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)

ANNOUNCEMENT FOR THE UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Rongzhong Financial Holdings Company Limited (the "**Company**") hereby announces the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 September 2019 (the "**Reporting Period**") with comparative figures. All amounts set out in this announcement are expressed in Hong Kong dollars ("**HK$**") unless otherwise indicated.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Notes	30 September 2019 HK$'000 (Unaudited)	31 March 2019 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,575**	499
Finance lease receivables	*10*	**221,438**	277,556
		224,013	278,055
Current assets			
Finance lease receivables	*10*	**707,741**	697,995
Loan receivable		**8,126**	8,126
Prepayments and other receivables		**8,707**	8,657
Security deposits		**7,352**	7,694
Short term bank deposits with original maturity within three months		**15,144**	20,118
Bank balances and cash		**19,154**	23,070
		766,224	765,660
Current liabilities			
Deposits from finance lease customers		**205,982**	214,364
Other payables and accrued charges		**17,647**	18,428
Deferred income		**74**	166
Tax liabilities		**63,906**	62,642
Lease liabilities		**1,453**	–
Bank borrowings		**170,021**	160,855
		459,083	456,455
Net current assets		**307,141**	309,205
Total assets less current liabilities		**531,154**	587,260
Non-current liabilities			
Deposits from finance lease customers		**–**	1,100
Deferred income		**–**	9
Lease liabilities		**946**	–
Bank borrowings		**449,247**	501,527
		450,193	502,636
Net assets		**80,961**	84,624
EQUITY			
Capital and reserves			
Share capital		**4,125**	4,125
Reserves		**76,836**	80,499
Total equity		**80,961**	84,624

NOTES

For the six months ended 30 September 2019

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

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

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

Going Concern

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

In addition, as further detailed in note 10, the majority of the Group's finance lease receivables were past due as at 30 September 2019. The Group has experienced a significant slow-down in the collection of these receivables and an aggregated impairment of approximately HK$852,460,000 has been recognised in respect of the receivables. Although the Group has implemented active collection measures, most of the past due receivables as at 30 September 2019 have not yet been collected as at the date of this announcement. In the event that the Group is unable to collect these receivables, it may not have sufficient resources to repay its borrowings in the foreseeable future.

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

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

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

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

(ii) Implementation of active cost-saving measures

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

(iii) Negotiation of obtaining banking facilities

New or extension of existing banking facilities will be arranged when necessary.

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION (Continued)

Going Concern (Continued)

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 March 2019 except for the adoption of the standards, amendments and interpretations issued by the HKICPA effective for the Group's annual periods beginning on or after 1 April 2019. The impact of the adoption of Hong Kong Financial Reporting Standard ("**HKFRS**") 16 Leases has been summarised in note 3. The other new or amended HKFRSs that are effective from 1 April 2019 did not have any material impact on the Group's accounting policies.

3. CHANGE IN ACCOUNTING POLICIES

HKFRS 16 - Leases ("HKFRS 16")

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

Revenue for the Reporting Period represents income received and receivable from the provision of financial leasing services in the People's Republic of China ("**PRC**").

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

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

5. FINANCE COSTS

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

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

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

7. INCOME TAX EXPENSE

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

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

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

As at 30 September 2019, the Group had unused tax losses of approximately HK$2,975,000 (31 March 2019: approximately HK$3,113,000) and had deductible temporary differences of approximately HK$865,793,000 (31 March 2019: approximately HK$913,145,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary differences due to unpredictability of future profits stream.

8. DIVIDEND

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

9. LOSS PER SHARE

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

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

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

10. FINANCE LEASE RECEIVABLES

The Group provides financial leasing services in the PRC.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FINANCIAL REVIEW

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

Revenue

We have one principal business segment, financial leasing, and the two services derived are financial leasing services and financial advisory services provided as value-added services to our leasing customers, which in turn generate interest income and advisory income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. Advisory income is determined solely on the advisory services we provided and since our advisory services are normally provided in conjunction with our leasing services, we record both types of income as a single item in the financial statements. The Group recognised revenue for the Reporting Period of approximately HK$17.1 million, representing a decrease of approximately 34.5% from approximately HK$26.0 million as recorded in the previous corresponding period ended 30 September 2018. This was mainly due to the Group's prudent and conservative strategy to promote business during the static economy in order to safeguard our asset with additional emphasis placed in the recovery of past due finance lease receivables and enhancement of internal control.

Staff costs

Staff costs of the Group amounted to approximately HK$3.4 million for the Reporting Period, representing a decrease of approximately 18.5% from approximately HK$4.1 million recorded in the previous corresponding period ended 30 September 2018. This was mainly due to the decrease in the number of staff.

Other operating expenses

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

Reversal of impairment losses/impairment losses on finance lease receivables

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

Other income

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

Finance costs

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

As at 30 September 2019, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK$619.3 million (30 September 2018: approximately HK$662.3 million) and the guarantee fee paid to the related parties during the Reporting Period amounted to nil (30 September 2018: nil).

Loss for the period

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

Interim dividend

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

Liquidity, financial resources and capital resources

As at 30 September 2019, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK$34.3 million (31 March 2019: approximately HK$43.2 million), representing a decrease of approximately HK$8.9 million compared to 31 March 2019. This was due to the Group's conservative strategy to promote business during the economic downturn resulting in a decrease in business volume, slow down in the collection of past due financial assets, and thus, an increase in the use of internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK$307.1 million (31 March 2019: approximately HK$309.2 million) and approximately HK$81.0 million respectively (31 March 2019: approximately HK$84.6 million).

As at 30 September 2019, the Group's bank borrowings with maturity within one year amounted to approximately HK$170.0 million (31 March 2019: approximately HK$160.9 million) and the Group's bank borrowings with maturity that exceeded one year amounted to approximately HK$449.2 million (31 March 2019: approximately HK$501.5 million).

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

Loan receivable

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

Charges on group assets

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

Capital commitments

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

Employees and remuneration policy

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

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

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

RISK FACTORS AND MANAGEMENT

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

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

Risk relating to funding sources and interest rate

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

Foreign exchange risk

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

CONTINGENT LIABILITIES

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

EVENTS AFTER THE PERIOD UNDER REVIEW

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

BUSINESS REVIEW AND PROSPECTS

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

1. With effect from the conclusion of the annual general meeting of the Company held on 23 August 2019 and following the retirement of Mr. Duan Changfeng ("**Mr. Duan**") and Ms. Zou Lin ("**Ms. Zou**"), the Board had only one Independent Non-executive Director ("**INED**") which fell short of the minimum number (namely three INEDs) and proportion (namely one-third of the Board) as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The required composition of the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company did not, as a result of the retirements of Mr. Duan and Ms. Zou, meet the requirement under Rule 3.21, Rule 3.25 and the CG Code A.5.1 of Appendix 14 of the Listing Rules respectively.

2. Following the retirements of Mr. Duan and Ms. Zou, the Company has appointed Mr. Ng Wing Chung, Vincent ("**Mr. Ng**") as an INED, a member of the Audit Committee, a member of the Nomination Committee, the chairman of the Remuneration Committee and a member of the risk management committee in each case with effect from 27 August 2019. Following such changes, the Board has only two INEDs which fell short of the minimum number and proportion (namely one-third of the Board) as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The required composition of the Audit Committee, the Remuneration Committee and the Nomination Committee did not meet the requirements under Rule 3.21, Rule 3.25 and the CG Code A.5.1 of Appendix 14 of the Listing Rules respectively.

3. The Company has appointed Mr. Lie Chi Wing as an INED, a member of the Audit Committee, a member of the Nomination Committee, a member of Remuneration Committee in each case with effect from 19 November 2019. Following such changes, the Company is in compliance with Rule 3.10(1), Rule 3.10A, Rule 3.21, Rule 3.25 of the Listing Rules.

4. Mr. Chen Shuai has resigned as the chairman of the Board (the "**Chairman**") and the chairman of the Nomination Committee but remains as a non-executive Director of the Company, a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration Committee due to his decision to devote more time to his other business commitments, in each case with effect from 19 November 2019 (the "**Resignation**"). Subsequent to the Resignation, the Company has appointed Mr. Ng as the chairman of the Nomination Committee with effect from 19 November 2019. Following such changes, the Company is in compliance with the CG code A.5.1 of Appendix 14 of the Listing Rules. As at the date of this announcement, the Company does not have a Chairman. The Company will arrange for the election of the new Chairman in order to fill up the vacancy left due to the Resignation.

BOARD DIVERSITY POLICY

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

AUDIT COMMITTEE

The Audit Committee was established by the Board on 18 December 2015. On 2 May 2019, the Company has adopted a terms of reference of the Audit Committee in compliance with the regulations contained in the Company Law of the Cayman Islands, the Listing Rules and the Articles. The primary duties of the Audit Committee include but are not limited to the reviewing and supervising of the Group's financial reporting process and internal control system and providing advices and comments to the Board. As at the date of this announcement, the Audit Committee consists of two non-executive Directors: Mr. Chen Shuai and Mr. Wong Ming Bun, David, and three INEDs: Mr. Lie Chi Wing, Mr. Ng Wing Chung, Vincent and Mr. Yu Yang. The chairman of the Audit Committee is Mr. Yu Yang.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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 period ended 30 September 2019.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.chinarzfh.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The unaudited interim condensed consolidated financial statements of the Company for the six months ended 30 September 2019 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 26 November 2019

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 Mr. Chen Shuai, 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, Mr. Ng Wing Chung, Vincent and Mr. Yu Yang.