



China Rongzhong Financial Holdings Company Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 03963



2020/2021
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. Cheng Choi Ha

REGISTERED OFFICE

Second Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.chinarzfh.com

AUDITOR

BDO Limited
Certified Public Accountants

LEGAL ADVISER

JTC Solicitors

PRINCIPAL SHARE REGISTRAR

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

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 2020 (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 2020

	Notes	Six months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	10,364	17,058
Other income		319	247
Net exchange (loss)/gain		(368)	1,279
Staff costs		(2,997)	(3,352)
Reversal of impairment losses on financial assets		29,997	9,362
Other operating expenses		(3,319)	(5,177)
Finance costs	5	(15,160)	(15,546)
Profit before income tax	6	18,836	3,871
Income tax expense	7	–	(4,004)
Profit/(loss) for the period		18,836	(133)
Other comprehensive income/(expense)			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation to presentation currency		773	(3,530)
Total comprehensive income/(expense) for the period		19,609	(3,663)
Earnings/(loss) per share			
Basic and diluted (HK cents)	9	4.57	(0.03)

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	102	168
Lease receivables and receivables arising from sale and leaseback arrangements	11	110,663	123,816
		110,765	123,984
Current assets			
Lease receivables and receivables arising from sale and leaseback arrangements	11	812,476	747,226
Loan receivable	12	6,621	6,621
Prepayments and other receivables		8,335	8,314
Security deposits	13	7,519	7,352
Short term bank deposits with original maturity within three months		11,625	14,775
Bank balances and cash		4,340	6,812
		850,916	791,100
Current liabilities			
Deposits from customers		210,739	206,047
Other payables and accrued charges	14	19,252	17,956
Deferred income		–	9
Lease liabilities		758	1,209
Tax liabilities		61,218	59,858
Bank borrowings	15	354,471	107,822
		646,438	392,901
Net current assets		204,478	398,199
Total assets less current liabilities		315,243	522,183

Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	Notes	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Non-current liabilities			
Lease liabilities		238	467
Bank borrowings	15	279,872	506,434
		280,110	506,901
Net assets			
		35,133	15,282
EQUITY			
Capital and reserves			
Share capital	16	4,125	4,125
Reserves		31,008	11,157
Total equity			
		35,133	15,282

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Statutory surplus reserve HK\$'000 (note)	Share option reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019 (Audited)	4,125	552,818	32,430	–	(49,517)	(455,232)	84,624
Loss for the period	–	–	–	–	–	(133)	(133)
Exchange differences arising on translation to presentation currency	–	–	–	–	(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
At 1 April 2020 (Audited)	4,125	552,818	32,430	80	(53,213)	(520,958)	15,282
Profit for the period	–	–	–	–	–	18,836	18,836
Exchange differences arising on translation to presentation currency	–	–	–	–	773	–	773
Total comprehensive income for the period	–	–	–	–	773	18,836	19,609
Recognition of equity-settled share-based payments	–	–	–	242	–	–	242
At 30 September 2020 (Unaudited)	4,125	552,818	32,430	322	(52,440)	(502,122)	35,133

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 2020

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash from operating activities	4,078	21,351
INVESTING ACTIVITIES		
Interest received from bank deposits and net cash from investing activities	94	247
FINANCING ACTIVITIES		
Bank loans raised	23,777	–
Repayment of bank loans	(31,778)	(17,579)
Interest paid	(659)	(12,329)
Capital element of lease rentals paid	(744)	–
Interest element of lease rentals paid	(42)	–
Net cash used in financing activities	(9,446)	(29,908)
Net decrease in cash and cash equivalents	(5,274)	(8,310)
Cash and cash equivalents at 1 April	21,587	43,188
Effect of foreign exchange rate changes	(348)	(580)
Cash and cash equivalents at 30 September	15,965	34,298
Analysis of cash and cash equivalents:		
Bank balances and cash	4,340	19,154
Short term bank deposits with original maturity within three months	11,625	15,144
	15,965	34,298

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

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 Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands and its principal place of business in Hong Kong is Room 1306, 13/F, Tai Yau Building, No. 181 Johnston Road, Wan Chai, Hong Kong.

The Company and its subsidiaries (collectively referred to 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 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 2020.

Going Concern

The worsened general economic environment caused by the outbreak of the COVID-19 pandemic has adversely impacted on the collectability of the lessees of the Group’s lease receivables and receivables arising from sale and leaseback arrangements because these lessees are mostly small and medium enterprises in the Hubei Province of the PRC. As at 30 September 2020, the Group had lease receivables and receivables arising from sale and leaseback arrangements amounting to approximately HK\$1,827,182,000 that were all past due and an aggregate impairment loss of approximately HK\$904,043,000 was provided for these receivables (Note 11). At the same date, the Group had bank borrowings of approximately HK\$354,471,000 that were repayable within 12 months after the end of the Reporting Period while the cash and cash equivalents maintained was approximately HK\$15,965,000 only. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group’s ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

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

Going Concern (continued)

In view of these circumstances, the directors of the Company have prepared a cash flow forecast covering a period of 18 months from the end of the Reporting Period. In doing so, they have given careful consideration to the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern after taking account of the following plans and measures:

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

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit, debt restructuring, and any effective methods to improve the liquidity position of the Group.

Subsequent to the Reporting Period, the Group has entered into an assets disposal agreement to dispose of certain receivables arising from sale and leaseback arrangements to an independent third party to alleviate the liquidity pressure of the Group. As the market to dispose of the receivables is readily accessible, more receivables would be realised by this means should a further liquidity need arise.

(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.

Based on the above plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this report and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

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 2020 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 2020. The new or amended Hong Kong Financial Reporting Standards that are effective from 1 April 2020 did not have any material impact on the Group's accounting policies.

4. REVENUE AND SEGMENT INFORMATION

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

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest income arising from sale and leaseback arrangements	10,078	15,273
Finance lease income	286	1,785
	10,364	17,058

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.

5. FINANCE COSTS

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on borrowings	15,109	15,381
Imputed interest expense on interest-free deposits from customers	9	98
Interest on lease liabilities	42	67
	15,160	15,546

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Directors' remuneration	1,166	1,141
Other staff costs		
– Salaries, allowances and other staff benefits	1,804	2,090
– Staff's retirement benefit scheme contributions	27	121
Total staff costs	2,997	3,352
Depreciation of property, plant and equipment	83	803
Short-term lease expenses	44	233
Impairment losses on property, plant and equipment	42	–

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax		
Enterprise Income Tax in the PRC		
– Provision for the current period	–	4,214
– Over provision in prior period	–	(210)
	–	4,004

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

As at 30 September 2020, the Group had unused tax losses of approximately HK\$3,042,000 (31 March 2020: approximately HK\$2,975,000) and had deductible temporary differences of approximately HK\$917,679,000 (31 March 2020: approximately HK\$923,885,000) 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

8. DIVIDEND

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 September 2020, nor has any dividend been proposed since the end of the Reporting Period (six months ended 30 September 2019: nil).

9. EARNINGS/(LOSS) PER SHARE

	Six months ended 30 September	
	2020 (Unaudited)	2019 (Unaudited)
Earnings/(loss):		
Earnings/(loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share (HK\$'000)	18,836	(133)
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted earnings/(loss) per share (in thousands)	412,509	412,509

The basic and diluted earnings/(loss) per share is calculated based on the earnings/(loss) attributable to owners of the Company and the weighted average number of ordinary shares in issue for the six months ended 30 September 2020 and 2019.

The calculation of diluted earnings per share for the six months ended 30 September 2020 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

The Group had no potential ordinary shares in issue during the six months ended 30 September 2019.

10. PROPERTY, PLANT AND EQUIPMENT

There was no addition and disposal of equipment of the Group during both periods.

During the six months ended 30 September 2020, additions to right-of-use assets were approximately HK\$56,000. The additions are non-cash transaction.

As at 30 September 2020, management identified impairment indicator of property, plant and equipment due to the worsened general economic environment and the outbreak of the COVID-19 which the Group's performance was adversely affected. After the impairment assessment by the management, impairment loss of approximately HK\$42,000 (six months ended 30 September 2019: nil) was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

11. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS

The Group provides financial leasing services in the PRC.

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Lease receivables	17,526	17,136
Receivables arising from sale and leaseback arrangements	905,613	853,906
	923,139	871,042
	Minimum lease payments	
	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Lease receivables and receivables arising from sale and leaseback arrangements comprise:		
Within one year	1,726,030	1,658,248
In more than one year but not more than two years	23,416	56,089
In more than two years but not more than three years	22,525	22,024
In more than three years but not more than four years	21,634	21,153
In more than four years but not more than five years	20,743	20,282
More than five years	36,163	35,359
	1,850,511	1,813,155
Less: Unearned finance income	(23,329)	(31,562)
	1,827,182	1,781,593
Less: Impairment allowance	(904,043)	(910,551)
	923,139	871,042
Analysed for reporting purposes as:		
Current assets	812,476	747,226
Non-current assets	110,663	123,816
	923,139	871,042

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

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

The Group's lease receivables and receivables arising from sale and leaseback arrangements are denominated in Renminbi ("RMB") which is the functional currency of the relevant group entity. The effective interest rates of the above lease receivables and receivables arising from sale and leaseback arrangements mainly ranged from 7.6% to 25.0% (31 March 2020: 7.6% to 25.0%) per annum as at 30 September 2020.

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

Lease receivables and receivables arising from sale and leaseback arrangements were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 30 September 2020, an aggregate lease receivables and receivables arising from sale and leaseback arrangements of approximately HK\$904,043,000 (31 March 2020: approximately HK\$910,551,000) was determined to be impaired under the lifetime expected credit losses ("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.

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

	HK\$'000
At 1 April 2019 (Audited)	899,192
Impairment losses recognised, net	46,713
Unwinding discount on loss allowance	4,610
Exchange realignment	(39,964)
At 31 March 2020 and 1 April 2020 (Audited)	910,551
Reversal of impairment losses, net	(29,997)
Unwinding discount on loss allowance	3,398
Exchange realignment	20,091
At 30 September 2020 (Unaudited)	904,043

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

12. LOAN RECEIVABLE

As at 30 September 2020 and 31 March 2020, 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 receivable was past due as at 30 September 2020 and 31 March 2020.

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

	HK\$'000
At 1 April 2019 (Audited)	2,761
Impairment losses recognised	1,505
At 31 March 2020 (Audited) and 30 September 2020 (Unaudited)	4,266

13. SECURITY DEPOSITS

Security deposits are placed by the Group with banks to secure the Group's due performance in relation to the lease and sale and leaseback services in the PRC and secure the Group's bank borrowings. The security deposits carry interest at prevailing market rate of 0.35% (31 March 2020: 0.35%) per annum.

14. OTHER PAYABLES AND ACCRUED CHARGES

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Other tax payables	15,873	14,755
Advance receipt from customers	586	573
Accrued charges	1,919	1,701
Payables to finance lease equipment suppliers	148	144
Other payables	726	783
	19,252	17,956

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

15. BANK BORROWINGS

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Secured	155,628	157,116
Unsecured	478,715	457,140
	634,343	614,256
Carrying amount repayable:		
Within one year	354,471	107,822
More than one year, but not exceeding two years	153,736	376,434
More than two years, but not exceeding five years	126,136	130,000
	634,343	614,256
Less: amounts shown under current liabilities	(354,471)	(107,822)
	279,872	506,434

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

	30 September 2020 HK\$'000 (Unaudited)	31 March 2020 HK\$'000 (Audited)
Variable-rate borrowings	609,977	588,927
Fixed-rate borrowings	24,366	25,329
	634,343	614,256

As at 30 September 2020 and 31 March 2020, the Group's variable-rate borrowings carry interest at the rate from 4.75% to 4.90% per annum. The remaining balance of fixed-rate borrowings carry interest at the rate of 8.05% per annum.

As at 30 September 2020, the Group's bank borrowings with carrying amount of approximately HK\$131,262,000 (31 March 2020: approximately HK\$131,787,000) were granted by a bank in the PRC and secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying values of approximately HK\$121,783,000 (31 March 2020: approximately HK\$120,408,000).

As at 30 September 2020, the Group's bank borrowings with carrying amount of approximately HK\$24,366,000 (31 March 2020: approximately HK\$25,329,000) were secured by bank deposits of approximately HK\$1,136,000 (31 March 2020: approximately HK\$1,111,000).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

15. BANK BORROWINGS (continued)

As at 30 September 2020 and 31 March 2020, the Group's bank borrowings with carrying amount of approximately HK\$478,715,000 (31 March 2020: approximately HK\$457,140,000) 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 2020 and 31 March 2020, the Group's bank borrowings with carrying amount of approximately HK\$155,628,000 (31 March 2020: approximately HK\$157,116,000) 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 entity.

16. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each		
At 31 March 2020 (Audited) and 30 September 2020 (Unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 31 March 2020 (Audited) and 30 September 2020 (Unaudited)	412,509,000	4,125

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

17. 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.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 September 2020

17. RELATED PARTY TRANSACTIONS (continued)

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Salaries and other allowances	1,402	1,482
Retirement benefit scheme contributions	18	50
Equity-settled share-based payments	25	–
	1,445	1,532

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

18. EVENTS AFTER THE REPORTING DATE

- (i) During the six months ended 30 September 2020, the Group entered into an assets disposal agreement and agreed to sell certain rights and interests of the Group's lease receivables and receivables arising from sale and leaseback arrangements at a cash consideration of RMB16,000,000. The underlying receivables represented the seven lease receivables and receivables arising from sale and leaseback arrangements, which were past due as at the signing date of the assets disposal agreement, entered into by the Group (as lessor) and the relevant lessees. For the details of the transaction, please refer to the Company's announcements dated 5 May 2020 and 15 May 2020.

On 9 November 2020, the Group unilaterally terminated the abovementioned assets disposal agreement with immediate effect. For further details, please refer to the Company's announcement dated 9 November 2020.

- (ii) On 9 November 2020, the Group entered into an assets disposal agreement and agreed to sell certain rights and interests of the Group's receivables arising from sale and leaseback arrangements at a cash consideration of RMB6,400,000. The underlying receivables represented the two receivables arising from sale and leaseback arrangements, which were past due as at the signing date of the assets disposal agreement, entered into by the Group (as lessor) and the relevant lessees. For the details of the transaction, please refer to the Company's announcement dated 9 November 2020.

19. IMPACT OF COVID-19 PANDEMIC

The COVID-19 pandemic since early 2020 has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position. The Group has been closely monitoring the impact of the development of the epidemic and assess its impact on its operations. However, due to the inherent unpredictable nature of the COVID-19 pandemic, the actual financial impacts could be different depending on future development of the pandemic. The actual financial impact, if any, will be reflected in the Group's financial statements for the year ending 31 March 2021.

Management Discussion and Analysis

BUSINESS OVERVIEW

The Group is principally engaged in the business of the provision of financial leasing services in Hubei Province, the 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 pertain to the financial information of the Group.

Revenue

We have one principal business segment, which is the provision of financial leasing services in the PRC and in turn generates interest income and finance 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. We record both types of income as a single item in the interim condense consolidated financial statements. The Group realized revenue for the Reporting Period of approximately HK\$10.4 million, representing a decrease of approximately 39.2% from approximately HK\$17.1 million as recorded in the previous corresponding period ended 30 September 2019. This was mainly due to the Group's prudent and conservative strategy to promote business during the continued static economy in order to safeguard our assets with additional emphasis placed on the recovery of past due lease receivables and receivables arising from sale and leaseback arrangements and enhancement of internal control.

Staff costs

Staff costs of the Group amounted to approximately HK\$3.0 million for the Reporting Period, representing a decrease of approximately 10.6% from approximately HK\$3.4 million recorded in the previous corresponding period ended 30 September 2019. 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\$3.3 million, representing a decrease of approximately 35.9% from approximately HK\$5.2 million recorded in the previous corresponding period ended 30 September 2019. This was mainly due to decrease in professional service fees in relation to the recovery of past due lease receivables and receivables arising from sale and leaseback arrangements.

Reversal of impairment losses on financial assets

Reversal of impairment losses on financial assets is approximately HK\$30.0 million for the Reporting Period. This was mainly due to changes in recoverability of certain past due lease receivables and receivables arising from sale and leaseback arrangements. In the previous corresponding period ended 30 September 2019, the reversal of impairment losses on financial assets amounted to approximately HK\$9.4 million.

Other income

Other income of the Group mainly comprised of bank interest income and government grants. During the Reporting Period, the other income of the Group amounted to approximately HK\$0.3 million, which is an increase of approximately 29.1% from approximately HK\$0.2 million recorded in the previous corresponding period ended 30 September 2019. Such an increase was due to the increase in government subsidies.

Finance costs

Finance costs of the Group comprised of interest on bank borrowings, interest on lease liabilities and imputed interest expense on interest-free deposits from customers. During the Reporting Period, finance costs of the Group amounted to approximately HK\$15.2 million, representing a decrease of approximately 2.5% from approximately HK\$15.5 million in the previous corresponding period ended 30 September 2019. This was mainly due to the decrease in the principal amount of bank borrowings.

As at 30 September 2020, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK\$634.3 million (30 September 2019: approximately HK\$619.3 million) and the guarantee fee paid to the related parties during the Reporting Period amount to nil (six months ended 30 September 2019: 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.

Profit for the period

Profit for the period attributable to the owners of the Company amounted to approximately HK\$18.8 million for the Reporting Period. This was mainly due to the reversal of impairment losses on financial assets. In the previous corresponding period ended 30 September 2019, loss for the period amounted to approximately HK\$0.1 million.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: nil).

Liquidity, financial resources and capital resources

As at 30 September 2020, the aggregate sum of the Group’s bank balances and cash, short-term bank deposits amounted to approximately HK\$16.0 million (31 March 2020: approximately HK\$21.6 million), representing a decrease of approximately HK\$5.6 million compared to 31 March 2020. This was due to a combination of multiple effects including the Group’s conservative strategy to promote business during the economic downturn resulting in a decrease in business volume, slow-down in the collection of past due financial assets, and thus, an increase in the use of internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK\$204.5 million (31 March 2020: approximately HK\$398.2 million) and approximately HK\$35.1 million (31 March 2020: approximately HK\$15.3 million) respectively.

As at 30 September 2020, the Group’s bank borrowings with maturity within one year amounted to approximately HK\$354.5 million (31 March 2020: approximately HK\$107.8 million) and the Group’s bank borrowings with maturity that exceeded one year amounted to approximately HK\$279.9 million (31 March 2020: approximately HK\$506.4 million). For particulars of bank borrowings of the Group as at 30 September 2020, please refer to note 15 to the interim condensed consolidated financial statements.

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2020 was approximately 1805.5% (31 March 2020: approximately 4019.5%).

Loan receivable

Loan receivable represents an unsecured loan to a third party with principal amount of HK\$10.0 million (31 March 2020: HK\$10.0 million) carrying interest at 10% per annum. The loan receivable was past due as at 30 September 2020 and the impairment loss allowance is approximately HK\$4.3 million (31 March 2020: approximately HK\$4.3 million).

Management Discussion and Analysis

Charges on group assets

As at 30 September 2020, the Group's bank borrowings with carrying amount of approximately HK\$131.3 million (31 March 2020: approximately HK\$131.8 million) were granted by a bank in the PRC and secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying value of approximately HK\$121.8 million (31 March 2020: approximately HK\$120.4 million).

As at 30 September 2020, the Group's bank borrowings with carrying amount of approximately HK\$24.4 million (31 March 2020: approximately HK\$25.3 million) were secured by bank deposits of approximately HK\$1.1 million (31 March 2020: approximately HK\$1.1 million).

Capital commitments

As at 30 September 2020, the Group had no capital commitments (31 March 2020: nil).

Employees and remuneration policy

As at 30 September 2020, the Group had 22 staff located in both Hong Kong and the PRC, and their remuneration is determined based on the employees' performance, experience and prevailing industry practices. The Group also offers other benefits such as medical insurance, retirement schemes and training subsidies to our employees. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

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

PRC employees are covered by the mandatory social security schemes operated by the PRC government. The Group is required by the PRC laws to contribute a certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. There were no forfeited contributions utilised to offset 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 and the sustainability of our business and future growth depend on our ability to manage our credit risk effectively. As such, any deterioration in our asset quality or collectability of our lease receivables and receivables arising from sale and leaseback arrangements could adversely affect our business, prospects and financial conditions. Due to the continuation of the downturn in economic pressure in the PRC, it is inevitable for some corporations to be faced with a greater risk of default, especially the SMEs. As most SMEs customers in general have less financial resources in terms of capital or fund raising capability when comparing to larger corporations, and as such, they are more likely to be adversely affected by changes in market conditions, which poses increasing risk of default to our Group. Our management has been monitoring the changes of our customers' credit risk, and we had, in fact, in some cases requested additional collaterals and pledged assets from customers as a form of additional precautionary measures. We will continue to closely monitor the value of the related leased assets and the collaterals securing our leases in order to take effective additional precautionary measures to minimize our risk of exposure to such credit risks.

Risk relating to funding sources and interest rate

Our 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 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 2020, the Group did not have any material contingent liabilities (31 March 2020: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

EVENTS AFTER THE PERIOD UNDER REVIEW

Termination of discloseable transaction in relation to the disposal of underlying assets

During the six months ended 30 September 2020, the Group entered into an assets disposal agreement and agreed to sell certain rights and interests of the Group's lease receivables and receivables arising from sale and leaseback arrangements at a cash consideration of RMB16,000,000. The underlying receivables represented the seven lease receivables and receivables arising from sale and leaseback arrangements, which were past due as at the signing date of the assets disposal agreement, entered into by the Group (as lessor) and the relevant lessees. For the details of the transaction, please refer to the Company's announcements dated 5 May 2020 and 15 May 2020.

On 9 November 2020, the Group unilaterally terminated the abovementioned assets disposal agreement with immediate effect. For further details, please refer to the Company's announcement dated 9 November 2020.

Discloseable transaction in relation to the disposal of underlying assets

On 9 November 2020, the Group entered into an assets disposal agreement and agreed to sell certain rights and interests of the Group's receivables arising from sale and leaseback arrangements at a cash consideration of RMB6,400,000. The underlying receivables represented the two receivables arising from sale and leaseback arrangements, which were past due as at the signing date of the assets disposal agreement, entered into by the Group (as lessor) and the relevant lessees. For the details of the transaction, please refer to the Company's announcement dated 9 November 2020.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

The first half of the financial year 2020/2021 continued to be extremely difficult and challenging for the Group, due to the outbreak of the novel coronavirus (“**COVID-19**”) the Group had been forced to suspend its main operations in Wuhan and Hubei Province of the PRC since January 2020. While certain restrictions that was previously imposed had been gradually lifted and the Group is making its best effort to restore its normal operation after months of lock down, the Group’s operation and productivity is still subject to material challenges and uncertainties.

Looking forward, while the duration of the COVID-19 epidemic remains uncertain and the global political tensions had seriously affected the global economy, the domestic economic recovery remains under pressure. Nevertheless, the Group remains committed to adhere to place strong emphasis on the recovery of past due lease receivables and receivables arising from sale and leaseback arrangements and to amplify the coverage of risk prevention. The Group has plans to diversify its business outside of Hubei Province, as well as to develop new business in the PRC and Asia Pacific region as a new source of income to diversify its business risk. We will continue to work prudently to safeguard the shareholders’ interest and develop the Group’s business in the upcoming challenging times.

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 recommended best practices set out in the CG Code except for the following:

Mr. Chen Shuai (“**Mr. Chen**”) has resigned as the chairman of the Board (the “**Chairman**”) and the chairman of the nomination committee of the Company (the “**Nomination Committee**”) but remains as a non-executive Director of the Company, a member of the audit committee of the Company (the “**Audit Committee**”), a member of the Nomination Committee and a member of the remuneration committee of the Company (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 Wing Chung Vincent (“**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 one executive Director (the “**Executive Director**”), four non-executive Directors (the “**Non-executive Directors**” and each a “**Non-executive Director**”) and three independent Non-executive Directors (“**INEDs**”).

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

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

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

Ms. Wong Emilie Hoi Yan (“**Ms. Emilie Wong**”) is currently the Chief Executive Officer. 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 A2.2 - A.2.9 following the Resignation. Please refer to the Company’s announcement dated 19 November 2019 for further information.

The Company currently has no Chairman. The daily operation and management of the Company are monitored by the Executive Director as well as the Senior Management. The Board is of the view that although there is no Chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company’s objectives efficiently and effectively in response to the changing environment. The Company will, at the appropriate time, arrange for the election of the new Chairman.

Corporate Governance Report

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 amended and restated memorandum and articles of association of the Company as adopted by a special resolution passed on 18 December 2015 (the "**Articles**"), at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

BOARD DIVERSITY POLICY

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

BOARD COMMITTEES

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

Audit Committee

The Audit Committee was established 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 Companies Law of the Cayman Islands, the Listing Rules and the Articles. The primary duties of the Audit Committee include but are not limited to reviewing the Group's financial information, overseeing the Group's financial reporting system and internal control procedures, risk management system and maintaining relationship with the Group's external auditor and providing recommendations to the Board. As at the date of this report, the Audit Committee consists of two Non-executive Directors: Mr. Chen and Mr. Wong Ming Bun David ("**Mr. David Wong**"); and three INEDs: Mr. Lie Chi Wing ("**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 2020 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 the setting of the criteria and process in the nomination and appointment of Directors, ensuring the Board has a balance of skills and diversity of perspectives appropriate to the Company and to ensure the continuity and appropriate leadership in the Board. The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- character and integrity;
- qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- requirements of INEDs 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 the Listing Rules and the CG Code. The primary duties of the Remuneration Committee include but are not limited to regularly monitoring of the remuneration of all the Directors and Senior Management to ensure that levels of their remuneration and compensation are appropriate, to assess the performance of the Executive Director and to approve the terms of the Executive Director's service contracts and to make recommendations to the Board on the remuneration package of the Executive Director and Senior Management.. As at the date of this report, the Remuneration Committee consists of two Non-executive Directors: Mr. Chen and Ms. Michelle Wong; and 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, ensure necessary measures are adopted by the Senior Management to identify, evaluate, measure, detect, control and mitigate risks and conduct regular review on the risk management reports submitted by the Senior Management. It is also in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB100.0 million and other risk-related issues in our operations that may have a material impact on our business. As at the date of this report, the Risk Management Committee consists of one Executive Director: Ms. Emilie Wong; 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. Emilie Wong.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

DIRECTORS’ RESPONSIBILITY OF FINANCIAL REPORTING

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

As at 30 September 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong)(the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Capacity/ nature of interest	Number of Shares/underlying Shares (Note 1)				Approximate % of issued shares
		Personal Interest	Corporate Interest	Other Interest	Total Interest	
Ms. Wong Emilie Hoi Yan ("Ms. Emilie Wong")	Beneficial owner	400,000 (L) (Note 5)	-	-	400,000 (L)	0.1%
Mr. Chen Shuai ("Mr. Chen")	-	-	-	-	-	-
Ms. Wong Jacqueline Yue Yee ("Ms. Jacqueline Wong")	Beneficial owner/ Interest of controlled corporations/founder of a discretionary trust and beneficiary of a trust	400,000 (L) (Note 5)	20,234,242 (L) (Note 2)	182,309,283 (L) (Note 3 and 4)	202,943,525 (L)	49.2%
	Beneficiary of a trust	-	-	38,503,380 (S) (Note 4)	38,503,380 (S)	9.33%
Ms. Wong Michelle Yatyee ("Ms. Michelle Wong")	Beneficial owner/ Interest of controlled corporations and beneficiary of a trust	400,000 (L) (Note 5)	20,234,242 (L) (Note 2)	182,309,283 (L) (Note 3 and 4)	202,943,525 (L)	49.2%
	Beneficiary of a trust	-	-	38,503,380 (S) (Note 4)	38,503,380 (S)	9.33%
Mr. Wong Ming Bun David ("Mr. David Wong")	Beneficial owner	4,000,000 (L) (Note 5)	-	-	4,000,000 (L)	0.97%
Mr. Lie Chi Wing ("Mr. Lie")	Beneficial owner	22,000 (L) (Note 5)	-	-	22,000 (L)	0.01%
Mr. Ng Wing Chung Vincent ("Mr. Ng")	Beneficial owner	22,000 (L) (Note 5)	-	-	22,000 (L)	0.01%
Mr. Yu Yang ("Mr. Yu")	Beneficial owner	22,000 (L) (Note 5)	-	-	22,000 (L)	0.01%

Other Information

Notes:

1. The letters “L” and “S” denote the Directors’ long position and short position in the Shares or underlying Shares of the Company respectively.
2. Such interests include 10,127,176 Shares held by Legend Crown International Limited (“**Legend Crown**”) and 10,107,066 Shares held by Plenty Boom Investments Limited (“**Plenty Boom**”). Ms. Jacqueline Wong founded the discretionary trust (the “**Ace York Management Trust**”) of which the property included the entire issued share capital of Legend Crown and Plenty Boom. The trustee of the Ace York Management Trust is Ace York Investment Management Limited (“**Ace York Management**”, a company owned as to 50% by Ms. Jacqueline Wong and 50% by Ms. Michelle Wong), where the beneficiaries are Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s). By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong and Ace York Management are taken to have a duty of disclosure in relation to the said Shares held by Legend Crown and Plenty Boom under the SFO.
3. Such Shares include 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. These interests represent the interests in underlying Shares in respect of the share options granted by the Company to these Directors.
6. As at 30 September 2020, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2020, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the Directors are aware as of 30 September 2020, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Interest in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares (Note 1)	Total Interest	Approximate % of issued shares
Ms. Wong Jacqueline Yue Yee ("Ms. Jacqueline Wong")	(i) Beneficial owner	400,000 (L) (Note 2)		
	(ii) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (L) (Note 3)		
	(iii) Beneficiary of a trust	182,309,283 (L) (Note 4 and 5)	202,943,525 (L)	49.2%
	(iv) Beneficiary of a trust	38,503,380 (S) (Note 5)		9.33%
Ms. Wong Michelle Yatyee ("Ms. Michelle Wong")	(i) Beneficial owner	400,000 (L) (Note 2)		
	(ii) Interest in controlled corporations	20,234,242 (L) (Note 3)		
	(iii) Beneficiary of a trust	182,309,283 (L) (Note 4 and 5)	202,943,525 (L)	49.2%
	(iv) Beneficiary of a trust	38,503,380 (S) (Note 5)		9.33%
Mr. Wong Charles Yu Lung ("Mr. Wong")	Trustee	182,309,283 (L) (Note 4 and 5)		44.2%
	Trustee	38,503,380 (S) (Note 5)		9.33%
Mrs. Wong Fang Pik Chun ("Mrs. Wong")	Trustee	182,309,283 (L) (Note 4 and 5)		44.2%
	Trustee	38,503,380 (S) (Note 5)		9.33%
Goldbond Group Holdings Limited ("Goldbond")	Interest in controlled corporation	182,309,283 (L) (Note 4 and 5)		44.2%
	Interest in controlled corporation	38,503,380 (S) (Note 5)		9.33%

Other Information

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares (Note 1)	Total Interest	Approximate % of issued shares
Perfect Honour Limited ("Perfect Honour")	Beneficial owner	143,805,903 (L) (Note 4)		34.86%
Solomon Glory Limited ("Solomon Glory")	Having a security interest in shares	38,503,380 (L) (Note 5)		9.33%
	Having a security interest in shares	38,503,380 (S) (Note 5)		9.33%
Mr. Zhao John Huan ("Mr. Zhao")	Interest in controlled corporation	84,752,255 (L) (Note 6)		20.55%
Silver Creation Investments Limited ("Silver Creation")	Beneficial owner	84,752,255 (L) (Note 6)		20.55%
Hony Capital Fund 2008, L.P. ("Hony Capital")	Interest in controlled corporation	84,752,255 (L) (Note 6)		20.55%
Hony Capital Fund 2008 GP, L.P. ("Hony GP, L.P.")	Interest in controlled corporation	84,752,255 (L) (Note 6)		20.55%
Hony Capital Fund 2008 GP Limited ("Hony GP")	Interest in controlled corporation	84,752,255 (L) (Note 6)		20.55%
Hony Group Management Limited ("Hony Management")	Interest in controlled corporation	84,752,255 (L) (Note 6)		20.55%
Hony Managing Partners Limited ("Hony Partners")	Interest in controlled corporation	84,752,255 (L) (Note 6)		20.55%
Exponential Fortune Group Limited ("Exponential Fortune")	Interest in controlled corporation	84,752,255 (L) (Note 6)		20.55%
Mr. Xie Xiaoqing ("Mr. Xie")	Interest in controlled corporation	12,704,220 (L) (Note 7)		
	Interest in controlled corporation	38,503,380 (L) (Note 8)	51,207,600 (L)	12.41%
	Interest in controlled corporation	38,503,380 (S) (Note 8)		9.33%
Yong Hua International Limited ("Yong Hua")	Beneficial Owner	38,503,380 (L) (Note 8)		9.33%
	Beneficial Owner	38,503,380 (S) (Note 8)		9.33%

Notes:

1. The letters “L” and “S” denote a person’s/an entity’s long position and short position in the Shares or underlying Shares of the Company respectively.
2. These interests represent the interests in underlying Shares in respect of the share options granted by the Company to these Substantial Shareholders.
3. 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 28 of this report for further details. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.
4. The six references to the 143,805,903 Shares relate to the same block of Shares held by Perfect Honour. Please refer to Note 3 on page 28 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Perfect Honour and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Perfect Honour.
5. The 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 28 of this report for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Solomon Glory and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Solomon Glory.
6. 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.
7. 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.
8. Such Shares are held by Yong Hua, a company owned as to 100% by Mr. Xie. Please refer to Note 4 on page 28 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.
9. As at 30 September 2020, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any person who had an interest or short position in the Shares and the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Other Information

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

CONTINUING CONNECTED TRANSACTIONS

CONNECTED PERSONS

Rongzhong Group Limited (“Rongzhong Group”)

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

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

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

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

Finance Lease Guarantee Agreements

For all our financial leasing arrangements, in addition to the leased assets, we normally require our customers to provide additional securities to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the “**Additional Assets**”) as we are a wholly-foreign invested financial leasing entity. In this regard, our subsidiary and main operating entity, Rongzhong International Financial Leasing Co., Ltd (“**Rongzhong PRC**”) entered into (i) one finance lease guarantee 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.

Other Information

The Bank Guarantee Agreements

On 28 June 2017, 10 December 2019 and 25 May 2020, Mr. Xie and Rongzhong Capital Investments had each entered into bank guarantee agreements with certain banks (collectively as the “**Bank Guarantee Agreements**”) pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain 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 2020, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantees in favor of the banks for their grant of loans to Rongzhong PRC, such guarantees 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 2020, 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	As at
	30 September 2020	31 March 2020
	<i>(HK\$' million approximately)</i>	
Mr. Xie	634.3	614.3
Rongzhong Capital Investments	634.3	614.3

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**”.

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

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

New business opportunity

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

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

Other Information

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

Upon receipt of the Offer Notice, we will seek opinions and decisions from the 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.

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

Right of first refusal

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

Customer referral obligation

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

Conflict check obligation

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

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

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

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

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

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

DEED OF UNDERTAKING

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

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.

SHARE OPTION SCHEME

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

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

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

Notes:

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

Other Information

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.

By Order of the Board
Wong Emilie Hoi Yan
Executive Director

Hong Kong, 27 November 2020