RONGZHONG

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03963)

PRELIMINARY ANNOUNCEMENT OF THE AUDITED ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 AND CLOSURE OF REGISTER OF MEMBERS

AUDITED ANNUAL RESULTS

Reference is made to the announcement dated 30 June 2020 of China Rongzhong Financial Holdings Company Limited (the "Company" and, together with its subsidiaries, the "Group") (the "Unaudited Annual Results Announcement") in respect of the unaudited annual results of the Group for the year ended 31 March 2020 (the "Unaudited Annual Results"). Unless otherwise stated, the terms used in this announcement shall have the same meaning as adopted in the Unaudited Annual Results Announcement.

The Board is pleased to announce the audited annual results of the Group for the year ended 31 March 2020 (the "Audited Annual Results"). As certain adjustments have been made to the Unaudited Annual Results, the differences between the Unaudited Annual Results and the Audited Annual Results contained in this announcement are set out in the section headed "Material Differences between Unaudited and Audited Annual Results" in this announcement in accordance with Rule 13.49(3)(ii)(b) of the Listing Rules. The Audited Annual Results together with the comparative figures extracted from the audited consolidated financial statements of the Group for the year ended 31 March 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
Revenue	*6*	**27,484**	70,784
Other income	*7*	**405**	3,124
Other gains and losses		**1,279**	2,707
Staff costs		**(6,473)**	(8,499)
Impairment losses on financial assets		**(48,218)**	(100,802)
Other operating expenses		**(10,337)**	(8,920)
Finance costs	*8*	**(30,076)**	(37,029)
Loss before income tax		**(65,936)**	(78,635)
Income tax credit/(expense)	*9*	**210**	(12,775)
Loss for the year	*10*	**(65,726)**	(91,410)
Other comprehensive expense			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**(3,696)**	(14,086)
Total comprehensive expense for the year		**(69,422)**	(105,496)
Loss per share	*12*		
Basic and diluted *(HK cents)*		**(16)**	(22)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**168**	499
Lease receivables and receivables arising from sale and leaseback arrangements	13	**123,816**	277,556
		123,984	278,055
Current assets			
Lease receivables and receivables arising from sale and leaseback arrangements	13	**747,226**	697,995
Loan receivable		**6,621**	8,126
Prepayments and other receivables		**8,314**	8,657
Security deposits		**7,352**	7,694
Short term bank deposits with original maturity within three months		**14,775**	20,118
Bank balances and cash		**6,812**	23,070
		791,100	765,660
Current liabilities			
Deposits from customers		**206,047**	214,364
Other payables and accrued charges		**17,956**	18,428
Deferred income		**9**	166
Lease liabilities		**1,209**	–
Tax liabilities		**59,858**	62,642
Bank borrowings	14	**107,822**	160,855
		392,901	456,455
Net current assets		**398,199**	309,205
Total assets less current liabilities		**522,183**	587,260
Non-current liabilities			
Deposits from customers		**–**	1,100
Deferred income		**–**	9
Lease liabilities		**467**	–
Bank borrowings	14	**506,434**	501,527
		506,901	502,636
Net assets		**15,282**	84,624
Capital and reserves			
Share capital		**4,125**	4,125
Reserves		**11,157**	80,499
Total equity		**15,282**	84,624

NOTES

For the year ended 31 March 2020

1. GENERAL

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

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

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

2. BASIS OF PREPARATION

2.1 Going concern basis

The Group recorded a net loss attributable to owners of the Company of HK$65,726,000 for the year ended 31 March 2020. In addition, the worsened general economic environment caused by the outbreak of the COVID-19 pandemic has further adversely impacted on the collectability of the lessees of the Group's lease receivables and receivables arising from sale and leaseback arrangements because these lessees are mostly small and medium enterprises in the Hubei Province of the PRC. As at 31 March 2020, the Group had lease receivables and receivables arising from sale and leaseback arrangements amounting to HK$1,781,593,000 that were all past due and an aggregate impairment loss of HK$910,551,000 was provided for these receivables (Note 13). At the same date, the Group had bank borrowings of HK$107,822,000 that were repayable within 12 months after the end of the reporting period while the cash and cash equivalents maintained was HK$21,587,000 only. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and therefore that it may be unable to realise it assets and discharge its liabilities in the normal course of business.

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

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

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

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

(ii) Implementation of active cost-saving measures

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

2. BASIS OF PREPARATION (Continued)

2.1 Going concern basis (Continued)

(iii) Negotiation of obtaining banking facilities

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

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

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

2.2 Statement of compliance

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

2.3 Basis of measurement

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

3. ADOPTION OF HKFRSs

3.1 Adoption of new and revised HKFRSs

In the current year, the Group has applied for the first time the following new or revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are relevant to and effective for the Group's financial statements for the annual period beginning on 1 April 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 16 – Leases ("HKFRS 16")

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease, HK(SIC) – Int 15 Operating Leases-Incentives and HK(SIC) – Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use asset and a lease liability, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (i) to (iv) of this note.

(i) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

(ii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under HKFRS 16, all leases are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise leases which are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities for leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 16 (Continued)

(ii) Accounting as a lessee (Continued)

Right-of-use asset (Continued)

The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) re-measuring the carrying amount to reflect any reassessment or lease modification.

(iii) Accounting as a lessor

As the accounting under HKFRS 16 for a lessor is substantially unchanged from the requirements under HKAS 17, the adoption of HKFRS 16 does not have significant impact on these financial statements.

(iv) Transition

The Group has applied HKFRS 16 using the modified retrospective approach. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

3. ADOPTION OF HKFRSs (Continued)

3.1 Adoption of new and revised HKFRSs (Continued)

HKFRS 16 (Continued)

(iv) Transition (Continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 March 2019 could be reconciled to the lease liabilities at the date of initial application of HKFRS 16 recognised in the consolidated statement of financial position as at 1 April 2019:

	HK$'000
Operating lease commitment at 31 March 2019	63
Less: short-term leases with remaining lease term ended on or before 31 March 2020	(63)
Lease liabilities at 1 April 2019	–

The Group has applied the practical expedient for not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application and accounted for those leases as short-term leases. In addition, the Group has also applied the practical expedients that HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17.

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

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

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[3]
Amendment to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[2]
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018-2020 Cycle[3]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 June 2020
[3] Effective for annual periods beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The new and revised HKFRSs have been issued but are not yet effective are unlikely to have material impact on the Group's financial statements upon application.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements

Going concern assumption

The assessment of the going concern assumption involves making a judgement by the directors of the Company, at a particular point of the time, about the future outcome of events or conditions which are inherently uncertain. The directors consider that the Group has the capability to continue as a going concern and the going concern assumption is set out in note 2.1 to this announcement.

Key sources of estimation uncertainty

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

Impairment of financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

5. SEGMENT INFORMATION

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

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

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

	2020 ***HK$'000***	2019 *HK$'000*
Customer A	**6,095**	36,477
Customer B *(note)*	**6,324**	5,009
Customer C *(note)*	**3,550**	3,517
Customer D *(note)*	**3,048**	2,390

Note:

The revenue from these customers contributed less than 10% of the total financial leasing services of the Group for the year ended 31 March 2019.

6. REVENUE

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

	2020 *HK$'000*	2019 *HK$'000*
Interest income arising from sale and leaseback arrangements	**23,934**	67,267
Finance lease income	**3,550**	3,517
	27,484	70,784

7. OTHER INCOME

	2020 *HK$'000*	2019 *HK$'000*
Government grants *(note)*	**–**	1,852
Interest income from a loan receivable	**–**	838
Bank interest income	**405**	430
Others	**–**	4
	405	3,124

Note: These grants are accounted for as financial support with no future related costs expected to be incurred nor related to any assets.

8. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest on borrowings	**29,784**	35,316
Imputed interest expense on interest-free deposits from customers	**163**	1,713
Interest on lease liabilities	**129**	–
	30,076	37,029

9. INCOME TAX (CREDIT)/EXPENSE

	2020 *HK$'000*	2019 *HK$'000*
Current tax		
Enterprise Income Tax in the PRC		
– Tax for the year	**–**	12,752
– (Over)/under provision in prior year	**(210)**	23
Income tax (credit)/expense	**(210)**	12,775

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

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

10. LOSS FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration:		
– Fee	**1,140**	1,325
– Short-term employee benefits	**1,032**	1,278
– Retirement benefit scheme contributions	**18**	33
– Equity-settled share-based payments	**74**	–
Salaries, allowances and other staff benefits	**3,998**	5,515
Staff's retirement benefit scheme contributions	**211**	348
Total staff costs	**6,473**	8,499
Depreciation of property, plant and equipment	**1,618**	866
Auditor's remuneration	**1,280**	1,550
Short-term lease expenses	**505**	–
Operating lease rentals in respect of properties	**–**	1,831
Impairment losses on property, plant and equipment	**1,604**	–

11. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the year ended 31 March 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

12. LOSS PER SHARE

	2020	2019
	HK$'000	*HK$'000*
Loss:		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**65,726**	91,410

	2020	2019
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**412,509**	412,509

The basic and diluted loss per share is calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares for the years ended 31 March 2020 and 2019.

The calculation of diluted loss per share for the year ended 31 March 2020 does not assume the exercise of the Company's outstanding share options as the exercise price of those options is higher than the average market price for shares.

The Group had no potential ordinary share in issue during the year ended 31 March 2019.

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

The Group provides financial leasing services in the PRC.

	2020	2019
	HK$'000	*HK$'000*
Lease receivables	**17,136**	19,089
Receivables arising from sale and leaseback arrangements	**853,906**	956,462
	871,042	975,551

	Minimum lease payments	
	2020	2019
	HK$'000	*HK$'000*
Lease receivables and receivables arising from sale and leaseback arrangements comprise:		
Within one year	**1,658,248**	1,578,714
In more than one year but not more than two years	**56,089**	194,519
In more than two year but not more than three years	**22,024**	58,697
In more than three year but not more than four years	**21,153**	23,049
In more than four year but not more than five years	**20,282**	22,137
More than five years	**35,359**	58,229
	1,813,155	1,935,345
Less: Unearned finance income	**(31,562)**	(60,602)
	1,781,593	1,874,743
Less: Impairment allowance	**(910,551)**	(899,192)
	871,042	975,551
Analysed for reporting purposes as:		
Current assets	**747,226**	697,995
Non-current assets	**123,816**	277,556
	871,042	975,551

The Group's lease receivables and receivables arising from sale and leaseback arrangements are denominated in RMB which is the functional currency of the relevant group entity. The effective interest rates of the above leases receivables and receivables arising from sale and leaseback arrangements range mainly from 7.6% to 14.7% (2019: 7.6% to 16.3%) per annum as at 31 March 2020.

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

13. LEASE RECEIVABLES AND RECEIVABLES ARISING FROM SALE AND LEASEBACK ARRANGEMENTS (Continued)

Lease receivables and receivables arising from sale and leaseback arrangements were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 31 March 2020, an aggregate lease receivables and receivables arising from sale and leaseback arrangements of HK$910,551,000 (2019: HK$887,501,000) was determined to be impaired under the lifetime expected credit losses ("ECL"). The lifetime ECL impaired receivables related to those credit exposures where there has been a significant increase in credit risk since initial recognition, which the loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

As at 31 March 2019, impairment allowance of HK$11,691,000 was provided under the 12-month ECL. The 12-month ECL impaired receivables related to those possible for credit losses that result from default events within the next 12-month.

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

	2020	2019
	HK$'000	*HK$'000*
At 1 April	**899,192**	835,048
Impairment losses recognised, net	**46,713**	98,915
Unwinding discount on loss allowance	**4,610**	12,984
Written-off	**–**	(1,767)
Exchange realignment	**(39,964)**	(45,988)
At 31 March	**910,551**	899,192

14. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Secured	**157,116**	147,267
Unsecured	**457,140**	515,115
	614,256	662,382
Carrying amount repayable:		
Within one year	**107,822**	160,855
More than one year, but not exceeding two years	**376,434**	104,661
More than two years, but not exceeding five years	**130,000**	396,866
	614,256	662,382
Less: amounts shown under current liabilities	**(107,822)**	(160,855)
	506,434	501,527

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

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. Set forth below are 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.

For the year ended 31 March 2020

	Audited *HK$'000*	**Unaudited** *HK$'000*	*(Note)* **Difference** *HK$'000*
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME			
Impairment losses on financial assets	48,218	43,596	4,622
Other operating expenses	10,337	8,733	1,604
As at 31 March 2020			
CONSOLIDATED STATEMENT OF FINANCIAL POSITION			
NON-CURRENT ASSETS			
Property, plant and equipment	168	1,772	(1,604)
CURRENT ASSETS			
Lease receivables and receivables arising from sale and leaseback arrangements	747,226	751,046	(3,820)
Loan receivable	6,621	7,424	(803)

Note:

These differences were due to the finalisation of respective impairment assessments.

Save as disclosed in this announcement and the corresponding adjustments related to the above differences, there is no material change in other information contained in the Unaudited Annual Results Announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group recorded a net loss attributable to owners of the Company of HK$65,726,000 for the year ended 31 March 2020. This condition, along with other matters as set forth in note 2.1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FINANCIAL REVIEW

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

Revenue

We have one principal business segment, which is the provision of financial leasing services in the PRC and in turn generates interest income and finance income. Lease contracts are generally priced at a market interest rate, determined with reference to the prevailing interest rates for commercial lending plus a premium. We record both types of income as a single item in the consolidated financial statements. The Group realized revenue for the Reporting Period of approximately HK$27.5 million, representing a decrease of approximately 61.2% from approximately HK$70.8 million as recorded in the previous corresponding period ended 31 March 2019. This was mainly due to the Group's prudent and conservative strategy to promote business during the continued static economy in order to safeguard our asset with additional emphasis placed in the recovery of past due lease receivables and receivables arising from sale and leaseback arrangements and enhancement of internal control.

Staff costs

Staff costs of the Group amounted to approximately HK$6.5 million for the Reporting Period, representing a decrease of approximately 23.8% from approximately HK$8.5 million recorded in the previous corresponding period ended 31 March 2019. This was mainly due to the decrease in the amount of incentive payments to management.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$10.3 million, representing an increase of approximately 15.9% from approximately HK$8.9 million recorded in the previous corresponding period ended 31 March 2019. This was mainly due to the increase in the amount of impairment losses on property, plant and equipment.

Impairment losses on financial assets

The impairment losses on financial assets is approximately HK$48.2 million for the Reporting Period, representing a decrease of approximately HK$52.6 million from approximately HK$100.8 million recorded in the previous corresponding period ended 31 March 2019.

Other income

Other income of the Group comprised of bank interest income and government grants. During the Reporting Period, the other income of the Group amounted to approximately HK$0.4 million, representing a decrease of approximately 87.0% from approximately HK$3.1 million recorded in the previous corresponding period ended 31 March 2019. Such decrease was due to the decrease in government grants accounted for as financial support.

Finance costs

Finance costs of the Group comprised of interest on bank borrowings, interest on lease liabilities and imputed interest expense on interest-free deposits from customers. During the Reporting Period, finance costs of the Group amounted to approximately HK$30.1 million, representing a decrease of approximately 18.8% from approximately HK$37.0 million in the previous corresponding period ended 31 March 2019. This was mainly due to the decrease in the amount of bank borrowings.

As at 31 March 2020, the outstanding bank borrowings guaranteed by related parties amount to approximately HK$614.3 million (2019: approximately HK$662.4 million) and the guarantee fee paid to the related parties during the Reporting Period amount to nil (2019: nil).

Loss for the year

Loss for the year ended 31 March 2020 of the Company amounted to approximately HK$65.7 million, representing a decrease of approximately 28.1% from approximately HK$91.4 million loss recorded in the previous corresponding period ended 31 March 2019. This was mainly due to the decrease in the recognition of provision for the impairment losses on financial assets.

Dividend

The Board does not recommend the payment of any final dividend for the year ended 31 March 2020.

Liquidity, financial resources and capital resources

As at 31 March 2020, the aggregate sum of the Group's bank balances and cash and short-term bank deposits amounted to approximately HK$21.6 million (2019: approximately HK$43.2 million), representing a decrease of approximately HK$21.6 million compared to 31 March 2019. This was due to a combination of multiple effects including the Group's conservative strategy to promote business during the economic downturn resulting in a decrease in business volume, slow-down in the collection of past due financial assets and thus an increase in the use of internal funding. The working capital (current assets less current liabilities) and total equity of the Group were approximately HK$398.2 million (2019: approximately HK$309.2 million) and approximately HK$15.3 million (2019: approximately HK$84.6 million) respectively.

As at 31 March 2020, the Group's bank borrowings with maturity within one year amounted to approximately HK$107.8 million (2019: approximately HK$160.9 million) and the Group's bank borrowings with maturity exceeded one year amounted to approximately HK$506.4 million (2019: approximately HK$501.5 million).

Our gearing ratio (total bank borrowings/total equity) as at 31 March 2020 was approximately 4,019.5% (2019: approximately 782.7%).

Charges on group assets

As at 31 March 2020, the Group's bank borrowings with carrying amount of approximately HK$131.8 million (2019: approximately HK$147.3 million) were granted by a bank in the PRC and secured by charges over receivables arising from sale and leaseback arrangements of the Group with an aggregate carrying value of approximately HK$120.4 million (2019: approximately HK$133.9 million).

As at 31 March 2020, the Group's bank borrowings with carrying amount of approximately HK$25.3 million were secured by bank deposits of approximately HK$1.1 million.

Employees and remuneration policy

As at 31 March 2020, the Group had 25 staff located in both Hong Kong and the PRC, and their remuneration is determined based on the employees' performance, experience and prevailing industry practices. The Group also offers other benefits such as medical insurance, retirement schemes and training subsidies to our employees. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

In Hong Kong, we participate in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and are 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 PRC laws to contribute a certain percentage of payroll costs to the retirement benefits scheme to fund the benefits.

RISK FACTORS AND MANAGEMENT

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

Our business is positioned to fulfill the financing needs of SMEs and the sustainability of our business and future growth depend on our ability to manage our credit risk effectively. As such, any deterioration in our asset quality or collectability of our lease receivables and receivables arising from sale and leaseback arrangements could adversely affect our business, prospects and financial conditions. Due to the continuation of downturn economic pressure in the PRC, it is inevitable for some corporations to be faced with 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, and as such they are more likely to be adversely affected by changes in market conditions, which poses increasing risk of default to our Group. Our management has been monitoring the changes of our customers' credit risk, and we had, in fact, in some cases requested additional collaterals and pledged assets from customers as a form of additional precautionary measures. We will continue to closely monitor the value of the related leased assets and the collaterals securing our leases in order to take effective additional precautionary measures to minimize our risk of exposure to such credit risks.

Risk relating to funding sources and interest rate

Our business operation relies substantially on interest-bearing bank loans. We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings from various banks. Accordingly, fluctuations in interest rates have affected and will continue to directly and immediately affect our financing costs and, ultimately, our profitability and results of operations. However, our management will continue to closely monitor the changes in interest rate 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 our shares are made in Hong Kong dollars. The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, our management will continue to monitor the related foreign currency exposure closely and will consider appropriate measures should the need arise.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any material contingent liabilities (2019: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

Discloseable transaction on disposal of underlying assets

On 5 May 2020, Rongzhong International Financial Leasing Co., Ltd. (the "Vendor"), an indirect wholly-owned subsidiary of the Company, and 廣東福灣盛達投資管理有限公司 (Guangdong Fuwan Shengda Investment Management Co., Ltd, English name for identification purpose only) (the "Purchaser"), an independent third party, entered into an assets disposal agreement (the "Assets Disposal Agreement") pursuant to which, among other things, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the rights and interests of the Vendor pursuant to 7 finance leases which were past due as at the date of the Assets Disposal Agreement entered into by the Vendor (as lessor) and the relevant lessees for a total consideration of RMB16,000,000 (equivalent to approximately HK$17.8 million).

For details, please refer to the Company's announcements dated 5 May 2020 and 15 May 2020.

New bank guarantee agreements

On 25 May 2020, Mr. Xie Xiaoqing and Rongzhong Capital Investments Group Limited 融眾資本投資集團有限公司 had each entered into bank guarantee agreements with a bank pursuant to which Mr. Xie Xiaoqing and Rongzhong Capital Investments Group Limited 融眾資本投資集團有限公司 agreed to provide certain guarantee in favor of a bank for the grant of loan to Rongzhong International Financial Leasing Co., Ltd.. The bank guarantee agreements expire two years upon the settlement of the loan and no guarantee fee is payable by Rongzhong International Financial Leasing Co., Ltd. to Mr. Xie Xiaoqing and Rongzhong Capital Investments Group Limited 融眾資本投資集團有限公司 for their provision of guarantee services under the bank guarantee agreements.

Major transaction in relation to the acquisition of 51% equity interest in the target company involving issuance of consideration shares under specific mandate

On 26 June 2020, the Company (as the "Purchaser"), entered into a Sale and Purchase Agreement with Alpha Focus International Limited, Mr. Rozario Bobby Roberto, Ever Art Investment Limited, Forever Management Limited (collectively as the "Vendors"), Mr. Pan (as guarantor of the Vendors and covenantor) and Mr. Li (as covenantor), independent third parties, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, certain shares, representing 51% of the equity interest in a company incorporated in Hong Kong, at the consideration of HK$32,640,000.

For details, please refer to the Company's announcement dated 26 June 2020.

Deed of Non-competition

On or about 12 June 2020, the Company received a notice (the "Notice") issued by certain covenantors with reference to a deed of non-competition dated 18 December 2015 (the "Deed of Non-Competition") containing particulars of two proposed acquisitions. Upon receipt of the Notice, the Company formed an independent board committee in accordance with the Deed of Non-competition.

For details, please refer to the Company's announcement dated 2 July 2020.

Impact of novel coronavirus outbreak to the Group

Amid the recent outbreak of novel coronavirus (COVID-19) epidemic (the "Epidemic") in 2020, the PRC Government issued notices to extend the period of the Chinese New Year holiday in China. In particular, various local provincial governments issued notices and required enterprises to suspend their operations temporarily.

As the Group's head office is located in Wuhan, Hubei Province, the PRC, the Group's operations have been significantly impacted by the Epidemic. Due to suspension of work since late January 2020 (following the extension of the Chinese New Year holiday) and the inability of the staff in affected provinces and municipalities to return to business units and resume work as planned, the Group suspended its operation in Wuhan. Since the second half of April 2020, certain restrictions previously imposed on enterprises in Wuhan had been gradually lifted and thus the employees of the Group in Wuhan have now returned to office and resumed work gradually. However, it is expected that the Group's operations and productivity will continue to be adversely affected.

As at the date of this announcement, the extent of the Epidemic and recovery of the operations of the Group remains uncertain. The Board expects that there will be a material adverse impact in the first quarter of the financial year of 2021 as compared to the corresponding period in 2020 and will continue to assess the impact of the Epidemic on the operation and financial performance of the Group. The Board will also closely monitor the development of the Epidemic and the risks and uncertainties faced by the Group as a result of the Epidemic. The Company will take appropriate measures as necessary and make further announcements as and when appropriate.

PROSPECTS

Going forward, the Group is likely to face many challenges as a result of the unfavorable economic and political conditions. Nonetheless, we remain committed to place strong emphasis on the recovery of our past due financial assets and the continue enhancement of effective credit risks prevention. In spite of the many proactive measures already taken and implemented, we will continue to closely monitor the collection of past due financial assets. The Group is prepared to continuously improve its internal management structures to enhance the succession of the Group's future development. Furthermore, the Group has been proactively accessing and evaluating potential financial leasing opportunities outside of Hubei province to leverage on the Group's financial leasing licence which has a nation-wide coverage and geographically diversified business opportunities, as well as exploring other potential low risk financing business. The Group had also recently entered into strategic alliance agreements with a few parties pursuant to which each of the counterparty has agreed to assist the Group with its long-term strategic development in respect of businesses including finance leases and other financing businesses nation-wide. In addition, the Group aims to seek potential growth opportunities and adjust its development strategies where necessary in order to safeguard, sustain and diversify the long term growth and profitability of the Group, thus, enhancing shareholder's value as a whole.

CONTINUING CONNECTED TRANSACTIONS

Expressions used in the sections headed "Connected Persons" and "Exempt Continuing Connected Transactions" shall have the same meanings given to them in the Company's prospectus dated 18 January 2016 ("Prospectus").

CONNECTED PERSONS

Rongzhong Group Limited ("Rongzhong Group")

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

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

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

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademarks Licence Agreements

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

Finance Lease Guarantee Agreements

For all our financial leasing arrangements, in addition to the leased assets, we normally require our customers to provide additional securities to further secure their lease payment obligations under the finance leases, which include, among others, certain assets that we may not be able to register as the pledgee or mortgagee under the current practice of the PRC to take up as security (the "Additional Assets") as we are a wholly-foreign invested financial leasing entity. In this regard, our subsidiary and main operating entity, Rongzhong International Financial Leasing Co., Ltd. ("Rongzhong PRC") entered into (i) one finance lease guarantee supplemental agreement with Wuhan Rongzhong on 28 March 2019 and (ii) three finance lease guarantee agreements with Wuhan Jinhong on 13 January 2016, 30 March 2016 and 18 May 2016 respectively, (collectively as the "Finance Lease Guarantee Agreements" and each a "Finance Lease Guarantee Agreement") pursuant to which Wuhan Rongzhong and Wuhan Jinhong acted as a guarantor in favor of Rongzhong PRC in respect of the lease payment obligations of certain customers of Rongzhong PRC under their respective finance lease agreement entered into with Rongzhong PRC. In return, these customers would pledge their Additional Assets to Wuhan Rongzhong and Wuhan Jinhong as securities to further secure their payment obligations to Wuhan Rongzhong and Wuhan Jinhong under separate agreements entered into with Wuhan Rongzhong and Wuhan Jinhong respectively. The guarantee obligations of Wuhan Rongzhong and Wuhan Jinghong under the Finance Lease Guarantee Agreements shall continue for a period of two years from the date on which the payment obligations of the customers under the relevant finance lease agreements entered into with Rongzhong PRC have been fulfilled. The guarantee fees (if any) payable to Wuhan Rongzhong and Wuhan Jinhong were borne entirely by the customers of Rongzhong PRC.

Litigation Guarantee Framework Agreements

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

The Bank Guarantee Agreements

On 28 June 2017, 18 May 2018 and 10 December 2019, Mr. Xie and Rongzhong Capital Investments had each entered into bank guarantee agreements with certain banks (collectively as the "Bank Guarantee Agreements") pursuant to which Mr. Xie and Rongzhong Capital Investments agreed to provide certain guarantees in favor of the banks for their grant of loans to Rongzhong PRC. The Bank Guarantee Agreements expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for their provision of guarantee services under the Bank Guarantee Agreements.

On 31 March 2020, Mr. Xie and Rongzhong Capital Investments had confirmed that each of Mr. Xie and Rongzhong Capital Investments had agreed to provide certain guarantees in favor of the banks for their grant of loans to Rongzhong PRC, such guarantees expire two years upon the settlement of the loans and no guarantee fee is payable by Rongzhong PRC to Mr. Xie and Rongzhong Capital Investments for the provision of guarantee services. As at 31 March 2020, Mr. Xie and Rongzhong Capital Investments have provided the following guarantees to banks for their grant of loans to Rongzhong PRC.

Guarantor(s)	**As at 31 March 2020**	As at 31 March 2019
	(HK$' million approximately)	
Mr. Xie	**614.3**	662.4
Rongzhong Capital Investments	**614.3**	662.4

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

REVIEW OF 2019/20 CONSOLIDATED FINANCIAL STATEMENTS

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

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2020 as set out in this preliminary results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary results announcement.

CORPORATE GOVERNANCE

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

During the Reporting Period, the Company had complied with all code provisions in the CG Code and had adopted most of the recommended best practices set out in the CG Code except for the following:

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

2. Following the retirements of Mr. Duan and Ms. Zou, the Company has appointed Mr. Ng Wing Chung Vincent 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 had only two INEDs which fell short of the minimum number (namely three INEDs) and proportion (namely one-third of the Board) as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The required composition of the Audit Committee, the Remuneration Committee and the Nomination Committee did not meet the requirements under Rule 3.21, Rule 3.25 and the CG Code A.5.1 of Appendix 14 of the Listing Rules respectively.

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

4. Mr. Chen Shuai 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 Wing Chung Vincent 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the forthcoming 2020 annual general meeting of the Company (the "2020 AGM"), the register of members of the Company will be closed from Monday, 2 November 2020 to Thursday, 5 November 2020 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 pm on Friday, 30 October, 2020.

ANNUAL GENERAL MEETING

The 2020 AGM of the Company will be held on Thursday, 5 November 2020 at 24/F OfficePlus @Wan Chai, 303 Hennessy Road, Wan Chai, Hong Kong. The notice of the 2020 AGM will be published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.chinarzfh.com) and sent to the shareholders of the Company, together with the Company's 2020 annual report, in due course.

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

Hong Kong, 22 September 2020

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.