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 2020

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 2020 (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 2020

	Notes	Six months ended 30 September 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Revenue	*3*	**10,364**	17,058
Other income		**319**	247
Net exchange (loss)/gain		**(368)**	1,279
Staff costs		**(2,997)**	(3,352)
Reversal of impairment losses on financial assets		**29,997**	9,362
Other operating expenses		**(3,319)**	(5,177)
Finance costs	*4*	**(15,160)**	(15,546)
Profit before income tax	*5*	**18,836**	3,871
Income tax expense	*6*	**–**	(4,004)
Profit/(loss) for the period		**18,836**	(133)
Other comprehensive income/(expense)			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation to presentation currency		**773**	(3,530)
Total comprehensive income/(expense) for the period		**19,609**	(3,663)
Earnings/(loss) per share			
Basic and diluted *(HK cents)*	*8*	**4.57**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	Notes	30 September 2020 HK$'000 (Unaudited)	31 March 2020 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**102**	168
Lease receivables and receivables arising from sale and leaseback arrangements	9	**110,663**	123,816
		110,765	123,984
Current assets			
Lease receivables and receivables arising from sale and leaseback arrangements	9	**812,476**	747,226
Loan receivable		**6,621**	6,621
Prepayments and other receivables		**8,335**	8,314
Security deposits		**7,519**	7,352
Short term bank deposits with original maturity within three months		**11,625**	14,775
Bank balances and cash		**4,340**	6,812
		850,916	791,100
Current liabilities			
Deposits from customers		**210,739**	206,047
Other payables and accrued charges		**19,252**	17,956
Deferred income		**–**	9
Lease liabilities		**758**	1,209
Tax liabilities		**61,218**	59,858
Bank borrowings		**354,471**	107,822
		646,438	392,901
Net current assets		**204,478**	398,199
Total assets less current liabilities		**315,243**	522,183
Non-current liabilities			
Lease liabilities		**238**	467
Bank borrowings		**279,872**	506,434
		280,110	506,901
Net assets		**35,133**	15,282
EQUITY			
Capital and reserves			
Share capital		**4,125**	4,125
Reserves		**31,008**	11,157
Total equity		**35,133**	15,282

NOTES

For the six months ended 30 September 2020

1. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION

The interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange 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 2020.

Going Concern

The worsened general economic environment caused by the outbreak of the COVID-19 pandemic has adversely impacted on the collectability of the lessees of the Group's lease receivables and receivables arising from sale and leaseback arrangements because these lessees are mostly small and medium enterprises in the Hubei Province of the People's Republic of China (the "**PRC**"). As at 30 September 2020, the Group had lease receivables and receivables arising from sale and leaseback arrangements amounting to HK$1,827,182,000 that were all past due and an aggregate impairment loss of HK$904,043,000 was provided for these receivables (Note 9). At the same date, the Group had bank borrowings of HK$354,471,000 that were repayable within 12 months after the end of the reporting period while the cash and cash equivalents maintained was HK$15,965,000 only. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and therefore that it may be unable to realise 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 receivables arising from sale and leaseback arrangements to an independent third party to alleviate the liquidity pressure of the Group. As the market to dispose of the receivables is readily accessible, more receivables would be realised by this means should a further liquidity need arise.

(ii) Implementation of active cost-saving measures

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

(iii) Negotiation of obtaining banking facilities

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

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

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

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 2020 except for the adoption of the standards, amendments and interpretations issued by the HKICPA effective for the Group's annual periods beginning on or after 1 April 2020. The new or amended Hong Kong Financial Reporting Standards that are effective from 1 April 2020 did not have any material impact on the Group's accounting policies.

3. REVENUE AND SEGMENT INFORMATION

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

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

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Reporting Period. The Group is principally engaged in providing financial leasing services in the PRC. The executive director of the Company, being the chief operating decision maker of the Group, reviews the interim 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.

4. FINANCE COSTS

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

5. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

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

6. INCOME TAX EXPENSE

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

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

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

As at 30 September 2020, the Group had unused tax losses of approximately HK$3,042,000 (31 March 2020: approximately HK$2,975,000) and had deductible temporary differences of approximately HK$917,679,000 (31 March 2020: approximately HK$923,885,000) available for offset against future profits. No deferred tax asset has been recognised in relation to such deductible temporary differences due to unpredictability of future profits stream.

7. DIVIDEND

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

8. EARNINGS/(LOSS) PER SHARE

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

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

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

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

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

The Group provides financial leasing services in the PRC.

	30 September 2020 HK$'000 (Unaudited)	31 March 2020 HK$'000 (Audited)
Lease receivables	**17,526**	17,136
Receivables arising from sale and leaseback arrangements	**905,613**	853,906
	923,139	871,042

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

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 lease receivables and receivables arising from sale and leaseback arrangements mainly ranged from 7.6% to 25.0% (31 March 2020: 7.6% to 25.0%) per annum as at 30 September 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FINANCIAL REVIEW

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

Revenue

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

Staff costs

Staff costs of the Group amounted to approximately HK$3.0 million for the Reporting Period, representing a decrease of approximately 10.6% from approximately HK$3.4 million recorded in the previous corresponding period ended 30 September 2019. This was mainly due to the decrease in the number of staff.

Other operating expenses

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

Reversal of impairment losses on financial assets

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

Other income

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

Finance costs

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

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

Profit for the period

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

Interim dividend

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

Liquidity, financial resources and capital resources

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

As at 30 September 2020, the Group's bank borrowings with maturity within one year amounted to approximately HK$354.5 million (31 March 2020: approximately HK$107.8 million) and the Group's bank borrowings with maturity that exceeded one year amounted to approximately HK$279.9 million (31 March 2020: approximately HK$506.4 million).

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

Loan receivable

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

Charges on group assets

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

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

Capital commitments

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

Employees and remuneration policy

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

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

PRC employees are covered by the mandatory social security schemes operated by the PRC government. The Group is required by 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 employers' contributions for the Reporting Period.

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 the downturn in economic pressure in the PRC, it is inevitable for some corporations to be faced with a greater risk of default, especially the SMEs. As most SMEs customers in general have less financial resources in terms of capital or fund raising capability when comparing to larger corporations, and as such, they are more likely to be adversely affected by changes in market conditions, which poses increasing risk of default to our Group. Our management has been monitoring the changes of our customers' credit risk, and we had, in fact, in some cases requested additional collaterals and pledged assets from customers as a form of additional precautionary measures. We will continue to closely monitor the value of the related leased assets and the collaterals securing our leases in order to take effective additional precautionary measures to minimize our risk of exposure to such credit risks.

Risk relating to funding sources and interest rate

Our business operation relies substantially on interest-bearing bank loans. We have incurred, and expect to continue to incur, a significant amount of interest expenses relating to our borrowings from various banks. Accordingly, fluctuations in interest rates have affected and will continue to directly and immediately affect our financing costs and, ultimately, our profitability and results of operations. However, our management will continue to closely monitor the changes in interest rates and in turn charge to 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 2020, the Group did not have any material contingent liabilities (31 March 2020: nil).

EVENTS AFTER THE PERIOD UNDER REVIEW

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

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

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

Discloseable transaction in relation to disposal of underlying assets

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

BUSINESS REVIEW AND PROSPECTS

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

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

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:

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.

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 Companies Law of the Cayman Islands, the Listing Rules and the Articles. The primary duties of the Audit Committee included but are not limited to reviewing the Group's financial information, overseeing the Group's financial reporting system and internal control procedures, risk management system and maintaining relationship with the Group's external auditor and providing recommendations to the Board. As at the date of this 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 was Mr. Yu Yang.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2020 have been reviewed by the Audit Committee before they are duly approved by the Board under the recommendation of the Audit Committee.

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 2020.

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 report of the Company for the six months ended 30 September 2020 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, 27 November 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.