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)

SUPPLEMENTAL ANNOUNCEMENT

Reference is made to the annual report of China Rongzhong Financial Holdings Company Limited (the "**Company**") for the year ended 31 March 2022 (the "**Annual Report**"). Capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

1. ADDITIONAL INFORMATION REGARDING AUDIT DISCLAIMERS

Material uncertainties relating to going concern

As explained in the section headed note 2.1 to the consolidated financial statements, notwithstanding that the Group's consolidated financial statements for the year ended 31 March 2022 have been prepared on a going concern basis, there are conditions together with other matters described there 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 such conditions, the Company has, during the course of audit, provided to the Company's auditor with all available information and has given careful consideration to the Group's current liquidity, performance and available resources in considering the Group's ability to continue as a going concern. The Company has taken and will continue to implement the measures as further detailed in note 2.1 to the consolidated financial statements to rectify the matters in relation to the disclaimer of opinion. Based on the 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 31 March 2022 and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Action plan to address the material uncertainties relating to going concern

(i) Obtaining new source of finance to improve working capital requirements

On 21 October 2021, the Company and Goldbond, the Company's substantial shareholder, entered into the Goldbond Loan Agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date. The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 31 March 2022 and 26 September 2022, the amount of HK$33,100,000 and HK$20,348,000, respectively, represent stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

(ii) 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 other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an aggregate gross carrying value of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately RMB1,108,142,000. In addition, the Group has taken alternative measures and utilize the Group's expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the year ended 31 March 2022, the Group obtained a letter of undertaking dated 29 June 2021 from the Related Party (namely Rongzhong Capital Investments Group Limited), three independent parties and Mr. Xie Xiaoqing as a director of a subsidiary of the Company and a substantial shareholder of the Company (all being the guarantors of the Bank Loans) (collectively, the "**Guarantors**"). Pursuant to the undertaking, (i) each of the Guarantors has undertaken to continue to perform its obligations as a guarantor as stipulated under the relevant loan agreements subsequent to the completion of the Transfer of Bank Borrowings, and to use its best endeavours to provide all necessary assistance to the Group to facilitate the application of the Transfer of Bank Borrowings; (ii) the Guarantors will undertake all the repayment responsibilities of the Bank Loans; and (iii) it was acknowledged that Rongzhong PRC would, in accordance with the request of the relevant bank, transfer certain lease receivables and receivables arising from sale and leaseback arrangements to Rongzhong Capital Investments subsequent to the completion of the Transfer of Bank Borrowings. Such undertaking shall remain effective after two years from the completion of the Transfer of Bank Borrowings. If (i) Rongzhong PRC withdraw the application of the Transfer of Bank Borrowings or (ii) the relevant bank rejected the application of the Transfer of Bank Borrowings, such undertaking shall be cancelled. As at 31 March and 30 September 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements was approximately HK$47.5 million and HK$42.8 million, while the balance of the Bank Loans was approximately HK$548.0 million and HK$504.1 million. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company's announcement on 28 June 2021, the Group is applying to the relevant bank for Transfer of Bank Borrowings. Such application was still under review and pending approval from the relevant bank as at the date of issuance of the Annual Report. On 24 June, 16 August and 19 September 2022, Rongzhong PRC, as the borrower, sent three letters to the relevant bank to follow up on the status of the Transfer of Bank Borrowings. Based on the understanding from the relevant bank, the application of the Transfer of Bank Borrowings is under review and approval process up to the date of this announcement. The Company believes that it has submitted to the relevant bank all documents that are relevant to the transfer application as requested by the relevant bank from time to time. For illustrative purposes only, based on the figures as at 31 March 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to HKFRSs, the Group's consolidated net liabilities would be reduced by HK$500,459,000.

(iii) Negotiation of the renewal of bank borrowings

During the year ended 31 March 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK$240,953,000 extended to July 2022. The Group is in the process of negotiation with relevant Bank to obtain further extension. The Directors considered that the Group is making positive progress in the aforesaid negotiations, in which (i) the Company entered into an agreement with a bank in May 2022 regarding a loan of approximately HK$24.2 million to extend the relevant repayment date to May 2024; and (ii) the Company is actively negotiating with relevant banks on the extension of repayment of bank borrowings of approximately HK$625.8 million.

(iv) 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.

(v) Disposal of Rongzhong Capital Holdings Limited

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing entered into the sale and purchase agreement, pursuant to which, Mr. Xie Xiaoqing conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital, representing 100% of total issued share capital of Rongzhong Capital and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK$177,925,850.34, respectively, at the consideration of HK$100,000 or equivalent in RMB (the "**Disposal**"). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group's financial statements. The Board believes that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability. For details, please refer to the Company's announcement dated 31 March 2022, 2 June 2022 and 15 February 2023.

Reference is made to the Company's announcement dated 17 March 2023, the Company has completed the Disposal on 17 March 2023. Based on a pro forma consolidated balance sheet of the Group prepared by management, the capital deficiency position of HK$696M as at 31 March 2022 would be turnaround to net assets position of HK$74M upon completion of such Disposal. This would remove the most critical uncertainty relating to the Going Concern Disclaimer.

While there has been on-going discussion with the relevant bank, the Transfer of the Bank Borrowings was applied since June 2021 and remained in the application phase up to the date on which the Sale and Purchase Agreement was signed with Mr. Xie Xiaoqing, as the purchaser; and, under both of the Sale and Purchase Agreement and the Transfer of Bank Borrowing arrangements, the recipients are the same Related Parties, namely Mr. Xie Xiaoqing and Rongzhong Capital Investments (an associate of Mr. Xie Xiaoqing) and, given that the Sale and Purchase Agreement does not impose restriction on the Transfer of Bank Borrowings prior to completion of the Disposal, the Disposal of the entire issued share capital of Rongzhong Capital can be completed either with the outstanding Bank Borrowing (if the Transfer of the Bank Borrowing has not been completed or approved) or without the Bank Borrowing (if the Transfer of the Bank Borrowing has been completed before the Disposal). Hence, the Company is of the view that the Transfer of the Bank Borrowings and the Disposal are two separate matters and do not conditional upon each other. As mentioned above, the Transfer of the Bank Borrowings is in the application phase, even if such transfer is approved, the Company, the Related Party and the Undertakers may or may not choose to proceed with the Transfer of the Bank Borrowings.

The Company and the Board believe that the above-mentioned action plans are the most commercially practicable plans and measures in addressing the multiple uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Assuming all the above plans and actions can be completed as planned and no new circumstances and conditions have occurred, subject to the satisfactory completion of Auditor's review of the management's assessment of the Group's going concern, the disclaimer of opinion may be removed in connection with the audit of consolidated financial statements of the Group for the year ending 31 March 2023. Moreover, the Company would like to emphasize that, among the above-mentioned measures to address the material uncertainties relating to going concern, the Disposal is far more heavily weighted than the other measures because the completion of the Disposal shall turnaround the capital deficiency financial position of the Company to a net assets financial position. Completion of the Disposal shall remove the most critical uncertainty relating to the Going Concern Disclaimer.

The Company and the Board will focus on the current action plans and the implementation thereof, while keeping viable options open as they continue the efforts in addressing the going concern issue and the rectification of conditions in relation to the disclaimer of opinion.

The Company does not currently have further action plans to resolve the Going Concern Disclaimer at this stage other than the action plans already disclosed. In the event that the Company shall have further action plans in this respect, further disclosures will be made as and when appropriate.

Scope limitation on the Group's lease receivables and receivables arising from sale and leaseback arrangements

Management of the Company believes that the continuous impact of COVID-19 pandemic, the liquidity crisis of the property developers (and the property market in general in the PRC) and geopolitical instability are some of the significant factors causing continuing material adverse impacts on the businesses of the customers of the Group (mostly SMEs); and, the above-mentioned factors were getting worse in the year ended 31 March 2022 when comparing to the year ended 31 March 2021. Hence, the cash flows expected to be received from the Group's lease receivables and receivables arising from sale and leaseback arrangements were adjusted downward accordingly. In particular:

(A) COVID-19 pandemic has caused significant material adverse effects on the businesses and cashflows of the SME customers of the Group and their abilities to make repayments to the Group (affecting recovery of outstanding loans of the Group);

(B) the worsening market condition in the PRC property sector has caused significant material adverse effects on the property value of the properties held by the SME customers of the Group, including their abilities to liquidate these properties or obtain financing on these properties, and hence their abilities to make repayments to the Group (affecting recovery of outstanding loans of the Group);

(C) the significant decline in the value of the proposed collaterals (a large number of which are properties) has reduced the number of eligible customers for the financial leasing business of the Group (affecting approval of new loans of the Group);

(D) the significant decline in the value of the collaterals held by the Group also adversely affected the Group's ability to liquidate such collaterals due to the diminishing number of potential purchasers at the intended price level (affecting recovery of outstanding loans of the Group);

(E) the worsening business conditions of the SME customers of the Group coupled with the effect of rapidly declining value of the collaterals and proposed collaterals have posed significant challenges for all money lender businesses in the PRC, including the Group in the past few years; and

(F) the geopolitical conflicts and warfare in recent years have significantly dampened global investments and business activities. In the first half of 2022, coal prices remained volatile at a high level and there was a structural shortage of quality coal, which made it more difficult for the efficient operation of the electricity generating units in the PRC. Many provinces across the PRC have imposed power brownouts. This affects the customers of the Group who may be manufacturing and export-oriented and in turn affected their abilities to make repayments to the Group.

Each of the Group's lease receivables and receivables arising from sale and leaseback arrangements was individually reviewed; with detailed basis and factors considered including:

- litigation progress/result;
- liquidation progress/result;
- mediation progress/result;
- progress/result on enforcement of court decision;
- progress/result on realization of any seized assets, leased assets and/or additional pledged assets;
- value, condition and liquidity of any seized assets, leased assets and/or additional pledged assets;
- availability of any other assets to be seized;
- agreed/proposed repayment plan;
- repayment history of the customer;
- customer's deposit;

- liquidity position of the customer; particularly outstanding loans from other financial institutions;
- business operation of the customer;
- any requirements of the bank which provided back-to-back funding; and
- impact on recoverability arising from COVID-19.

The Company had made such estimation of uncertainty based on available and relevant information for making such estimation and performing such impairment assessment as at the year ended 31 March 2021 taken into account the conditions and circumstances as at that time the year ended 31 March 2021. However, with the retrospective review further performed as at 31 March 2022, it was to look back the conditions and circumstances, the actual amount recovered from the lease receivables during the year ended 31 March 2022 was not as expected recoverable amount estimated as at 31 March 2021, so the existing auditor could not perform and obtain such satisfactory audit evidence on the recoverable amounts and impairment assessment made by the management and agreed with the then auditor as at 31 March 2021, and hence the existing auditor had such modification on the opening balance of the impairment assessment on the lease receivables as at 31 March 2021.

In the year ended 31 March 2022 when comparing to the year ended 31 March 2021, the Company has not changed the approach and inputs and assumptions adopted in the impairment assessment on the Group's lease receivables and receivables arising from sale and leaseback arrangements.

The Company, after discussion with the Auditor, expects that the Receivables Disclaimer could be resolved in the year ending 31 March 2023; on the basis that the remaining net carrying amount of the lease receivables was considered as properly reflected its recoverable amounts on the Group's financial position as at 31 March 2022, and hence the Board expects that this Receivables Disclaimer related to the opening balance of certain lease receivables and receivables arising from sale and leaseback arrangements as of 31 March 2021 will not have carried-forward impact to and will be removed in the independent auditor's report for the financial year ending 31 March 2023, except for the effect on the comparative figures for the year ended 31 March 2022.

Scope limitation on the bank borrowings

With respect to the outstanding bank confirmation, as the Group was applying to the relevant bank for Transfer of Bank Borrowings to the Related Party, the Board believes that the relevant bank may have delayed the confirmation process due to the pending review of the transfer application.

Reference is made to the announcements of Company dated 17 March 2023 in relation to the completion of the Disposal took place on 17 March 2023. Upon completion of the Disposal (before 31 March 2023), the Company ceased to hold any interest in Rongzhong Capital and Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities (including the bank borrowings as mentioned in the disclaimer audit opinion) of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group's financial statements under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". The Company has discussed and agreed with the Auditor on the basis and relevant accounting standards interpretations as stated above.

After completion of the Disposal, the management of the Company would expect to provide earlier assistances and best endeavors to the Auditor's audit planning works for the annual audit of the Group for the year ending 31 March 2023 and, where appropriate, seeking legal advices, particularly to the completion of proper legal procedures on shareholding changes and the complete derecognition of the Bank Borrowings from the Group upon completion of the Disposal.

2. ADDITIONAL INFORMATION REGARDING MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

As disclosed in the announcement of the Company dated 26 September 2022, since the Unaudited Annual Results was neither audited nor agreed with the Auditor as at the date of their publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the financial information of the Unaudited Annual Results and Audited Annual Results. Additional information is set forth below regarding the principal details and reasons for the material differences in such financial information in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules.

Income Statement Items	**Audited**	**Unaudited**	**Difference**	**Adjustment**
	HK$'000	*HK$'000*	*HK$'000*	*(Notes)*
Revenue	(35,120)	(37,367)	2,247	1
Impairment losses	525,716	(2,031)	527,747	1, 2
Other gains and losses and provision of expected credit losses	249	1,183	(934)	3
Finance costs	32,058	31,782	276	3
Other operating expenses	19,745	22,771	(3,026)	3, 4, 8.1
Income tax expense	774	781	(7)	5
Cost of services	3,761	2,997	764	8.1
Exchange differences arising on translation to presentation currency	24,173	5,226	18,947	6

Balance Sheet Items	Audited *HK$'000*	Unaudited *HK$'000*	Difference *HK$'000*	Adjustment *(Notes)*
Non-current assets				
Property, plant and equipment	70,701	72,672	(1,971)	3
Goodwill	19,372	31,489	(12,117)	3
Current assets				
Lease receivables and receivables arising from sale and leaseback arrangements	231,512	769,258	(537,746)	2
Prepayments and other receivables	7,382	5,347	2,035	3(a)
Trade receivables	6,754	7,662	(908)	7
Current liabilities				
Other payables and accrued charges	(31,019)	(31,328)	309	1,4, 8.2
Lease liabilities	(2,620)	(2,531)	(89)	3(a)
Contract liabilities	(4,949)	(4,794)	(155)	8.2
Derivative financial liabilities	(9,478)	(10,263)	785	3(a), 8.3
Convertible bonds	–	(3,016)	3,016	3(b), 8.4
Tax liabilities	(67,989)	(67,959)	(30)	5
Non-current liabilities				
Lease liabilities	(2,830)	(2,733)	(97)	3(a)
Convertible bonds	(2,245)	–	(2,245)	3(b), 8
Derivative financial liabilities	(833)	–	(833)	3(a), 8
Contingent consideration payables	(5,786)	(9,950)	4,164	3(a)
Loan note	(9,065)	(11,995)	2,930	3(b)

Notes:

1. These differences were due to offset revenue from credit impaired customers with respective impairment losses according to HKFRS 9 requirements under finalisation of ongoing audit process.

2. These differences were due to further impairment losses on finance lease receivables under finalization of independent valuation.

3. These adjustments according to purchase price allocation and goodwill impairment assessment of (a) Alpha & Leader Group; and (b) UMH Group under finalization of independent valuation.

4. These differences were due to overprovision of professional expenses of HK$750,000.

5. These differences were due to tax effect of other adjustments.

6. These differences were due to exchange rate impact of other adjustments (mainly adjustment as stated in note 2).

7. These differences were due to impairment losses on trade receivables under finalization of impairment assessment on trade receivables.

8. These differences were due to reclassification adjustments under finalization of ongoing audit process; including

8.1 reclassification of other operating expenses and cost of services due to some taxes/fees reimbursed by Alpha & Leader Group to its customers were direct costs in nature and should be reclassified to cost of services;

8.2 reclassification of other payables and accrued charges and contract liabilities due to some receipts in advance from the Group automobile leasing customers should be reclassified to contract liabilities;

8.3 reclassification of derivative financial liabilities due to conversion options of the convertible bonds (as stated in note 34 of the FY2022 consolidated financial statements) reclassified from current portion to non-current portion as the bondholder is not going to exercise such conversion options within 12 months from the year end date; and

8.4 reclassified convertible bonds from current portion to non-current portion as the bondholder is not going to exercise the repayment on demand clause in the convertible bonds within 12 months from the year end date.

3. ADDITIONAL INFORMATION REGARDING THE ALRAM ACQUISITION

Reference is made to the circular dated 30 June 2021 (the "**Circular**") of the Company. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

The Board would like to inform Shareholders and potential investors of the Company that, the audited consolidated financial statements of the ALRAM Group for the year ended 31 December 2021 was issued on 28 February 2023. The sum of (i) the audited consolidated net profit after tax of ALRAM as shown in its consolidated financial statements for the year ended 31 December 2021; and (ii) the interest expense arising from any shareholders' loan during the year ended 31 December 2021 is HK$6,000,000 or more; and accordingly, the Second Tranche Transfer Shares, being the partial consideration as to HK$6,528,000, shall be transferred under procurement by Solomon Glory to the Vendors at the Agreed Proportion for settlement on the 2nd Transfer Date.

4. ADDITIONAL INFORMATION REGARDING CORPORATE GOVERNANCE REPORT

Material uncertainties relating to going concern

As explained in the section headed note 2.1 to the consolidated financial statements, notwithstanding that the Group's consolidated financial statements for the year ended 31 March 2022 have been prepared on a going concern basis, there are conditions together with other matters described there 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 such conditions, the Company has, during the course of audit, provided to the Company's auditor with all available information and has given careful consideration to the Group's current liquidity, performance and available resources in considering the Group's ability to continue as a going concern. The Company has taken and will continue to implement the measures as further detailed in note 2.1 to the consolidated financial statements to rectify the matters in relation to the disclaimer of opinion. Based on the 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 consolidated financial statements on a going concern basis.

Action plan to address the material uncertainties relating to going concern

(i) Obtaining new source of finance to improve working capital requirements

On 21 October 2021, the Company and Goldbond, the Company's substantial shareholder, entered into the Goldbond Loan Agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date. The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 31 March 2022 and 26 September 2022, the amount of HK$33,100,000 and HK$20,348,000, respectively, as stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

(ii) 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 other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an aggregate gross carrying value of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately RMB1,108,142,000. In addition, the Group has taken alternative measures and utilize the Group's expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the year ended 31 March 2022, the Group obtained a letter of undertaking from the Related Party, three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. As at 31 March 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK$47,531,000 while the relevant bank borrowings were approximately HK$547,990,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company's announcement on 28 June 2021, the Group is applying to the relevant bank for Transfer of Bank Borrowings. Such application was still under review and pending approval from the relevant bank as at the date of issuance of this report. For illustrative purposes only, based on the figures as at 31 March 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to HKFRSs, the Group's consolidated net liabilities would be reduced by HK$500,459,000.

(iii) Negotiation of the renewal of bank borrowings

During the year ended 31 March 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK$240,953,000 extended to July 2022. The Group is in the process of negotiation with relevant Bank to obtain further extension.

(iv) 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.

(v) Disposal of Rongzhong Capital Holdings Limited

On 31 March 2022 (as supplemented on 2 June 2022), the Company and Mr. Xie Xiaoqing entered into the sale and purchase agreement, pursuant to which, Mr. Xie Xiaoqing conditionally agreed to acquire, and the Company conditionally agreed to sell the 104,422 shares of Rongzhong Capital, representing 100% of total issued share capital of Rongzhong Capital and assign the benefit and advantage of the amount of indebtedness from Rongzhong Capital to the Company as at the date of the sale and purchase agreement in the sum of HK$177,925,850.34, respectively, at the consideration of HK$100,000 or equivalent in RMB (the "**Disposal**"). Upon completion of the Disposal, Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group's financial statements. The Board believes that the completion of the Disposal will greatly improve the financial position and liquidity of the Group, thus enabling the Group to leverage on its resources to expand its leasing business with higher profitability. For details, please refer to the Company's announcement dated 31 March 2022 and 2 June 2022.

The Company and the Board believe that the above-mentioned action plans are the most commercially practicable plans and measures in addressing the multiple uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

Assuming all the above plans and actions can be completed as planned and no new circumstances and conditions have occurred, subject to the satisfactory completion of review of the management's assessment of the Group's going concern, the disclaimer of opinion may be removed in connection with the audit of consolidated financial statements of the group for the year ended 31 March 2022.

The Company and the Board will focus on the current action plans and the implementation thereof, while keeping viable options open as they continue the efforts in addressing the going concern issue and the rectification of conditions in relation to the disclaimer of opinion.

5. FURTHER INFORMATION RE BUSINESS MODEL

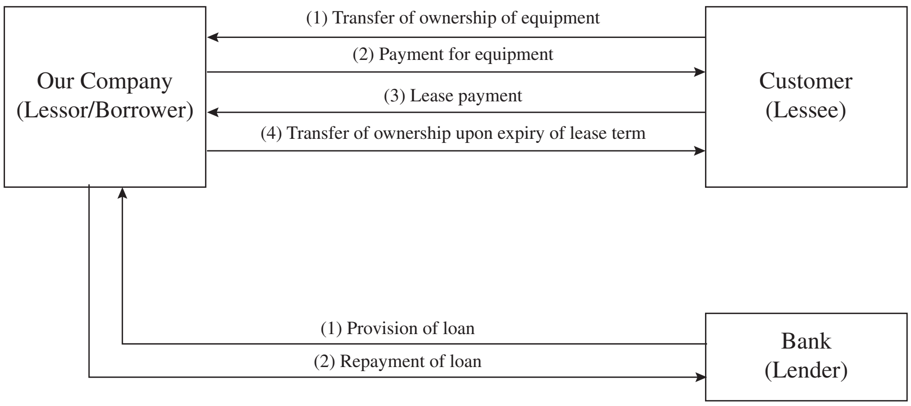
The Group's operates finance leasing business in various regions of the PRC including Hubei Province, Zhejiang Province, Shanghai City and Shenzhen City through our subsidiaries in Wuhan, Wenzhou, Huzhou, Jiaxing, Shaoxing, Ningbo, Taizhou, Shanghai and Shenzhen. We primarily offer leasing (including finance leasing) and other value-added services.

We categorize our finance leasing operations into two types: (i) sale-leaseback and (ii) direct finance leasing.

Sale-leaseback

In a sale-leaseback, the lessee sells the existing assets to the lessor, and the lessor then leases the assets back to the lessee for its use. Usually in one to two years, or in some cases on longer terms, the lessee repays the purchase amount of the assets, interests and other fees to the lessor. At the end of the lease term, the ownership of the assets will be transferred to the lessee. In the whole process, the lessee remains in possession of the underlying assets. Sale-leaseback is primarily used by our customers who need working capital.

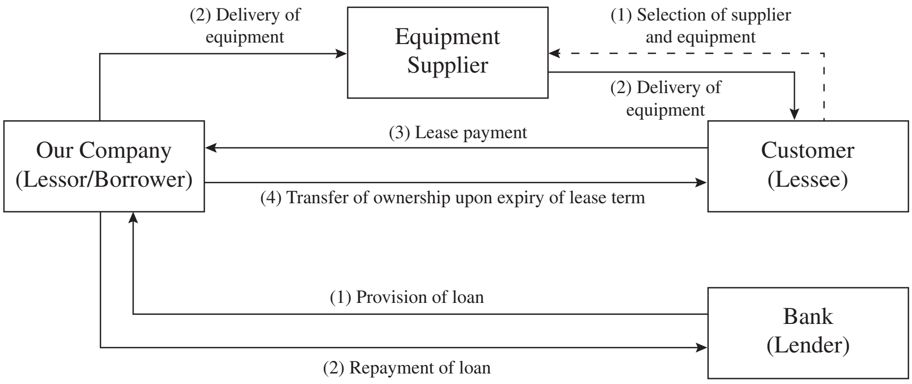
A typical sale-leaseback usually involves two parties, namely lessor and lessee. The relationship between the two parties is illustrated in the following diagram. We fund our sale-leaseback transaction primarily through bank borrowings, loans and financial assistances from related companies and internal working capital.



Direct Finance Leasing

In direct finance leasing, we as the lessor, will purchase the assets under the lease agreement from the seller, pursuant to the instructions given by the lessee. The assets will be provided for the lessee's use. Usually in one to two years, or in some cases with terms providing options to the lessees to further extend the lease terms, the lessee repays the purchase amount of the assets, interest and other fees to the lessor. At the end of the lease term, the ownership of the assets will be transferred to the lessee. Direct finance leasing is mainly used when our customers commence new projects, expand production, make advancements in technology and have finance demands to purchase new equipment.

A typical direct finance lease usually involves three parties, namely lessor, lessee and equipment suppliers. The relationship among the three parties are illustrated in the following diagram. We fund our finance leases primarily through bank borrowings, loans and financial assistances from related companies and internal working capital.



We also work with equipment manufacturers, including automobile dealers in conducting direct finance leasing. Usually we (as the lessor) will enter into a commercial arrangement with customers (as the lessee) where the lessor purchases the leased asset from the equipment manufacturers (as the seller) according to the instructions of the lessee, and then leases it to the lessee in return for rental fees. At the end of the lease term, the ownership of the assets will be transferred to the lessee; or, under some automobile leasing agreements, the lessee has the right to elect the ownership of the assets will be transferred to the lessee. In this model, the lessee in need of finance is a potential customer of the equipment manufacturers, and by providing finance leasing services, we are able to share the customers sourced from the equipment manufacturers.

Lease Agreement Key Terms Summary

We have standard template for finance leases. We summarize the key terms of our finance leases below.

- *term*: usually one to two years;

- *equipment under lease*: lessee's operational equipment; detailed equipment list is listed as appendix in our finance lease;

- *title/ownership of equipment under lease*: title/ownership of equipment under lease will be transferred from lessee to lessor upon the commencement of the finance lease;

- *equipment delivery*, inspection and valuation: under direct finance leasing, the equipment will be delivered to the lessee; under sale-leaseback, the assets will remain in lessee's possession; we will inspect the equipment and ascertain valuation;

- *insurance*: full insurance coverage on assets under lease; insurance cost by the lessee;

- *interest*, fees and payment schedule: usually a fixed rate or a floating rate above the PBOC benchmark interest rate with adjustment mechanism; payment of interest is usually monthly or quarterly; repayment of principal is usually the quarterly or one-off at the end of the lease term; deposit, with deposit to loan ratio normally ranged from 15% to 25%, is required and advisory fees/handling fees are collected based on the size of the lease; detailed repayment schedule is listed as appendix in our finance lease;

- *default provision*: if lessee fails to make two successive instalment repayments or fails to perform its obligation specified in the contract, we shall have the right to demand prompt payment in full or in part of the leases receivable;

- *dispute resolution*: through negotiation or litigation in a court with jurisdiction at lessor's domicile; and/or, for automobile leasing case, towing back the automobile (i.e. the equipment under lease) by the lessor;

- *termination*: after full settlement of all interest and principal payables or compensation settled; and

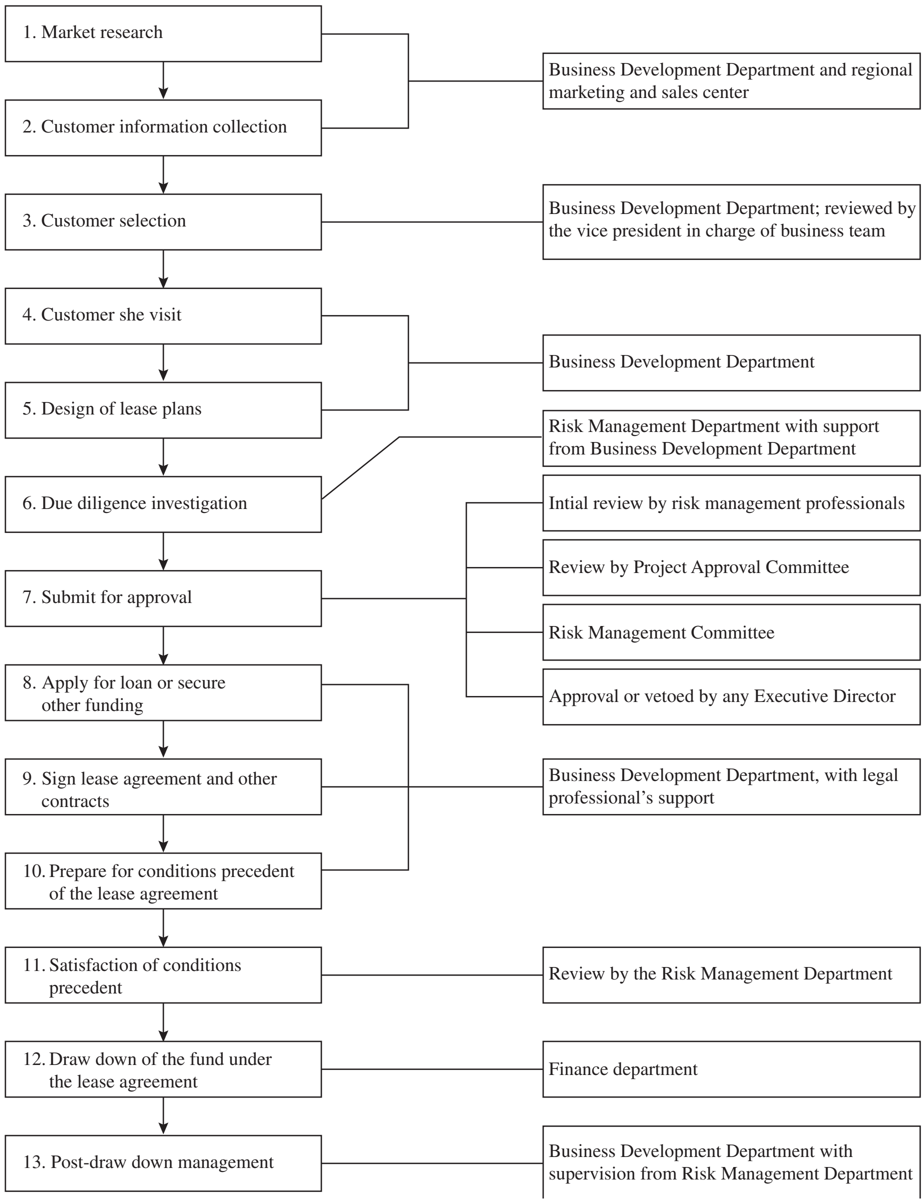
- *average loan size*: latest trend to approve smaller loan size, with average loan size ranging from RMB100,000 to RMB3 million; while continue to accept and review larger loan applications, with average loan size ranging from RMB5 million to RMB20 million.

Customer Industry

The industry categories of our customers mainly included laser processing, plastics, industrial processing, textile and garment and hotel and leisure, logistic, warehousing, transportation and automobile management.

6. FURTHER INFORMATION RE CREDIT RISK ASSESSMENT POLICY AND KEY INTERNAL CONTROLS

We have designed a systematic operational workflow applied to each of our finance leases. Under this workflow, various risk control measures and procedures are consistently applied to every lease, involving the active participation of our different departments. The chart below sets out the process workflow of our finance leasing business operations.



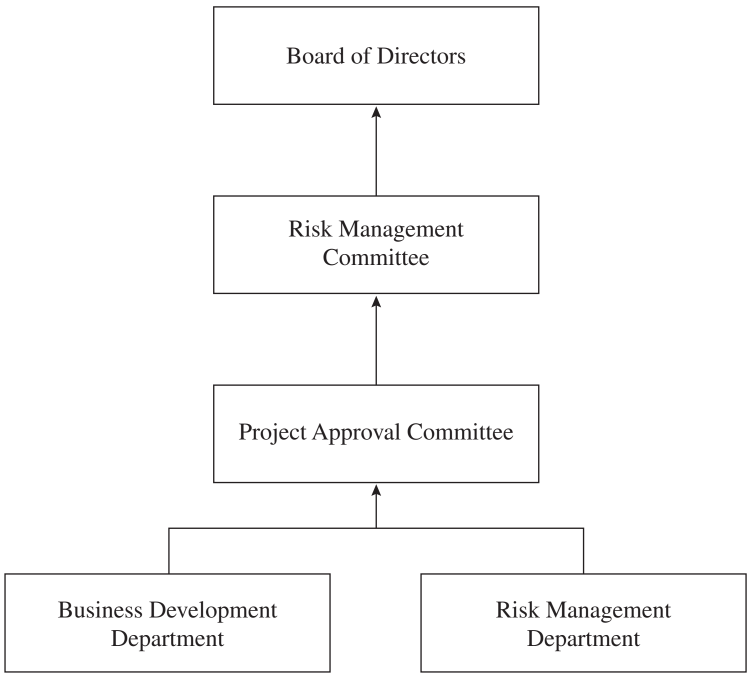
Workflow		Traditional finance leases	Non-traditional finance leases (e.g. new mobile vehicle leases)
1.	Market research	Business Development Department and regional marketing and sales center	For second hand cars, the Operator (defined below) will search for the history and evaluation records
2.	Customer information collection	Business Development Department and regional marketing and sales center	The Operator will assist the potential customer filling our application forms and collecting customer information
3.	Customer selection	Business Development Department; reviewed by the vice president in charge of business team	Business development team
4.	Customer site visit	Business Development Department	The information obtained in point 2 will be sent to the operating subsidiary's back office for due diligence, credit checking and approval
5.	Design of lease plans	Business Development Department	Business development team
6.	Due diligence investigation	Risk Management Department with support from Business Development Department	Risk Management Department/ credit control team
7.	Submit for approval	Initial review by risk management professionals; Review by Project Approval Committee; Risk Management Committee; Approval or vetoed by any Executive Director	Risk Management Department/ credit control team; management of the operating subsidiaries; headquarter management for final approval
8.	Apply for loan or secure other funding	Business Development Department, with legal professional's support	Business development team; finance department
9.	Sign lease agreement and other contracts	Business Development Department, with legal professional's support	After approval in point 7, business development team will finalize the lease contracts; and the Operator will explain the terms of such contract to customer

Workflow	Traditional finance leases	Non-traditional finance leases (e.g. new mobile vehicle leases)
10. Prepare for conditions precedent of the lease agreement	Business Development Department, with legal professional's support	Before handing over the car to customer, the Operator will install GPS and Wifi devices for Risk Management Department/ credit control team to monitor the real-time location
11. Satisfaction of conditions precedent	Review by the Risk Management Department	Review by Risk Management Department/credit control team
12. Drawdown of the fund under the lease agreement	Finance department	Finance department
13. Post-draw down management	Business Development Department with supervision from Risk Management Department	Business development team and Risk Management Department/ credit control team with supervision from management of the operating subsidiary

(The "Operators" are the second-hand car market operators engaged by the Group and who have extensive experience in the second-hand car market trading and leasing business and connection with second-hand car market dealers in order to facilitate the automobiles operating lease business of the Group)

Risk Management System

The organizational structure of our risk management system is illustrated below:



Board of Directors: Our Board of Directors is ultimately responsible for our overall risk management and performs its risk management function by giving guidance and authorization to our Risk Management Committee. Their experience in the financial industry and knowledge in the local business community have helped us build up a pragmatic and effective risk control and management capability. In terms of risk management, the current responsibilities of the Board include:

a. in addition to complying with regulatory approval requirements (if any as in effect from time to time), the Board may by ordinary resolution approve or reject any single loan application (or application to review or extend a single loan) up to RMB50M;

b. in addition to any regulatory approval requirements, the Board may by ordinary resolution of the Board and ordinary resolution of the risk management committee to approve or reject any single loan application (or application to review or extend a single loan) in excess of RMB50M but not exceeding RMB100M; and

c. in addition to any regulatory approval requirements, any single loan application (or application to review or extend a single loan) in excess of RMB100M shall be approved by each member of the Board.

Risk Management Committee: Our Risk Management Committee is the highest decision-making body in respect of risk management, subject to the guidance and authorization of our Board of Directors. Its primary duties 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 review on the risk management reports submitted by senior management from time to time. It is in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects larger than RMB20 million and other risk-related issues during our operations that may have a material impact on our business. It also reviews and decides on whether to make extension of finance leases above RMB20 million to our customers. The Risk Management Committee directly reports to the Board.

Project Approval Committee: Our Project Approval Committee is comprised of our senior management team and other professionals with special knowledge on finance leasing operations and risk management. Its primary duties are to review the feasibility, risk prevention and mitigation measures of finance leasing projects smaller than RMB20 million. It also reviews and decides on whether to make extension of finance leases below RMB20 million to our customers. The Project Approval Committee is also in charge of reviewing the risks identified during inspections and investigations conducted after the signing of lease agreements. In such circumstances, it will formulate reaction plans such as increase of guarantee, extension of lease, enterprises reorganization and assets disposal.

Risk Management Department/credit control team: The Risk Management Department/credit control team comprised of professionals in the areas of finance, credit review, accounting, asset valuation and law. The Risk Management Department/credit control team is in charge of conducting investigations on the creditworthiness of our customers. On the basis of the due diligence reports prepared by our business team (further particulars of the due diligence process have been set out below), members in our Risk Management Department/credit control team will further look into each customer's financial data and actual operating conditions in order to draw the conclusion as to whether a customer is able to repay instalments and fees under the lease agreement solely out of its continuous and stable operational income. The Risk Management Department/credit control team also monitors the negative factors (these negative factors may include macro factors pertaining to the specific geographic location, industry of the clients, such as the recent energy crisis which have affected the production of certain clients) that will have an impact on a customer's ability to pay the lease instalments and fees, and at the same time, ensure the guarantees and collateral are always sufficient and enforceable. It also carries out performance, supervision and inspections, from time to time, after the signing of the lease agreement, conducts studies on macroeconomic environment, competitive landscape and government industrial policy trends in order to make sure that we and our Risk Management Committee have information on a timely basis to make informed decisions with respect to each finance lease. As at the date of this announcement, we have five employees in the Risk Management Department/credit control team.

Business Development Department: The Business Development Department is responsible for developing, examining and supervising our finance leases, as well as providing training and guidance to business development personnel. Our business development officers are responsible for overseeing the entire process of the finance leases they are assigned to, from initial customer identification and due diligence, negotiation and execution of finance leasing agreements, to after-lease monitor, supervision and enforcement as further set out below. As at the date of this announcement, we have nine employees in the Business Development Department.

The Business Development Department will follow up with our potential customers once their applications have been selected. We will conduct more detailed research into the background and creditworthiness of our potential customers. Our due diligence investigation primarily focuses on our potential customers': (i) basic personal and corporate information; (ii) financial status; (iii) quality, value and title of the lease assets; (iv) credit history, especially whether it has obtained any bank loans and availability of collateral; (v) operation history and management's quality and stableness; (vi) purpose and feasibility of the financing; (vii) market competitiveness and future development prospects relationships; and (viii) whether the potential customer is an independent party to our Group and our Directors. Our due diligence procedures include the following key steps:

On-site inspection: In order to gain first-hand information and verify the authenticity of the information provided, our business and risk management professionals will conduct on-site visits to inspect the business operations of our potential customers and assets under the finance lease. Before officially commencing the on-site inspection, our business development officers will require our potential customers to provide supporting documents such as corporate documents, latest financial reports and receipts for lease assets for the preparation of the inspection.

Interviews: We conduct interviews with our potential customers to make a comprehensive assessment of the customer's experience, personality and integrity, which will be used as one of the bases of our credit evaluation.

Due diligence on guarantors: Apart from the assets under lease, we usually require additional collateral, such as guarantee provided by the potential customers' controlling persons, spouse and family members of such controlling persons, senior management and affiliates. Review of these guarantors' creditworthiness is also included in our due diligence on potential customers' creditworthiness. For example, in our review of the controlling persons and the senior management, we focus on their experiences, family wealth (primarily including real estate and cars, with the relevant certificates for verification), personal credit history, information obtained through internet searches and peer reference (if applicable). In our review of our potential customers' affiliates, we focus on their operation history, business scales, and assets and liabilities. Review results of these guarantors form part of the basis of our credit decisions for our potential customers.

Asset value: We check the official invoice to substantiate our assessment of the value of asset under the finance lease and any other additional collateral for most of our increased scrutiny asset.

Utilize financial modeling: To understand the fundamental credit standing and cash flow available to service the relevant lease payment on the target lessee. This would offer a higher degree of certainty in accessing the liquidity of such lessee.

We usually assign one business development officer to each of our customers who will conduct after-lease monitoring and supervision. Our after-lease monitoring and supervision activities include:

- telephone interview with the customer's controlling person, shareholders and the key officers;

- check finance leasing payment schedule; in case there are overdue payments, send payment notice to the customer in time;

- conduct on-site inspections; and

- conduct on-site inspections as soon as possible after a customer has overdue payments.

Leased Assets and Collateral

In most cases, we try to keep the net funding we provide to our customers below 80% of the net value of the assets under the finance lease agreements. In general, the industry practice is to have the title of the leased assets transferred to the lessor to secure the finance lease. We obtained legal title to all the assets under our finance lease agreements and according to the terms of such agreements, we have the right to immediately and unilaterally dispose such assets if any customer defaulted on the related finance lease in accordance with such finance lease agreements. Moreover, in order to better manage our credit risk, we also require lessees (and related parties) to provide additional collateral. The additional collateral include: (i) joint and several guarantees from the finance leasing customer's legal representative, major shareholders, related-party companies and third party companies; (ii) machinery equipment and commercial and residential properties; and (iii) pledge of shares from the finance leasing customer's company, its parent and subsidiary companies and its related and associated companies. For customers whose ability to repay has been seriously affected by internal or external factors, and such factors are likely to last in the long term, we will usually request the customer to: (i) add guarantees from third parties with sufficient resources and ability to repay the principal and interest under the finance leasing agreement; and (ii) add more collateral.

The Group is less eager to process loan applications with work in progress property development as additional securities/collateral or leased assets such as machinery and equipment due to the volatile economy and the property market crisis in PRC (usually these are loans of higher values) and prefers to process loan applications with leased assets and additional pledged assets that are generally more liquid and have an actively trading second-hand market in order to speed up the recovery and monetization process in case of loan default.

In the Group's experience, often in case of legal actions taken against past due lease receivables, courts often will first award the leased assets to the plaintiff, then other pledged assets from the lessee, followed by any available assets from the guarantors. In the case where the Group is awarded with machineries and work in progress properties, the process of monetizing these assets can take many years.

Taken into consideration of the maintenance cost and depreciation, machineries and production line seized and taken possession by the Group are challenging to monetize especially in the current economic situation and many of the above reasons have contributed to the lengthy and time-consuming recovery progress made by the Group in respect of the outstanding finance lease loan receivables.

To the best of the information available to the Board (having regard to the actual knowledge and involvement of the members of the Board at the relevant time), the Board considers that the Company followed its credit risk assessment policy adopted from time to time when entering into the finance lease agreements for each of the outstanding direct leasing or sale and leaseback arrangements as at 31 March 2022.

Finance lease extension approval and management

As part of our ordinary course of business and in line with industry practice, we have from time to time extended our finance leases for existing customers when they are expired or upon the requests of such customers. We have two types of extensions, namely extension of lease term and change of principal and/or interest repayment schedule within the same lease term. In some cases, our customers made such requests after the relevant assets are being scrutinized by us. Before we decide whether to grant a customer any extension, we will conduct due diligence and determine whether an extension is the optimal option for mitigating risks according to the customer's credit record and financial condition. When deciding whether or not to extend a finance lease, we consider the following factors: (i) whether the customer maintained a good credit record; (ii) whether the customer punctually paid its finance lease payments and used its finance lease proceeds as stated in the finance lease agreement; (iii) whether the customer's cash flow from business operation is able to cover its finance lease receivable balance; (iv) whether there is material negative impact on the customer's business operation and major financial performance indicators; (v) whether there is material negative change of the customer's senior management team, major shareholders, corporate governance structure and market conditions; and (vi) whether there is material deterioration of the value of the leased assets.

During the extension negotiation period, we usually allow a customer to hold the payment until we reach an agreement on the terms of the extension. We will ask the customer to resume the payment of interest if the agreement has been reached, otherwise, we will ask the customer to pay all the interest and principal together.

By order of the Board
China Rongzhong Financial Holdings Company Limited
Wong Emilie Hoi Yan
Executive Director

Hong Kong, 29 March 2023

As at the date of this announcement, the executive Director of the Company is Ms. Wong Emilie Hoi Yan; the non-executive Directors of the Company are Ms. Wong Jacqueline Yue Yee, Ms. Wong Michelle Yatyee and Mr. Wong Ming Bun David and the independent non-executive Directors of the Company are Mr. Lie Chi Wing and Mr. Ng Wing Chung Vincent.