong Profits tax has been made in the interim condensed consolidated financial statements as the Group's operation in Hong Kong had no estimated assessable income during both periods.

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary was 25% during the Reporting Period.

As at 30 September 2019, the Group had unused tax losses of approximately HK\$2,975,000 (31 March 2019: approximately HK\$3,113,000) and had deductible temporary differences of approximately HK\$865,793,000 (31 March 2019: approximately HK\$913,145,000) 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.

9. DIVIDEND

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 September 2019, nor has any dividend been proposed since the end of the Reporting Period (six months ended 30 September 2018: nil).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

10. LOSS PER SHARE

	Six months ended 30 September	
	2019 (Unaudited)	2018 (Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share (HK\$'000)	133	56,576
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share (in thousands)	412,509	412,509

The basic and diluted loss per share is calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue for the six months ended 30 September 2019 and 2018.

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

11. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, there was no addition and disposal of equipment of the Group (six months ended 30 September 2018: acquired equipment of approximately RMB28,000 equivalent to approximately HK\$34,000).

Upon the adoption of HKFRS 16, the Group recognises right-of-use assets relating to leases under HKFRS 16 which were previously classified as operating leases under HKAS 17. The net book values of the Group's right-of-use assets of approximately HK\$2,336,000 included in property, plant and equipment as at 30 September 2019 represented the properties leased for own use and carried at depreciated cost.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

12. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

	Minimum lease payments		Present value of minimum lease payments	
	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Finance lease receivables comprise:				
Within one year	1,563,755	1,578,714	1,542,285	1,551,141
In more than one year but not more than five years	206,523	298,402	186,344	269,448
More than five years	55,641	58,229	53,010	54,154
	1,825,919	1,935,345	1,781,639	1,874,743
Less: Unearned finance income	(44,280)	(60,602)	–	–
Present value of minimum lease payment	1,781,639	1,874,743	1,781,639	1,874,743
Less: Impairment allowance	(852,460)	(899,192)	(852,460)	(899,192)
	929,179	975,551	929,179	975,551
Analysed for reporting purposes as:				
Current assets			707,741	697,995
Non-current assets			221,438	277,556
			929,179	975,551

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance lease receivables mainly ranged from 7.6% to 14.7% (31 March 2019: 7.6% to 16.3%) per annum as at 30 September 2019.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

12. FINANCE LEASE RECEIVABLES (continued)

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Neither past due nor credit-impaired	29,279	33,735
Past due but not credit-impaired	–	1,876
Credit-impaired	1,752,360	1,839,132
Subtotal	1,781,639	1,874,743
Less: impairment allowance		
– 12-month expected credit losses (“ECL”)	(10,146)	(11,691)
– Lifetime ECL	(842,314)	(887,501)
	929,179	975,551

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

As at 30 September 2019 and 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 30 September 2019, an aggregate finance lease receivables of approximately HK\$842,314,000 (31 March 2019: approximately HK\$887,501,000) was impaired under the lifetime ECL. The lifetime ECL impaired receivables related to those credit exposures where there has been a significant increase in credit risk since initial recognition, which the loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

As at 30 September 2019, an aggregate finance lease receivables of approximately HK\$10,146,000 (31 March 2019: approximately HK\$11,691,000) was impaired under the 12-month ECL. The 12-month ECL impaired receivables related to those possible for credit losses that result from default events within the next 12-month.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

12. FINANCE LEASE RECEIVABLES (continued)

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

	HK\$'000
At 31 March 2018 (Audited)	817,493
Adjustment on initial application of HKFRS 9	17,555
At 1 April 2018, restated (Audited)	835,048
Impairment loss recognised, net	111,899
Written-off	(1,767)
Exchange realignment	(45,988)
At 31 March 2019 (Audited)	899,192
Reversal of impairment loss, net	(6,767)
Exchange realignment	(39,965)
At 30 September 2019 (Unaudited)	852,460

13. LOAN RECEIVABLE

As at 30 September 2019 and 31 March 2019, the unsecured loan receivable to a third party with principal amount of HK\$10,000,000 bore a fixed interest rate of 10% per annum. The loan receivables was past due as at 30 September 2019 and 31 March 2019.

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

	HK\$'000
At 31 March 2018 (Audited)	–
Adjustment on initial application of HKFRS 9	874
At 1 April 2018, restated (Audited)	874
Impairment losses recognised	1,887
At 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	2,761

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

14. 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 rate at 0.35% (31 March 2019: 0.35%) per annum.

15. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Other tax payables	15,296	15,456
Advance receipt from customers	573	600
Accrued charges	1,633	1,808
Payables to finance lease equipment suppliers	144	151
Others	1	413
	17,647	18,428

16. BANK BORROWINGS

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Secured	136,194	147,267
Unsecured	483,074	515,115
	619,268	662,382
Carrying amount repayable:		
Within one year	170,021	160,855
More than one year, but not exceeding two years	315,149	104,661
More than two years, but not exceeding five years	134,098	396,866
	619,268	662,382
Less: amounts shown under current liabilities	(170,021)	(160,855)
	449,247	501,527

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

16. BANK BORROWINGS (continued)

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

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Variable-rate borrowings	591,546	629,868
Fixed-rate borrowings	27,722	32,514
	619,268	662,382

As at 30 September 2019, the Group's variable-rate borrowings carry interest rate per annum at 100% (31 March 2019: 100%) of the benchmark rate offered by the People's Bank of China. The remaining balance of fixed-rate borrowings carry interest at the rate of 8.05% (31 March 2019: 8.05%) per annum.

As at 30 September 2019, the Group's bank borrowings with carrying amount of approximately HK\$136,194,000 (31 March 2019: approximately HK\$147,267,000) were secured by charges over certain finance lease receivables of the Group with an aggregate carrying values of approximately HK\$120,930,000 (31 March 2019: approximately HK\$133,923,000).

As at 30 September 2019, the Group's bank borrowings with carrying amount of approximately HK\$455,352,000 (31 March 2019: approximately HK\$482,601,000) 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.

As at 30 September 2019, the Group's bank borrowings with carrying amount of approximately HK\$163,916,000 (31 March 2019: approximately HK\$179,781,000) were guaranteed by a joint venture of a major shareholder of the Company and a director of the Company's subsidiary.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2019

17. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2019 (Audited) and 30 September 2019 (Unaudited)	412,509,000	4,125

All the shares issued during the Reporting Period ranked *pari passu* in all respects with the then existing shares in issue.

18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim condensed consolidated financial statements, the Group had the following material transactions with related parties during both periods.

Compensation of key management personnel

During the Reporting Period, the remunerations of key management personnel which represent the directors of the Company and senior management were as follows:

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Salaries and other allowances	1,482	1,558
Retirement benefit scheme contributions	50	80
	1,532	1,638

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

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group is principally engaged in the business of provision of financial leasing services in Hubei Province, the People's 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.

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 financial statements. The Group recognised revenue for the Reporting Period of approximately HK\$17.1 million, representing a decrease of approximately 34.5% from approximately HK\$26.0 million as recorded in the previous corresponding period ended 30 September 2018. This was mainly due to the Group's prudent and conservative strategy to promote business during the static economy in order to safeguard our asset 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\$3.4 million for the Reporting Period, representing a decrease of approximately 18.5% from approximately HK\$4.1 million recorded in the previous corresponding period ended 30 September 2018. This was mainly due to the decrease in the number of staff.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK\$5.2 million, representing an increase of approximately 25.0% from approximately HK\$4.1 million recorded in the previous corresponding period ended 30 September 2018. This was mainly due to an increase in professional service fees in relation to the recovery of past due finance lease receivables and the enhancement of internal control.

Reversal of impairment losses/impairment losses on finance lease receivables

Reversal of impairment losses on finance lease receivables amounted to approximately HK\$9.4 million for the Reporting Period. This was mainly due to changes in recoverability of certain past due finance lease receivables. In the previous corresponding period ended 30 September 2018, impairment losses on finance lease receivables amounted to approximately HK\$57.1 million.

Other income

Other income of the Group mainly comprised of bank interest income. During the Reporting Period, the other income of the Group amounted to approximately HK\$0.2 million, which is a decrease of approximately 90.4% from approximately HK\$2.6 million recorded in the previous corresponding period ended 30 September 2018. Such decrease was due to the decrease in government subsidies.

Finance costs

Finance costs of the Group comprised of interest on bank borrowings, imputed interest expense on interest free deposits from finance lease customers and interest on lease liabilities. During the Reporting Period, finance costs of the Group amounted to approximately HK\$15.5 million, representing a decrease of approximately 24.3% from approximately HK\$20.5 million in the previous corresponding period ended 30 September 2018. This was mainly due to the decrease in the amounts of bank borrowings.

As at 30 September 2019, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK\$619.3 million (30 September 2018: approximately HK\$662.3 million) and the guarantee fee paid to the related parties during the Reporting Period amounted to nil (six months ended 30 September 2018: nil). For further information, please refer to the section headed “Exempt Continuing Connected Transactions”, sub-section headed “The Bank Guarantee Agreements” on page 34 of this report.

Loss for the period

Loss for the period of the Company amounted to approximately HK\$0.1 million, representing a decrease of approximately 99.8% from approximately HK\$56.6 million loss recorded in the previous corresponding period ended 30 September 2018. This was mainly due to the reversal of impairment losses on finance lease receivables.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: nil).

Liquidity, financial resources and capital resources

As at 30 September 2019, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK\$34.3 million (31 March 2019: approximately HK\$43.2 million), representing a decrease of approximately HK\$8.9 million compared to 31 March 2019. This was due to 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\$307.1 million (31 March 2019: approximately HK\$309.2 million) and approximately HK\$81.0 million respectively (31 March 2019: approximately HK\$84.6 million).

As at 30 September 2019, the Group's bank borrowings with maturity within one year amounted to approximately HK\$170.0 million (31 March 2019: approximately HK\$160.9 million) and the Group's bank borrowings with maturity that exceeded one year amounted to approximately HK\$449.2 million (31 March 2019: approximately HK\$501.5 million). For particulars of bank borrowings of the Group as at 30 September 2019, please refer to note 16 to the interim condensed consolidated financial statements.

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2019 was approximately 764.9% (31 March 2019: approximately 782.7%).

Loan receivable

Loan receivable represents a loan to a third party during the Reporting Period in Hong Kong and carries interest at 10% per annum. The loan receivable was past due as at 30 September 2019 and the impairment loss allowance is approximately HK\$2.8 million (31 March 2019: approximately HK\$2.8 million).

Management Discussion and Analysis

Charges on group assets

As at 30 September 2019, the Group's finance lease receivables with an aggregate carrying value of approximately HK\$120.9 million (31 March 2019: approximately HK\$133.9 million) was pledged to a bank in PRC to secure certain bank borrowings of the Group.

Capital commitments

As at 30 September 2019, the Group had no capital commitments (31 March 2019: nil).

Employees and remuneration policy

As at 30 September 2019, the Group had 24 staff located in both Hong Kong and China, their remuneration is determined based on the employees' performance, experience and prevailing industry practices.

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

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

RISK FACTORS AND MANAGEMENT

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

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

Risk relating to funding sources and interest rate

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

Foreign exchange risk

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

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any material contingent liabilities (31 March 2019: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

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

BUSINESS REVIEW AND PROSPECTS

The first half of the financial year 2019/2020 continued to be extremely challenging for the Group, the unfavorable economic conditions along with many uncertainties had brought upon negative impact on many SMEs in the PRC, including the Group. Through the continued implementation of comprehensive risk prevention measures and proactive recovery actions, we have made some progress in the collection of past due finance lease receivables. Nonetheless, our performance has continued to be affected.

Looking forward to the second half of the financial year 2019/2020, the Group remains committed to place strong emphasis on the recovery of past due finance lease receivables. However, as affected by the intensifying international trade disputes and the overall economy remains unstable, there may be a further deterioration of asset quality. As a result, the Group will amplify the coverage of risk prevention, continuously strengthen and monitor its asset quality and intensify the restructuring and or disposal of risk volatile assets in order to maintain a stable position in its overall asset quality. In addition, the Group will continue to optimize its asset allocation and continue to explore potential growth opportunities in order to sustain the growth and profitability of the Group.

Corporate Governance Report

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

1. With effect from the conclusion of the annual general meeting of the Company held on 23 August 2019 and following the retirements of Mr. Duan Changfeng (“**Mr. Duan**”) and Ms. Zou Lin (“**Ms. Zou**”), the Board had only one Independent Non-executive Director (“**INED**”) which fell short of the minimum number (namely three INEDs) and proportion (namely one-third of the Board) as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The required composition of the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) of the Company did not, as a result of the retirements of Mr. Duan and Ms. Zou, meet the requirements under Rule 3.21, Rule 3.25 and the CG Code A.5.1 of Appendix 14 of the Listing Rules respectively.
2. Following the retirements of Mr. Duan and Ms. Zou, the Company has appointed Mr. Ng Wing Chung Vincent (“**Mr. Ng**”) as an INED, a member of the Audit Committee, a member of the Nomination Committee, the chairman of the Remuneration Committee and a member of the risk management committee (the “**Risk Management Committee**”) in each case with effect from 27 August 2019. Following such changes, the Board had only two INEDs which fell short of the minimum number (namely three INEDs) and proportion (namely one-third of the Board) as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The required composition of the Audit Committee, the Remuneration Committee and the Nomination Committee did not meet the requirements under Rule 3.21, Rule 3.25 and the CG Code A.5.1 of Appendix 14 of the Listing Rules respectively.
3. The Company has appointed Mr. Lie Chi Wing (“**Mr. Lie**”) as an INED, a member of the Audit Committee, a member of the Nomination Committee, a member of Remuneration Committee in each case with effect from 19 November 2019. Following such changes, the Company is in compliance with Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules.
4. Mr. Chen Shuai (“**Mr. Chen**”) has resigned as the chairman of the Board (the “**Chairman**”) and the chairman of the Nomination Committee but remains as a non-executive Director of the Company, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee due to his decision to devote more time to his other business commitments, in each case with effect from 19 November 2019 (the “**Resignation**”). Subsequent to the Resignation, the Company has appointed Mr. Ng as the chairman of the Nomination Committee with effect from 19 November 2019. Following such changes, the Company is in compliance with the CG Code A.5.1 of Appendix 14 of the Listing Rules. As at the date of this report, the Company does not have a Chairman. The Company will arrange for the election of the new Chairman in order to fill up the vacancy left due to the Resignation.

COMPOSITION AND RESPONSIBILITIES OF THE BOARD

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

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

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

The Chairman is responsible for the proposing and reviewing of corporate directions and strategies of the Group including the responsibilities as set forth in CG Code A.2.2 - A.2.9, while the Chief Executive Officer works with the Senior Management 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.

On 19 November 2019, Mr. Chen resigned as the Chairman and the Board currently does not have a Chairman to discharge the responsibilities as required under CG Code A.2.2 - A.2.9 following the Resignation. Please refer to the Company's announcement dated 19 November 2019 for further information. The Company will arrange for the election of the new Chairman in order to fill up the vacancy.

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

BOARD DIVERSITY POLICY

On 18 December 2015, the Company adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board in order to enhance the quality of its performance. On 2 May 2019, the Company has adopted a series of terms of reference for the Board committees in compliance with the regulations contained in the Companies Law of the Cayman Islands, the Listing Rules and the Articles. The Company recognizes and embraces the benefits of having a diversified Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage. Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In reviewing and assessing the Board composition, its diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, professional qualifications, skills, knowledge, industry and regional experience. The Company aims to maintain an appropriate balance of 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 the Audit Committee, the Nomination Committee, the Remuneration Committee and 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 of Hong Kong Limited (the "**Stock Exchange**").

Corporate Governance Report

Audit Committee

The Audit Committee was established by the Board 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 Company Law of the Cayman Islands, the Listing Rules and the Articles. The primary duties of the Audit Committee include but are not limited to the reviewing and supervising of the Group's financial reporting process and internal control system and providing advices and comments to the Board. As at the date of this report, the Audit Committee consists of two Non-executive Directors: Mr. Chen and Mr. Wong Ming Bun David ("**Mr. David Wong**"), and three INEDs: Mr. Lie, Mr. Ng and Mr. Yu Yang ("**Mr. Yu**"). The chairman of the Audit Committee is Mr. Yu.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2019 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

Nomination Committee

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

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

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

Remuneration Committee

The Remuneration Committee was established by the Board on 18 December 2015 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and code provision B.1 of the CG Code. The primary duties of the Remuneration Committee include but are not limited to regular monitoring of the remuneration of all the Directors and Senior Management to ensure that levels of their remuneration and compensation are appropriate. As at the date of this report, the Remuneration Committee consists of two Non-executive Directors: Mr. Chen and Ms. Michelle Wong and three INEDs: Mr. Lie, Mr. Ng and Mr. Yu. The chairman of the Remuneration Committee is Mr. Ng.

Risk Management Committee

The Risk Management Committee was established by the Board on 18 December 2015. The primary duties of the Risk Management Committee are to formulate and monitor the implementation of our major risk management policies and systems, ensuring 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 consists of one Executive Director: Ms. Wong Emilie Hoi Yan; two Non-executive Directors: Ms. Michelle Wong and Mr. David Wong and two INEDs: Mr. Ng and Mr. Yu. The chairman of the Risk Management Committee is Ms. Wong Emilie Hoi Yan.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS’ RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of financial statements of the Company for each financial period to be a true and fair presentation of the financial position of the Group. The Company’s financial statements are prepared in accordance with all statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and the related interpretations, adjustments and estimates made are prudent and reasonable and the financial statements have been prepared on a going concern basis. The Directors are aware of significant uncertainties which may cast doubt about the Group’s ability to continue as going concern as set out in note 2 in the condensed consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has the responsibility to maintain an effective risk management and internal control system in order to safeguard the Group’s assets, investments and the Shareholders’ interest. The Board reviews the effectiveness of the Group’s internal control system at least once a year. The Company had engaged an external independent internal audit service provider to review the effectiveness of the Group’s internal control system on financial reporting, operation and compliance. The relevant assessment and review reports with strengths and recommendations for improvements were presented to the Audit Committee and the Board for assessing the effectiveness of the risk management and internal control system. The Audit Committee has also reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group’s accounting, internal audit and financial reporting functions performed by the external independent internal audit service provider. The Board, through the reviews and recommendations made by the external independent internal audit service provider and the Audit Committee, concluded that certain areas in the risk management and internal control systems should be modified and updated to better enhance its effectiveness, hence the improvement in operations of the Group.

Other Information

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

As at 30 September 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 Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)(the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Capacity/nature of interest	Number of Shares/underlying Shares (Note 1)				Approximate % of issued shares
		Personal Interest	Corporate Interest	Other Interest	Total Interest	
Ms. Wong Emilie Hoi Yan ("Ms. Emilie Wong")	-	-	-	-	-	-
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 (L) (Note 2)	182,309,283 (L) (Note 3 and 4)	202,543,525 (L)	49.10%
	Beneficiary of a trust	-	-	38,503,380 (S) (Note 4)	38,503,380 (S)	9.33%
Ms. Wong Michelle Yatye ("Ms. Michelle Wong") (appointed on 11 July 2019)	Interest of controlled corporations and beneficiary of a trust	-	20,234,242 (L) (Note 2)	182,309,283 (L) (Note 3 and 4)	202,543,525 (L)	49.10%
	Beneficiary of a trust	-	-	38,503,380 (S) (Note 4)	38,503,380 (S)	9.33%
Mr. Wong Ming Bun David ("Mr. David Wong") (appointed on 11 July 2019)	-	-	-	-	-	-
Mr. Lie Chi Wing ("Mr. Lie") (appointed on 19 November 2019)	-	-	-	-	-	-
Mr. Ng Wing Chung Vincent ("Mr. Ng") (appointed on 27 August 2019)	-	-	-	-	-	-
Mr. Yu Yang ("Mr. Yu")	-	-	-	-	-	-

Notes:

1. The letters “L” and “S” denote the Directors’ long position and short position in the Shares or underlying Shares of the Company respectively.
2. Such interests include 10,127,176 Shares held by Legend Crown International Limited (“**Legend Crown**”) and 10,107,066 Shares held by Plenty Boom Investments Limited (“**Plenty Boom**”). Ms. Jacqueline Wong founded the discretionary trust (the “**Ace York Management Trust**”) of which the property included the entire issued share capital of Legend Crown and Plenty Boom. The trustee of the Ace York Management Trust is Ace York Investment Management Limited (“**Ace York Management**”, a company owned as to 50% by Ms. Jacqueline Wong and 50% by Ms. Michelle Wong), where the beneficiaries are Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s). By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong and Ace York Management are taken to have a duty of disclosure in relation to the said Shares held by Legend Crown and Plenty Boom under the SFO.
3. Such Shares include 143,805,903 Shares held by Perfect Honour Limited (“**Perfect Honour**”), which is a wholly owned subsidiary 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 Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s) are the beneficiaries of such trusts. The assets of the Allied Luck Trust include all the Goldbond’s shares held by Allied Luck Trading Limited (“**Allied Luck**”, a company wholly-owned by the Allied Luck Trust), being approximately 30.99% of the total issued share capital of Goldbond, (the “**Allied Luck Trust**”), and the assets of the Aceyork Trust included all the Goldbond’s shares held by Ace Solomon Investments Limited (“**Ace Solomon**”) being approximately 26.06% of the total issued share capital of Goldbond. Ace Solomon is a company jointly owned by Allied Golden Investment Limited (“**Allied Golden**”) and Aceyork Investment Limited (“**Aceyork**”), which (in each of the cases of Allied Golden and Aceyork) in turn are wholly-owned by the Aceyork Trust (the “**Aceyork Trust**”). Ms. Jacqueline Wong and Ms. Michelle Wong being beneficiaries of the Allied Luck Trust and the Aceyork Trust, in turn, holds approximately 34.86% of the issued share capital of the Company through Perfect Honour. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have a duty of disclosure in relation to the said Shares held by Perfect Honour under the SFO.
4. On 3 May 2018, Solomon Glory Limited (“**Solomon Glory**”), which is a wholly owned subsidiary of Goldbond, as lender, enforced its rights under the security of a loan agreement pursuant to which Yong Hua International Limited (“**Yong Hua**”) has charged its assets including the shares (the “**Charged Shares**”) of the Company held by Yong Hua by way of floating charge, which has been crystallised into a fixed charge. On 2 July 2019, the Board was notified that an order was issued on 13 March 2019 by The High Court of The Hong Kong Special Administrative Region to the effect that, among others, the Charged Shares shall be sold by China Galaxy International Securities (Hong Kong) Co., Limited (as agent) provided that each of the Charged Shares shall not be sold at a price of more than 10% discount to the average closing prices of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited for the previous 10 consecutive trading days prior to the date of sale of the Charged Shares or any of them.
5. As at 30 September 2019, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 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.

Other Information

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

So far as the Directors are aware as of 30 September 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:

Interest in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/underlying Shares (Note 1)	Total Interest	Approximate % of issued shares
Ms. Wong Jacqueline Yue Yee ("Ms. Jacqueline Wong")	(i) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (L) (Note 2)		
	(ii) Beneficiary of a trust	182,309,283 (L) (Note 3 and 4)	202,543,525 (L)	49.10%
	(iii) Beneficiary of a trust	38,503,380 (S) (Note 4)		9.33%
Ms. Wong Michelle Yatyee ("Ms. Michelle Wong")	(i) Interest in controlled corporations	20,234,242 (L) (Note 2)		
	(ii) Beneficiary of a trust	182,309,283 (L) (Note 3 and 4)	202,543,525 (L)	49.10%
	(iii) Beneficiary of a trust	38,503,380 (S) (Note 4)		9.33%
Mr. Wong Charles Yu Lung ("Mr. Wong")	Trustee	182,309,283 (L) (Note 3 and 4)		44.20%
	Trustee	38,503,380 (S) (Note 4)		9.33%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Trustee	182,309,283 (L) (Note 3 and 4)		44.20%
	Trustee	38,503,380 (S) (Note 4)		9.33%
Goldbond Group Holdings Limited ("Goldbond")	Interest in controlled corporation	182,309,283 (L) (Note 3 and 4)		44.20%
	Interest in controlled corporation	38,503,380 (S) (Note 4)		9.33%

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/underlying Shares (Note 1)	Total Interest	Approximate % of issued shares
Perfect Honour Limited ("Perfect Honour")	Beneficial owner	143,805,903 (L) (Note 3)		34.86%
Solomon Glory Limited ("Solomon Glory")	Having a security interest in shares	38,503,380 (L) (Note 4)		9.33%
	Having a security interest in shares	38,503,380 (S) (Note 4)		9.33%
Mr. Zhao John Huan ("Mr. Zhao")	Interest in controlled corporation	84,752,255 (L) (Note 5)		20.55%
Silver Creation Investments Limited ("Silver Creation")	Beneficial owner	84,752,255 (L) (Note 5)		20.55%
Hony Capital Fund 2008, L.P. ("Hony Capital")	Interest in controlled corporation	84,752,255 (L) (Note 5)		20.55%
Hony Capital Fund 2008 GP, L.P. ("Hony GP, L.P.")	Interest in controlled corporation	84,752,255 (L) (Note 5)		20.55%
Hony Capital Fund 2008 GP Limited ("Hony GP")	Interest in controlled corporation	84,752,255 (L) (Note 5)		20.55%
Hony Group Management Limited ("Hony Management")	Interest in controlled corporation	84,752,255 (L) (Note 5)		20.55%
Hony Managing Partners Limited ("Hony Partners")	Interest in controlled corporation	84,752,255 (L) (Note 5)		20.55%
Exponential Fortune Group Limited ("Exponential Fortune")	Interest in controlled corporation	84,752,255 (L) (Note 5)		20.55%
Mr. Xie Xiaoqing ("Mr. Xie")	Interest in controlled corporation	12,704,220 (L) (Note 6)		
	Interest in controlled corporation	38,503,380 (L) (Note 7)	51,207,600 (L)	12.41%
	Interest in controlled corporation	38,503,380 (S) (Note 7)		9.33%
Yong Hua International Limited ("Yong Hua")	Beneficial Owner	38,503,380 (L) (Note 7)		9.33%
	Beneficial Owner	38,503,380 (S) (Note 7)		9.33%

Other Information

Notes:

1. The letters “L” and “S” denote a person’s/an entity’s long position and short position in the Shares or underlying Shares of the Company respectively.
2. 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 2 on page 29 of this report for further details. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.
3. The six references to the 143,805,903 Shares relate to the same block of Shares held by Perfect Honour. Please refer to Note 3 on page 29 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Perfect Honour and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour.
4. The twelve references to the 38,503,380 Shares relate to the same block of Shares held by Solomon Glory. Please refer to Note 4 on page 29 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Solomon Glory and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Solomon Glory.
5. 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.
6. 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.
7. Such Shares are held by Yong Hua, a company owned as to 100% by Mr. Xie. Please refer to Note 4 on page 29 of this report for further details. By virtue of the above, Mr. Xie is taken to have a duty of disclosure in relation to the said Shares held by Yong Hua under the SFO.
8. As at 30 September 2019, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 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.

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

CONTINUING CONNECTED TRANSACTIONS

CONNECTED PERSONS

Rongzhong Group Limited (“Rongzhong Group”)

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

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

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

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

Other Information

Finance Lease Guarantee Agreements

For all our financial leasing arrangements, in addition to the leased assets, we normally require our customers to provide additional securities to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the “**Additional Assets**”) as we are a wholly-foreign invested financial leasing entity. In this regard, our subsidiary and main operating entity, Rongzhong International Financial Leasing Co., Ltd (“**Rongzhong PRC**”) entered into (i) one finance lease guarantee agreement with Wuhan Rongzhong on 15 May 2015 and 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 Jinhong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

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 30 September 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 which shall expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 30 September 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 30 September 2019	As at 31 March 2019
	<i>(HK\$' million approximately)</i>	
Mr. Xie	619.3	662.4
Rongzhong Capital Investments	619.3	662.4

The Trademarks License Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee Agreements are in favorable terms to the Group and all applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules are less than 0.10%. Accordingly, the Trademarks Licence Agreements, the Finance Lease Guarantee Agreements, the Litigation Guarantee Framework Agreements and the Bank Guarantee Agreements qualify 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 a member of the Group);
- b. Mr. Wong, Mrs. Wong, Legend Crown and Plenty Boom (except for Rongzhong Group and its close associates); and
- c. Mr. Xie, Yong Hua, Clifton Rise and Capital Grower (except Rongzhong Group and its close associates);

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

Other Information

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

- (i) not, directly or indirectly, be interested or involved or engaged in or acquire or hold any right or interest (in each case whether as a director or shareholder, other than being a director or shareholder of the Group, partner, agent or otherwise and whether for profit, reward or otherwise) in any business which competes or is likely to compete directly or indirectly with the finance leasing business currently and from time to time engaged by the Group including but not limited to the provision of direct leasing, sale leaseback and financial leasing related advisory services to SMEs in the PRC (the “**Restricted Activity**”) (other than the small loan business operated by Yancheng Goldbond 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 a business investment or an interest in any entity relating to the Restricted Activity (the “**Acquired Entity**”) pursuant to the paragraph headed “New business opportunity” above, the relevant Covenantor and/or its subsidiaries and/or its close associates (as applicable) (other than members of the Group) shall provide us with a right of first refusal (the “**Right of First Refusal**”) for a duration of one month to acquire any such Restricted Activity if they intend to dispose any equity interest in the Acquired Entity. Where the Independent Board Committee of the Company decides to waive the Right of First Refusal by way of written notice, the relevant Covenantor and/or its subsidiaries and/or its close associates (as applicable) may offer to sell such Restricted Activity to other third parties on such terms which are no more favorable than those made available to the Group. In deciding whether to exercise the above options, the Directors will consider various factors including the purchase price, the nature of the products and services and their values and benefits, as well as the benefits that they will bring to the Group.

Customer referral obligation

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

Other Information

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 (the "**Risk Management Committee**") of the Company has completed an evaluation on the new customer and is satisfied that Rongzhong PRC is not qualified to provide finance leasing services to the new customer.

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

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

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

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

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

DEED OF UNDERTAKING

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

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

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

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

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

Other Information

SHARE OPTION SCHEME

On 18 December 2015, the Company conditionally approved and adopted the share option scheme (the “**Share Option Scheme**”) in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to provide any Directors and full time employees of any member(s) of our Group (the “**Participant(s)**”) with the opportunity to acquire proprietary interest in our Company and to encourage them to work towards enhancing the value of our Company and its shares for the benefit of the Company and its Shareholders as a whole. On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and substantial shareholders of our Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 40,000,000 Shares in total.

There were no share options outstanding under the Share Option Scheme for the six months ended 30 September 2019 nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme during the Reporting Period.

EQUITY-LINKED AGREEMENTS

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

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

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

OTHERS

Change of Directors/Other Directorship/Major Appointment

On 11 July 2019, Ms. Wong Michelle Yatyee (“**Ms. Michelle Wong**”) has been appointed as a Non-executive Director (“**Non-executive Director**”) of the Company, a member of the Remuneration Committee and a member of the Risk Management Committee. Ms. Michelle Wong is an executive director of Goldbond, and is a controlling shareholder of the Company (“**Controlling Shareholder**”). Ms. Michelle Wong is a daughter of Mr. Wong Charles Yu Lung and Mrs. Wong Fang Pik Chun, each (including Ms. Michelle Wong) a Controlling Shareholder. She is a sister of Ms. Wong Jacqueline Yue Yee, a Non-executive Director and a Controlling Shareholder. She is also a cousin of Ms. Wong Emilie Hoi Yan (“**Ms. Emilie Wong**”), the Executive Director and the Chief Executive Officer. Ms. Michelle Wong has entered into a service contract with the Company for her appointment as a Non-executive Director and her term of office shall continue until the next annual general meeting of the Company and subject to retirement by rotation in accordance with the provisions of the Articles. Ms. Michelle Wong is entitled to a director’s fee of HK\$120,000 per annum as specified in her service contract, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee) with reference to her duties and responsibilities within the Group and the market rate for a similar position. Such remuneration is subject to review by the Remuneration Committee from time to time. Ms. Michelle Wong is interested in Legend Crown and Plenty Boom which have interests in the shares of the Company (“**Shares**”). Ms. Michelle Wong is also the beneficiary of a trust. Ms. Michelle Wong was taken to be interested in a total of 202,543,525 underlying Shares within the meaning of Part XV of the SFO. Ms. Michelle Wong is also a director of (i) certain subsidiaries of Goldbond, (ii) Legend Crown and (iii) Plenty Boom.

For further information regarding Ms. Michelle Wong's appointment as a Non-executive Director, please refer to the Company's announcement dated 11 July 2019.

On 11 July 2019, Mr. Wong Ming Bun David ("**Mr. David Wong**") has been appointed as a Non-executive Director, a member of the Audit Committee and a member of the Risk Management Committee. Mr. David Wong, is a Certified Public Accountant (AICPA, HKICPA), Chartered Global Management Accountant (AICPA) and Certified Management Accountant (IMA). Mr. David Wong has entered into a service contract with the Company for his appointment as a Non-executive Director and his term of office shall continue until the next annual general meeting of the Company and subject to retirement by rotation in accordance with the provisions of the Articles. Mr. David Wong is entitled to a director's fee of HK\$120,000 per annum as specified in his service contract, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee) with reference to his duties and responsibilities within the Group and the market rate for similar position. Such remuneration is subject to review by the Remuneration Committee from time to time.

For further information regarding Mr. David Wong's appointment as a Non-executive Director, please refer to the Company's announcement dated 11 July 2019.

At the conclusion of the annual general meeting of the Company held on 23 August 2019:

- i. Mr. Duan Changfeng has retired as an INED and has ceased to be the chairman of the Remuneration Committee, a member of the Audit Committee, a member of the Nomination Committee and a member of the Risk Management Committee; and
- ii. Ms. Zou Lin has retired as an INED and has ceased to be a member of the Audit Committee, a member of the Nomination Committee, a member of the Remuneration Committee and a member of the Risk Management Committee.

On 27 August 2019, Mr. Ng has been appointed as an INED of the Company, a member of the Audit Committee, a member of the Nomination Committee, the chairman of Remuneration Committee and a member of the Risk Management Committee. Mr. Ng, is a Fellow Chartered Accountant (ICAEW), Certified Public Accountant (HKICPA) and Chartered Financial Analyst® (CFA Institute). Mr. Ng has entered into a service contract with the Company for his appointment as an INED and his term of office shall continue until the next annual general meeting of the Company and subject to retirement by rotation in accordance with the provisions of the Articles. Mr. Ng is entitled to a director's fee of HK\$120,000 per annum as specified in his service contract, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee) with reference to his duties and responsibilities within the Group and the market rate for similar position. Such remuneration is subject to review by the Remuneration Committee from time to time.

On 27 August 2019, Ms. Emilie Wong, the Executive Director had resigned as a member of the Nomination Committee. Following the resignation of Ms. Emilie Wong, Ms. Michelle Wong has been appointed as a member of the Nomination Committee with effect from 27 August 2019.

For further information regarding Mr. Ng's appointment as an INED, Ms. Emilie Wong's resignation as a member of the Nomination Committee and Ms. Michelle Wong's appointment as a member of the Nomination Committee, please refer to the Company's announcement dated 27 August 2019.

On 19 November 2019, Mr. Chen Shuai ("**Mr. Chen**") has resigned as the Chairman and the chairman of the Nomination Committee. Mr. Ng, an existing INED, has been appointed as the chairman of the Nomination Committee with effect from 19 November 2019.

Other Information

On 19 November 2019, Mr. Lie has been appointed as an INED of the Company, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee. Mr. Lie is a fellow member of the Association of Chartered Certified Accountants and a practicing member of the Hong Kong Institute of Certified Public Accountants. He is also a Chartered Financial Analyst. Mr. Lie has entered into a service contract with the Company for his appointment as an INED and his term of office shall continue until the next annual general meeting of the Company and subject to retirement by rotation in accordance with the provisions of the Articles. Mr. Lie is entitled to a director's fee of HK\$120,000 per annum as specified in his service contract, which was determined by the Board (the decision of which was based on the recommendation of the Remuneration Committee) with reference to his duties and responsibilities within the Group and the market rate for similar position. Such remuneration is subject to review by the Remuneration Committee from time to time.

For further information regarding Mr. Chen's resignation as the Chairman and the chairman of the Nomination Committee, Mr. Ng's appointment as the chairman of the Nomination Committee and Mr. Lie's appointment as an INED, please refer to the Company's announcement dated 19 November 2019.

By Order of the Board
Wong Emilie Hoi Yan
Executive Director

Hong Kong, 26 November 2019