RONGZHONG

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03963)

PRELIMINARY ANNOUNCEMENT OF THE RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 AND CLOSURE OF REGISTER OF MEMBERS

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Rongzhong Financial Holdings Company Limited (the "**Company**", and its subsidiaries, the "**Group**") hereby announces the audited consolidated financial results of the Group for the year ended 31 March 2018 (the "**Reporting Period**") with comparative figures for the year ended 31 March 2017. All amounts set out in this announcement are expressed in Hong Kong dollars (HK$) unless otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	6	**128,503**	183,746
Other income	7	**1,235**	5,141
Other gains and losses		**(4,129)**	3,093
Staff costs		**(6,875)**	(9,215)
Impairment losses on finance lease receivables		**(398,904)**	(333,612)
Other operating expenses		**(8,944)**	(26,597)
Finance costs	8	**(46,339)**	(59,165)
Loss before income tax		**(335,453)**	(236,609)
Income tax expense	9	**(17,069)**	(40,551)
Loss for the year	10	**(352,522)**	(277,160)
Other comprehensive income/(expense)			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**45,411**	(49,978)
Total comprehensive expense for the year		**(307,111)**	(327,138)
Loss per share	12		
Basic and diluted (HK cents)		**(85)**	(67)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Equipment		**1,409**	2,167
Finance lease receivables	*13*	**231,313**	465,319
		232,722	467,486
Current assets			
Finance lease receivables	*13*	**920,419**	970,647
Loan receivable		**10,833**	10,685
Prepayments and other receivables		**7,164**	5,654
Security deposits		**8,169**	7,435
Short term bank deposits with original maturity within three months		**30,128**	30,015
Bank balances and cash		**35,594**	13,241
		1,012,307	1,037,677
Current liabilities			
Deposits from finance lease customers		**222,125**	207,764
Other payables and accrued charges		**19,818**	16,198
Deferred income		**1,923**	3,671
Tax liabilities		**53,182**	33,247
Bank borrowings	*14*	**491,457**	675,003
		788,505	935,883
Net current assets		**223,802**	101,794
Total assets less current liabilities		**456,524**	569,280

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Non-current liabilities			
Deposits from finance lease customers		**8,823**	44,287
Deferred income		**132**	1,954
Bank borrowings	*14*	**239,020**	7,379
		247,975	53,620
Net assets		**208,549**	515,660
Capital and reserves			
Share capital		**4,125**	4,125
Reserves		**204,424**	511,535
Total equity		**208,549**	515,660

1. GENERAL

China Rongzhong Financial Holdings Company Limited (the "Company") was incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are provision of financial leasing services in the People's Republic of China (the "PRC").

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

2. BASIS OF PREPARATION

2.1 Going concern basis

The Group recorded a net loss attributable to owners of the Company of HK$352,522,000 for the year ended 31 March 2018. In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had total bank borrowings amounted to HK$730,477,000 as at 31 March 2018 of which bank borrowings of HK$491,457,000 would be due for repayment within 12 months from the date of the consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$65,722,000 only. In addition, during the year ended and subsequent to 31 March 2018, there are certain litigations ("Litigations") in the PRC and Hong Kong in relation to the guarantors of the Group's bank borrowings, which are relating to non-repayment of the guarantors' liabilities. In accordance with the relevant loan agreements and guarantee agreements of the Group's bank borrowings, in case there are significant litigation against the guarantors or significant worsening of financial position of the guarantors, the Group may have additional obligations to fulfil and/or the banks may claim there are events of default, depending on the terms of the agreements. Should the Litigations constitute or have become events of default under the respective bank loan agreements, including cross-default terms, these might cause an aggregated amount of borrowings up to HK$730,477,000 at 31 March 2018, of which an aggregate amount of HK$239,020,000 had original contractual repayment dates beyond 31 March 2019, to become immediately repayable and the said amount of HK$239,020,000 might be reclassified as current liabilities accordingly.

In addition, as further detailed in note 13, the majority of the Group's finance lease receivables were past due as at 31 March 2018. The Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of HK$817,493,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 31 March 2018 have not yet been collected as at the date of approval of these consolidated financial statements. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

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

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

(i) Negotiations of obtaining banking facilities and clarifications for the Litigations

The Group has negotiated with the relevant banks to refinance its existing debts and the directors of the Company expect to obtain new banking facilities or renewal of or extensions for repayment of existing bank borrowings in the near future. During the year ended 31 March 2018, the Group had successfully renewed its debts with principal amounts of approximately HK$341,499,000 for at least one year and obtained banking facilities of which HK$137,590,000 has not been utilised up to the reporting date. Also, subsequent to the end of the reporting period, the Group successfully renewed bank borrowings of HK$41,235,000 upon maturity and obtained letters from banks to confirm the repayments of loans are normal and renewal applications are being processing. The Group has also communicated with the relevant banks if the Litigations may have impacts on the Group's bank borrowings and, up to the date of this report, the relevant banks have not taken any action against the Group because of the Litigations. However, as at the date of approval of these consolidated financial statements, written and binding new banking facilities letter (except for bank borrowings of HK$41,235,000) and formal clarifications on the impact of the Litigations have not been executed or received from the relevant banks.

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

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

(iii) Implementation of active cost-saving measures

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

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

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

(i) Successful in obtaining of sufficient new banking facilities to refinance its existing debts or renewal of or extensions for repayment of existing borrowings;

(ii) Successful in negotiations with the relevant banks such that no action will be taken to demand immediate repayments of the borrowings because of the Litigations; and

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

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

2.2 Statement of compliance

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

2.3 Basis of measurement

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

3. ADOPTION OF HKFRSs

3.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new standards, amendments and interpretations ("the new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2017:

HKFRSs (Amendments)	Annual Improvements 2014-2016 Cycle
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

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

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The adoption of the amendments has led to the additional disclosure to the financial statements. No comparative information for the preceding period is required when the amendment was first adopted.

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

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

[1] *Effective for annual periods beginning on or after 1 January 2018*

[2] *Effective for annual periods beginning on or after 1 January 2019*

[3] *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.*

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Impairment of finance lease receivables

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of finance lease receivables is HK$1,151,732,000 (2017: HK$1,435,966,000), net of impairment allowance of HK$817,493,000 (2017: HK$373,682,000).

5. SEGMENT INFORMATION

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

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

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

	2018	2017
	HK$'000	*HK$'000*
Customer A	**37,550**	39,033

6. REVENUE

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

7. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Government grants	**–**	4,070
Interest income from a loan receivable	**981**	685
Bank interest income	**235**	201
Others	**19**	185
	1,235	5,141

8. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on borrowings	**42,471**	49,430
Imputed interest expense on interest-free deposits from finance lease customers	**3,868**	9,735
	46,339	59,165

9. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax		
Enterprise Income Tax in the PRC		
– Tax for the year	**17,050**	30,484
– Under provision in prior year	**19**	50
	17,069	30,534
Deferred tax	**–**	10,017
Income tax expense	**17,069**	40,551

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

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

10. LOSS FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	**1,407**	1,747
– Short-term employee benefits	**1,602**	1,591
– Retirement benefit scheme contributions	**74**	81
Salaries, allowances and other staff benefits	**3,508**	5,281
Staff's retirement benefit scheme contributions	**284**	515
Total staff costs	**6,875**	9,215
Depreciation of equipment	**915**	1,736
Auditor's remuneration	**1,500**	1,080
Operating lease rentals in respect of properties	**1,921**	2,266
Impairment losses on other assets	**–**	13,483

11. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

12. LOSS PER SHARE

	2018	2017
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**352,522**	277,160

	2018	2017
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**412,509**	412,509

The basic and diluted loss per share is calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares for the years ended 31 March 2018 and 2017.

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

13. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

	Minimum lease payments		**Present value of minimum lease payments**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Finance lease receivables comprise:				
Within one year	**1,682,340**	1,387,006	**1,629,257**	1,292,527
In more than one year but not more than five years	**308,808**	485,709	**262,510**	428,465
More than five years	**85,327**	99,929	**77,458**	88,656
	2,076,475	1,972,644	**1,969,225**	1,809,648
Less: Unearned finance income	**(107,250)**	(162,996)	**–**	–
Present value of minimum lease payment	**1,969,225**	1,809,648	**1,969,225**	1,809,648
Less: Impairment allowance	**(817,493)**	(373,682)	**(817,493)**	(373,682)
	1,151,732	1,435,966	**1,151,732**	1,435,966
Analysed for reporting purposes as:				
Current assets			**920,419**	970,647
Non-current assets			**231,313**	465,319
			1,151,732	1,435,966

The Group's finance lease receivables are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above finance leases range mainly from 7.6% to 21.9% (2017: 9.5% to 23.9%) per annum as at 31 March 2018.

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

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor individually impaired	**194,537**	311,846
Past due but not individually impaired	**194,937**	100,226
Past due but individually impaired	**1,579,751**	1,397,576
Subtotal	**1,969,225**	1,809,648
Less: Collective impairment allowance	**(134,987)**	(69,308)
Individual impairment allowance	**(682,506)**	(304,374)
	1,151,732	1,435,966

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

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

	2018	2017
	HK$'000	*HK$'000*
Less than one month	**–**	159
More than one month but less than three months	**–**	1,211
More than three months but less than one year	**6,899**	1,336
	6,899	2,706

Management reviews and assesses for impairment individually based on customers' repayment history and the values of the assets pledged. As at 31 March 2018, an aggregate carrying amount of HK$6,899,000 (2017: HK$2,706,000) was past due but the Group has not provided for individual impairment loss as management considered there has not been a significant change in credit quality for these customers.

As at 31 March 2018, an aggregate finance lease receivables of HK$682,506,000 (2017: HK$304,374,000) was individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties or were in default.

As at 31 March 2018, aggregate finance lease receivables with carrying amount of HK$134,987,000 (2017: HK$69,308,000) was determined to be impaired on a collective basis.

14. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Secured	**359,734**	572,082
Unsecured	**370,743**	110,300
	730,477	682,382
Carrying amount repayable*:		
Overdue	**–**	98,119
Within one year	**491,457**	38,114
More than one year, but not exceeding two years	**160,231**	7,379
More than two years, but not exceeding five years	**78,789**	–
	730,477	143,612
Repayable within one year and being demanded by the banks for immediate repayment	**–**	307,062
Repayable more than one year, but being demanded by the banks for immediate repayment	**–**	231,708
	730,477	682,382
Less: amounts shown under current liabilities	**(491,457)**	(675,003)
	239,020	7,379

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of China Rongzhong Financial Holdings Company Limited (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group due to the potential interaction of the multiple uncertainties and their possible cumulative effect on the consolidated financial statements as described in the "Basis for Disclaimer of Opinion" section of our report. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group recorded a net loss attributable to owners of the Company of HK$352,522,000 for the year ended 31 March 2018; and as at that date, the Group had total bank borrowings amounted to HK$730,477,000 of which bank borrowings of HK$491,457,000 would be due for repayment within 12 months from the date of the consolidated financial statements in accordance with the repayment dates of the respective agreements, while the Group maintained its cash and cash equivalents of HK$65,722,000 only.

Also, during the year ended and subsequent to 31 March 2018, there are certain litigations in the People's Republic of China (the "PRC") and Hong Kong against the guarantors of the Group's bank borrowings (the "Litigations"), which are relating to non-repayment of the guarantors' liabilities. In accordance with the relevant loan agreements and guarantee agreements of the Group's bank borrowings, in case there are significant litigation against the guarantors or significant worsening of financial position of the guarantors, the Group may have additional obligations to fulfill and/or the banks may claim there are events of default, depending on the terms of the agreements. Should the Litigations constitute or have become events of default under the respective bank loan agreements, including those under the cross-default terms, these might cause an aggregate amount of borrowings up to HK$730,477,000 at 31 March 2018, of which an aggregate amount of HK$239,020,000 had original contractual repayment dates beyond 31 March 2019, to become immediately repayable and the said amount of HK$239,020,000 might be classified as current liabilities accordingly.

In addition, we draw attention to notes 2.1 and 17 to the consolidated financial statements which indicate that the majority of the Group's finance lease receivables were past due as at 31 March 2018. The Group has experienced a significant slow-down in the collection of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 31 March 2018 have not yet been collected as at the date of this report. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings that fall due in the foreseeable future.

In order to improve its liquidity and financial position, the Group has negotiated with the relevant banks to refinance its existing debts and estimates to obtain a sufficient new banking facility or renewal of or extensions for repayments of existing bank borrowings in the near future. The Group has also communicated with the relevant banks if the Litigations may have impact on the Group's bank borrowings and, up to the date of this report, the relevant banks have not taken any action against the Group because of the Litigations. However, written and binding new banking facility letter (except for bank borrowings of HK$41,235,000) and formal clarification on the impact of the Litigations have not been executed or received by the Group as at the date of this report.

The above conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures as set out in note 2.1 to the consolidated financial statements, which are subject to multiple uncertainties, including (i) the successful negotiations with the banks for additional new sources of financing or renewal of or extensions for repayment of existing bank borrowings; (ii) the successful negotiations with the relevant banks such that no action will be taken to demand immediate repayments of the borrowings because of the Litigations; and (iii) the successful implementation and acceleration of its collecting plan of finance lease receivables to collect a substantial amount of finance lease receivables in the near future.

Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 2.1 to the consolidated financial statements, it might not be able to continue to operate as a going concern, and 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 any further liabilities which might 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 the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FINANCIAL REVIEW

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

Revenue

We have one principal business segment, financial leasing, and our two services derived are financial leasing services and financial advisory services provided as a value added service to our leasing customers, which in turns generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Advisory income is determined solely on the advisory services we provide and since our advisory services are normally provided in conjunction with our leasing services, we record both types of income as a single item in our financial statements. The Group realized revenue for the Reporting Period of approximately HK$128.5 million, representing a decrease of approximately 30.1% from approximately HK$183.7 million as recorded in the previous corresponding period ended 31 March 2017. This was mainly due to the Group's prudent and conservative strategy to promote business during the static economy in order to safeguard our asset.

Staff costs

Staff costs of the Group amounted to approximately HK$6.9 million for the Reporting Period, representing a decrease of approximately 25.4% from approximately HK$9.2 million recorded in the previous corresponding period ended 31 March 2017. This was mainly due to decrease in the amount of incentive payments to management.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$8.9 million, representing a decrease of approximately 66.4% from approximately HK$26.6 million recorded in the previous corresponding period ended 31 March 2017. This was mainly due to non-recurring expenses recorded in the previous corresponding period.

Impairment losses on finance lease receivables

The impairment losses on finance lease receivables is approximately HK$398.9 million for the Reporting Period, representing an increase of approximately HK$65.3 million from approximately HK$333.6 million recorded in the previous corresponding period ended 31 March 2017. Such increase is mainly due to the Group having experienced a significant slow-down in the collection of these receivables in the overall protracting economic down-turn.

Other income

Other income of the Group mainly comprised of interest income from loan and bank interest income. During the Reporting Period, the other income of the Group amounted to approximately HK$1.2 million, representing a decrease of approximately 76.0% from approximately HK$5.1 million recorded in the previous corresponding period ended 31 March 2017.

Loss for the year

Loss for the period of the Company amounted to approximately HK$352.5 million, representing an increase of approximately 27.2% from approximately HK$277.2 million loss recorded in the previous corresponding period ended 31 March 2017. This was mainly due to decrease in revenue recorded and increase in the recognition of provision for the impairment losses of finance lease receivables.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2018. The proposal is subject to the approval of shareholders of the Company ("Shareholders") at the 2018 annual general meeting (the "2018 AGM") to be held on 29 August 2018.

Liquidity, financial resources and capital resources

As at 31 March 2018, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK$65.7 million (2017: approximately HK$43.3 million), representing an increase of approximately HK$22.5 million compared to 31 March 2017, this was due to the Group's conservative strategy to promote business during the economic downturn resulting in a decrease in business volume and, thus, an increase in internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK$223.8 million (2017: approximately HK$101.8 million) and approximately HK$208.5 million (2017: approximately HK$515.7 million).

As at 31 March, 2018 the Group's bank borrowings with maturity within one year amounted to approximately HK$491.5 million (2017: approximately HK$675.0 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK$239.0 million (2017: approximately HK$7.4 million).

Our gearing ratio (total bank borrowings/total equity) as at 31 March 2018 is approximately 350.3% (2017: approximately 132.3%).

Charges on group assets

As at 31 March 2018, the Group's finance lease receivables with an aggregate carrying value of approximately HK$277.5 million (2017: approximately HK$555.7 million) was pledged to several banks in the PRC respectively to secure certain bank borrowings of the Group.

Employees and remuneration policy

As at 31 March 2018, the Group had 28 staffs located in both Hong Kong and the PRC, their remuneration is determined based on the employees' performance, experience and prevailing industry practices. The Group also offers other benefits such as medical insurance, retirement scheme and training subsidies to our employees.

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

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

RISK FACTORS AND MANAGEMENT

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

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

Risk relating to funding sources and interest rate

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

Foreign exchange risk

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

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities of guarantees (2017: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

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

PROSPECTS

Going forward, the Group is likely to face many challenges and great uncertainties, our business is positioned to fulfill the financing needs of SMEs mainly in Hubei Province, we are therefore, exposed to the risk of geographical concentration in terms of revenue and risk diversification. Similar to many of our SMEs clients, being affected by short term liquidity pressure due to the tightening of credit policies and increase in the difficulties in the collections of receivables. Such uncertainties may lead to further deterioration in asset quality, not only does it impose higher risks exposure to our existing customers, the credit assessment and granting of loans to new customers must also be extra cautious, which may affect our revenue. Notwithstanding this unfavorable economic environment, the Group is committed to continue to place more emphasis on the enhancement of credit risk prevention and control in order to improve the overall customers' credit and asset quality, which in turn benefits the Group in the long run. The Group will also strengthen its efforts in building its team and enhance the overall management efficiency in order to uphold our high standards in management so as to maintain our leading position among the industry.

CONTINUING CONNECTED TRANSACTIONS

CONNECTED PERSONS

Rongzhong Group Limited ("Rongzhong Group")

Goldbond Group Holding Limited ("Goldbond"), our controlling shareholder and Hony Capital Fund 2008, L.P. ("Hony Capital"), one of our substantial shareholders, are indirectly interested in 40.00% and 40.00% respectively of the issued share capital in Rongzhong Group. Rongzhong Group is therefore a joint venture of Goldbond and Hony Capital. Pursuant to the Listing Rules, Rongzhong Group, together with Wuhan Jinhong Investment Guarantee Company Limited 武漢金弘投資擔保有限公司 ("Wuhan Jinhong"), an indirect wholly-owned subsidiary of Rongzhong Group, are connected persons of our Company.

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

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

On 15 June 2015, Rongzhong Capital 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 our prospectus dated 18 January 2016 subject to the terms and conditions therein. During the term of the Trademarks Licence Agreements, Rongzhong Capital and its affiliates are entitled to use the trademarks listed therein as their corporate logos and for conducting any of their publicity related activities. Further, Rongzhong Group and Rongzhong Internet will not transfer or license or grant any rights to use the trademarks listed in the Trademarks Licence Agreements to any third party whose business competes or is likely to compete with the business of Rongzhong Capital or dispose such trademarks unless prior written consent is obtained from Rongzhong Capital. Where Rongzhong Group and Rongzhong Internet obtain registration of any other trademarks containing the words "RONGZHONG", "RONG ZHONG", "融眾" or "融眾" under their names, Rongzhong Group and Rongzhong Internet will license the use of such other registered trademarks to Rongzhong Capital and its affiliates by entering into a separate licence agreement with Rongzhong Capital on the same terms and conditions as the Trademarks Licence Agreements. The Trademarks Licence Agreements are terminable in the event that the trademarks listed therein have been legally transferred to Rongzhong Capital or upon the winding-up or liquidation of Rongzhong Capital or otherwise agreed by the parties in writing.

Finance Lease Guarantee Agreements

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

Litigation Guarantee Framework Agreements

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

The Bank Guarantee Agreements

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

On 31 March 2018, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantee in favor of the banks for their grant of loans to Rongzhong PRC, such guarantees expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 31 March 2018, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for their grant of loans to Rongzhong PRC.

Guarantor(s)	**As at 31 March 2018**	**As at 31 March 2017**
	(HK$' million approximately)	
Mr. Xie	730.5	192.1
Rongzhong Capital Investments	730.5	192.1

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

REVIEW OF 2017/18 CONSOLIDATED FINANCIAL STATEMENTS

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in this preliminary results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Wednesday, 29 August 2018 at 2/F, J Plus, 35 – 45B Bonham Strand, Sheung Wan, Hong Kong. The notice of the 2018 AGM will be published on the websites of the Stock Exchange namely "HKEXnews" and the Company and sent to the Shareholders, together with the Company's 2018 Annual Report, in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining Shareholders' eligibility to attend and vote at the 2018 AGM, the register of members of the Company will be closed from Friday, 24 August 2018 to Wednesday, 29 August 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be qualified for attending and voting at the 2018 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 pm on Thursday, 23 August, 2018.

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

Hong Kong, 27 June 2018

As at the date of this announcement, the executive directors of the Company are Mr. Xie Xiaoqing and Mr. Yao Feng; the non-executive directors of the Company are Ms. Li Yu Lian Kelly, Mr. Sun Changyu and Ms. Wong Jacqueline Yue Yee; and the independent non-executive directors of the Company are Mr. Duan Chang Feng, Mr. Nie Yong and Ms. Zou Lin.