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 2022 AND CONTINUED SUSPENSION OF TRADING

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 2022 (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 2022

		Six months ended 30 September	
	Notes	**2022**	2021
		HK$'000	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**45,509**	7,582
Other income		**467**	28
Cost of sales and services		**(16,369)**	(58)
Other gains and losses		**1,607**	(28)
Staff costs		**(14,031)**	(4,839)
(Impairment losses) and (provision of)/reversal of expected credit losses		**(7,525)**	18,259
Other operating expenses		**(14,306)**	(5,216)
Finance costs	*4*	**(17,667)**	(15,709)
(Loss)/profit before tax		**(22,315)**	19
Income tax expense	*5*	**(8)**	(16)
(Loss)/profit for the period	*6*	**(22,323)**	3
Other comprehensive income/(expense)			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**68,675**	(4)
Total comprehensive income/(expense) for the period		**46,352**	(1)
(Loss)/profit for the period attributable to:			
Owners of the Company		**(23,292)**	(355)
Non-controlling interests		**969**	358
		(22,323)	3
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**46,101**	(357)
Non-controlling interests		**251**	356
		46,352	(1)
Loss per share			
Basic and diluted *(HK cents)*	*8*	**(5.65)**	(0.09)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

	Notes	30 September 2022 HK$'000 (Unaudited)	31 March 2022 HK$'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*9*	**62,267**	70,701
Lease receivables and receivables arising from sale and leaseback arrangements	*10*	**71,998**	77,859
Deposits		**538**	426
Goodwill		**12,690**	19,372
		147,493	168,358
Current assets			
Lease receivables and receivables arising from sale and leaseback arrangements	*10*	**214,376**	231,512
Trade receivables	*11*	**6,581**	6,754
Prepayments and other receivables		**3,919**	7,382
Other assets		**2,882**	3,202
Security deposits		**1,111**	1,235
Bank balances and cash		**11,579**	15,479
		240,448	265,564
Current liabilities			
Trade payables	*12*	**239**	414
Deposits from customers		**197,945**	219,432
Other payables and accrued charges		**27,253**	31,019
Contract liabilities		**4,364**	4,949
Lease liabilities		**2,376**	2,620
Tax liabilities		**61,327**	67,989
Bank borrowings	*13*	**628,162**	707,219
Amount due to a related company		**34,828**	101
Amount due to a shareholder		**574**	168
Derivative financial liabilities		**9,063**	9,478
		966,131	1,043,389
Net current liabilities		**(725,683)**	(777,825)
Total assets less current liabilities		**(578,190)**	(609,467)

	Notes	30 September 2022 HK$'000 (Unaudited)	31 March 2022 HK$'000 (Audited)
Non-current liabilities			
Deposits from customers		**90**	300
Lease liabilities		**1,645**	2,830
Convertible bonds		**2,320**	2,245
Derivative financial liabilities		**761**	833
Loan note		**9,406**	9,065
Bank borrowings	*13*	**24,688**	3,285
Amount due to a related company		**13,582**	51,273
Amount due to a shareholder		**15,600**	10,800
Contingent consideration payables		**3,015**	5,786
		71,107	86,417
Net liabilities		**(649,297)**	(695,884)
EQUITY			
Equity attributable to owners of the Company			
Share capital		**4,125**	4,125
Deficit		**(659,215)**	(705,551)
		(655,090)	(701,426)
Non-controlling interests		**5,793**	5,542
Capital deficiency		**(649,297)**	(695,884)

NOTES

For the six months ended 30 September 2022

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 requirements of Appendix 16 to 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 2022.

Going concern basis

The Group recorded a net loss attributable to owners of the Company of approximately HK$23,292,000 for the six months ended 30 September 2022 and as at that date, the Group had net current liabilities and net liabilities of approximately HK$725,683,000 and HK$649,297,000 respectively, whereas its cash and cash equivalents maintained was approximately HK$11,579,000 only as at the same date. Besides, included in net current liabilities of the Group, there were lease receivables and receivables arising from sale and leaseback arrangements with various enterprises in Hubei Province of the PRC amounted to a gross carrying amount of approximately HK$1,651,157,000. As further set out in note 10 to the interim condensed consolidated financial statements, these lease receivables and receivables arising from sale and leaseback arrangements were all credit-impaired and an accumulated impairment loss of HK$1,371,561,000 was provided for these receivables, which the Group considered it was due to adverse impact of the outbreak of COVID-19 pandemic and the Group was implementing measures to expedite the collection process of these receivables. The Group also had bank borrowings of approximately HK$628,162,000 that were repayable within twelve months after the end of the reporting period.

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 its 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 eighteen 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) Obtaining new source of finance to improve working capital requirements

On 21 October 2021, the Company and Goldbond Group Holdings Limited ("**Goldbond**"), a substantial shareholder with significant influence of the Company, entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the "**Goldbond Loan Agreement**"). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 30 September 2022 and 30 November 2022, the amounts of HK$19,848,000 and HK$17,559,000, respectively, were as stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

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

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit against to these borrowers, renegotiation of repayment plans and other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an approximate amount of RMB1,107,922,000 (equivalent to approximately HK$1,231,024,000). In addition, the Group has taken alternative measures and utilise the Group's expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the six months ended 30 September 2022, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the "**Related Party**"), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. At 30 September 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK$42,778,000 while the relevant bank borrowings were approximately HK$504,128,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company's announcement on 28 June 2021, the Group is applying to the relevant bank for transfer of bank borrowings to the Related Party. Such application was still under review and pending approval from the relevant bank as at the date of issuance of this report. For illustrative purposes only, based on the figures as at 30 September 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group's consolidated net liabilities would be reduced by HK$461,350,000.

(iii) Negotiation of the renewal of bank borrowings

During the six months ended 30 September 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK$24,166,000 extended to May 2024. The Group is in the process of negotiation with relevant bank to obtain further extension.

(iv) Implementation of active cost-saving measures

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

(v) Disposal of Rongzhong Capital Holdings Limited

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

For details, please refer to the Company's announcement dated 31 March 2022 and 2 June 2022.

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 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 2022 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 2022. The new or amended HKFRSs that are effective from 1 April 2022 did not have any material impact on the Group's accounting policies.

3. REVENUE AND SEGMENT INFORMATION

The directors of the Company determined the reportable segments of the Group as follows:

(1) Leasing services providing leasing services including:

– direct leasing – sale and leaseback and operating leasing services in the PRC

– operating lease – providing operating lease of motor vehicles services in the PRC

(2) Debt collection and credit investigation services – providing debt collection services and credit investigation services in Hong Kong, the PRC and Singapore

During the six months ended 30 September 2021, debt collection and credit investigation services became a reportable segment as a result of the completion of the acquisition of Alpha & Leader Risks and Assets Management Company Limited ("**Alpha & Leader**") and its subsidiaries (collectively referred to as the "**Alpha & Leader Group**"). Therefore, a new segment of debt collection and credit investigation services has been identified in the prior period.

In addition, during the year ended 31 March 2022, the Group has commenced operating lease business, as a result of the completion of the acquisition of Ultimate Harvest Global Limited and its subsidiaries (collectively referred to as the "**UMH Group**") which has been included in the leasing services reportable segment as the directors of the Company believe that information about the segment would be useful to users of the interim condensed consolidated financial statements.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 September 2022 (unaudited)

	Leasing services *HK$'000*	**Debt collection and credit investigation services** *HK$'000*	**Total** *HK$'000*
Segment revenue			
Revenue from external customers	**26,783**	**18,726**	**45,509**
Segment results	**(11,903)**	**(7,856)**	**(19,759)**
Unallocated:			
Other income			**65**
Other gains and losses			**1,504**
Staff costs			**(1,807)**
Other operating expenses			**(1,496)**
Finance costs			**(822)**
Loss before tax			**(22,315)**

For the six months ended 30 September 2021 (unaudited)

	Leasing services *HK$'000*	Debt collection and credit investigation services *HK$'000*	Total *HK$'000*
Segment revenue			
Revenue from external customers	4,096	3,486	7,582
Segment results	4,810	747	5,557
Unallocated:			
Other income			2
Other gains and losses			(28)
Staff costs			(1,963)
Other operating expenses			(3,549)
Profit before tax			19

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	At 30 September 2022 *HK$'000* **(Unaudited)**	At 31 March 2022 *HK$'000* (Audited)
Segment assets		
Leasing services	**355,816**	390,149
Debt collection and credit investigation services	**22,356**	32,633
Total segment assets	**378,172**	422,782
Unallocated assets	**9,769**	11,140
Total assets	**387,941**	433,922
Segment liabilities		
Leasing services	**979,292**	1,070,630
Debt collection and credit investigation services	**15,810**	17,931
Total segment liabilities	**995,102**	1,088,561
Unallocated liabilities	**42,136**	41,245
Total liabilities	**1,037,238**	1,129,806

(c) Revenue from major services

The following is an analysis of the Group's revenue from its major services:

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Income from debt collection services	**7,418**	1,435
Income from credit investigation services	**11,308**	2,051
Revenue from contracts with customers	**18,726**	3,486
Rental income	**24,175**	3
Interest income arising from sale and leaseback arrangements	**2,608**	4,093
	45,509	7,582
Revenue from contracts with customers		
At a point in time	**18,605**	3,457
Transferred over time	**121**	29
	18,726	3,486

4. FINANCE COSTS

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings	**15,583**	15,638
Interest on amount due to a related company	**1,144**	–
Interest on lease liabilities	**118**	30
Interest on amount due to a shareholder	**406**	–
Imputed interest on loan note	**341**	–
Imputed interest on convertible bonds	**75**	–
Imputed interest on promissory note	**–**	32
Imputed interest expense on interest-free deposits from customers	**–**	9
	17,667	15,709

5. INCOME TAX EXPENSE

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Enterprise Income Tax ("**EIT**") in the PRC		
Current tax	**26**	16
Overprovision in prior year	**(18)**	–
Income tax expense	**8**	16

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 the six months ended 30 September 2022 and 2021.

Pursuant to the approval of the tax bureau, in accordance with the Enterprise Income Tax Law of PRC (the "**EIT Law**") and the Implementation Regulation of the EIT Law, one (six months ended 30 September 2021: none) subsidiary is subject to the tax rate of 20% on 12.5% of assessable profits, which assessable profits under RMB1,000,000, for Small Low-Profit Enterprises. Other subsidiaries located in the PRC are subject to the PRC Enterprise Income Tax at a rate of 25% (six months ended 30 September 2021: 25%) on their assessable profits.

No provision for Singapore Corporate Tax has been made in the interim condensed consolidated financial statements as the Group's operation in Singapore had no assessable profits during the six months ended 30 September 2022 and 2021.

6. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period has been arrived at after charging:

	Six months ended 30 September	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Directors' remuneration	**1,159**	1,166
Other staff costs		
– Salaries, allowances and other staff benefits	**12,324**	3,504
– Staff's retirement benefit scheme contributions	**533**	149
– Staff's equity-settled share-based payments	**15**	20
Total staff costs	**14,031**	4,839
Depreciation of property, plant and equipment	**6,352**	279
Loss on disposal of property, plant and equipment (included in cost of sales and services)	**1,520**	–
Short-term lease expenses	**54**	4

7. DIVIDENDS

No dividends were paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30 September 2022, nor has any dividend been proposed since the end of the reporting period (six months ended 30 September 2021: nil).

8. LOSS PER SHARE

	Six months ended 30 September	
	2022	2021
	(Unaudited)	(Unaudited)
Loss:		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share (HK$'000)	**(23,292)**	(355)
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of basic and diluted loss per share (in thousands)	**412,509**	412,509

The basic and diluted loss per share is calculated based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue for the six months ended 30 September 2022 and 2021.

The calculation of diluted loss per share for the six months ended 30 September 2022 does not assume the conversion of the Company's outstanding convertible bonds nor the exercise of the Company's outstanding share options as the assumed conversion would result in a decrease in loss per share and the exercise price of those options is higher than the average market price for shares.

The calculation of diluted loss per share for the six months ended 30 September 2021 did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired property, plant and equipment with a cost of approximately HK$16,234,000 (six months ended 30 September 2021: HK$302,000) and disposed of property, plant and equipment with an aggregate carrying amount of approximately HK$11,430,000 (six months ended 30 September 2021: nil).

During the six months ended 30 September 2022, additions to right-of-use assets were approximately HK$192,000 (six months ended 30 September 2021: nil).

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

The Group provides financial leasing services in the PRC.

	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Lease receivables	**18,667**	20,741
Receivables arising from sale and leaseback arrangements	**267,707**	288,630
	286,374	309,371

	Minimum lease payments	
	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Lease receivables and receivables arising from sale and leaseback arrangements comprise:		
Within one year	**1,590,038**	1,759,449
In more than one year but not more than two years	**21,487**	23,874
In more than two years but not more than three years	**20,616**	22,906
In more than three years but not more than four years	**35,692**	20,704
In more than four years but not more than five years	**333**	19,324
	1,668,166	1,846,257
Less: unearned finance income	**(10,231)**	(14,048)
	1,657,935	1,832,209
Less: impairment allowance	**(1,371,561)**	(1,522,838)
	286,374	309,371
Analysed for reporting purposes as:		
Current assets	**214,376**	231,512
Non-current assets	**71,998**	77,859
	286,374	309,371

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 range mainly from 8.3% to 15.4% per annum as at 30 September 2022 and 31 March 2022.

11. TRADE RECEIVABLES

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice dates.

	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**3,800**	3,407
31 to 60 days	**1,163**	1,937
61 to 90 days	**287**	402
Over 90 days	**1,331**	1,008
	6,581	6,754

The credit terms of the trade receivables for debt collection and credit investigation services are ranged from 0 to 60 days from the date of billing.

The Group normally grants credit terms to its customers according to industry practice together with consideration of their creditability and repayment history. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

For leasing services, the customers are obliged to settle the amounts according to the terms set out in relevant contracts and, normally, no credit period was granted to customers.

12. TRADE PAYABLES

The following is an aged analysis of trade payable presented based on the invoice dates.

	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**52**	235
31 to 60 days	**27**	5
61 to 90 days	**36**	92
Over 90 days	**124**	82
	239	414

13. BANK BORROWINGS

	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Secured	**648,954**	706,006
Unsecured	**3,896**	4,498
	652,850	710,504
The carrying amounts of the above borrowings are repayable*:		
Within one year	**628,162**	707,219
Within a period of more than one year but not exceeding two years	**23,286**	1,246
Within a period of more than two years but not exceeding five years	**1,402**	2,039
	652,850	710,504
Less: amounts shown under current liabilities	**(628,162)**	(707,219)
Amounts shown under non-current liabilities	**24,688**	3,285

* *The amounts due are based on scheduled repayment dates set out in the loan agreements.*

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

During the Reporting Period, the Group continued the implementation of its business strategies to (i) enhance synergies across multiple platforms within our ecosystem in order to further develop the Group's leasing business; (ii) diversify the Group's business risks through the granting of loans in smaller loan size with more liquid lease assets; and (iii) diversify of geographical risk through the expansion of its operating locations; which in turn will provide sustainable sources of revenue to the Group while diversifying the Group's business risks, enhance its financial performance and creating value for the shareholders of the Company.

The Group is principally engaged in the provision of (1) leasing services in the PRC and (2) value added services including due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore.

Leasing services

The Group conducts its leasing services in various cities across the PRC covering cities of Wuhan, Huzhou, Ningbo, Shaoxing, Jiaxing, Shenzhen, Taizhou and Wenzhou. The Group as the lessor generates lease income by delivery of leased assets to its lessees who make periodic lease payments to the Group.

Credit investigation and debt collection services

To further strengthen the Group leasing operations, we have complemented our leasing operations with value-added services including credit assessment, investigation and debt recovery service. Often, business and credit risks are caused by asymmetry and discrepancies of information, hence, credit investigation and debt recovery would serve as the front end and back end in any business transactions. Leveraging on the Group's expertise in credit assessment and investigation, the Group has access to the latest information such as credit status, financial information and social credit ratings of potential leasing customers. Due diligence and credit investigation services are performed through established networks, databases and credit assessment system using big data analytics which in-turn generate and provide credit reports, scoring results and recommendations to clients as well as the Group prior to entering into any potential business transactions. These information are used to assist the process of customer selection, as well as the selection of transaction models and determining transaction conditions.

Debt collection services are provided for past due commercial accounts receivables ranging from 3 to 12 months, this is a non-litigation service that enables creditors to recover past due accounts receivables through mediation and dispute resolution, rather than going through the lengthy process of litigation resulting in further commitments on legal costs and risk of additional non-recoverable debts. Credit assessment, investigation and debt collection services are both part of an integral value-added service enabling the Group to further develop our leasing business.

FINANCIAL REVIEW

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

Revenue

For the period ended 30 September 2022, the Group recorded revenue of approximately HK$45.5 million, representing an increase of approximately 500.2% from approximately HK$7.6 million recorded in the previous corresponding period ended 30 September 2021. The increase in revenue was due to the Group's effective implementation of its strategic move to expand into new operating locations outside of Hubei Province and initiation to process loans with more liquid assets and generally smaller in loan size, hence, minimizing credit risk while increasing activities in leasing operations. To complement the development of the Group's leasing service, the Group provides value added services including credit assessment, investigation and debt recovery services, so as to further strengthen the Group's leasing operations by creating an ecosystem which in turn contributed approximately HK$18.7 million to the Group's revenue during the Reporting Period. Services fees for due diligence and credit investigation services are charge based on the agreed upon scope covering the number of search targets, search period and the complexity of obtaining the relevant search information. Debt collection services are provided to clients with past due commercial accounts receivables. Substantially all revenue derived from the provision of debt collection services are recognized upon successful recovery of past due receivables.

Staff costs

Staff costs of the Group amounted to approximately HK$14.0 million for the Reporting Period, representing an increase of approximately 190.0% from approximately HK$4.8 million recorded in the previous corresponding period ended 30 September 2021. This was mainly due to the increase in staff costs resulting from the development of the debt collection services, due diligence and credit investigation services in Hong Kong, the PRC and Singapore; and the commencement of the automobile leasing services in the PRC during the Reporting Period.

Other operating expenses

During the Reporting Period, other operating expenses of the Group amounted to approximately HK$14.3 million, representing an increase of approximately 174.3% from approximately HK$5.2 million recorded in the previous corresponding period ended 30 September 2021. This was mainly due to the increase in other operating expenses resulting from the development of the debt collection services, due diligence and credit investigation services in Hong Kong, the PRC and Singapore; and the commencement of the automobile leasing services in the PRC during the Reporting Period.

Impairment losses on financial assets

Impairment losses on financial assets is approximately HK$1.1 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 2021, the reversal of impairment losses on financial assets amounted to approximately HK$18.3 million.

The continuous impact of COVID-19 pandemic, liquidity crisis of the property market in PRC and geopolitical instability continued to cause material adverse impacts on the businesses of the customers of the Group (mostly SMEs), affecting the recovery of the Group's outstanding loans and hence the financial performance of the financial leasing business of the Group. In particular:

(i) the COVID-19 pandemic, the intermittent widespread regional and district lock downs has continued to cause business disruptions and catastrophes resulting in significant material adverse effects on the businesses and cashflows of the SME customers of the Group and their abilities to make repayments to the Group;

(ii) the worsening of market condition in the PRC property sector has caused significant material adverse effects on the property value of the properties held by the SME customers of the Group, including their abilities to liquidate these properties or obtain financing on these properties, and hence their abilities to make repayments to the Group. Furthermore, the significant decline in the value of the collaterals held by the Group also adversely affected the Group's ability to liquidate such collaterals due to the diminishing number of potential purchasers at the intended price level; and

(iii) the geopolitical conflicts and warfare in recent years have significantly dampened global investments and business activities affecting the customers of the Group who may be manufacturing and export-oriented and in turn affected their abilities to make repayments to the Group.

The worsening business conditions of the SME customers of the Group coupled with the effect of rapidly declining value of the leased assets, collaterals, proposed lease assets and collaterals have posed significant challenges for all money lender businesses in the PRC, including the Group in the past few years. While the Group is making its best effort to restore its normal operations, the above-mentioned factors have continued to cause significant difficulties to the Group from all aspects.

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$467,000, representing an increase of approximately 1,567.9% from approximately HK$28,000 recorded in the previous corresponding period ended 30 September 2021. Such an increase was mainly due to the increase in government subsidies.

Finance costs

Finance costs of the Group comprised of interest on bank borrowings, imputed interest on promissory note, imputed interest on convertible bonds, imputed interest on loan note, interest on lease liabilities, imputed interest expense on interest-free deposits from customers, interest on amount due to a related company and interest on amount due to a shareholder. During the Reporting Period, finance costs of the Group amounted to approximately HK$17.7 million, representing an increase of approximately 12.5% from approximately HK$15.7 million in the previous corresponding period ended 30 September 2021. This was mainly due to increase in the Group's borrowings and financing activities.

As at 30 September 2022, the outstanding bank borrowings guaranteed by related parties amounted to approximately HK$649.0 million (30 September 2021: approximately HK$672.6 million) and the guarantee fee paid to the related parties during the Reporting Period amounted to nil (six months ended 30 September 2021: nil).

Loss for the period

Loss for the period of the Company amounted to approximately HK$22.3 million for the Reporting Period. This was mainly due to the decrease in reversal of impairment losses on financial assets. In the previous corresponding period ended 30 September 2021, profit for the period amounted to approximately HK$3,000.

Interim dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2022 (six months ended 30 September 2021: nil).

Liquidity, financial resources and capital resources

As at 30 September 2022, the aggregate sum of the Group's bank balances and cash, short-term bank deposits amounted to approximately HK$11.6 million (31 March 2022: approximately HK$15.5 million), representing a decrease of approximately HK$3.9 million compared to 31 March 2022. This was due to a combination of multiple effects including the Group's conservative strategy to promote business, collection of past due financial assets and use of internal funding. The working capital deficiency (current assets less current liabilities) of the Group were approximately HK$725.7 million as at 30 September 2022 (31 March 2022: working capital deficiency approximately HK$777.8 million). The capital deficiency of the Group was approximately HK$649.3 million (31 March 2022: approximately HK$695.9 million).

As at 30 September 2022, the Group's bank borrowings with maturity within one year amounted to approximately HK$628.2 million (31 March 2022: approximately HK$707.2 million) and the Group's bank borrowings with maturity that exceeded one year amounted to approximately HK$24.7 million (31 March 2022: approximately HK$3.3 million).

Our gearing ratio (total bank borrowings/total equity) as at 30 September 2022 was not applicable (31 March 2022: not applicable).

Charges on group assets

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK$626.3 million (31 March 2022: approximately HK$680.6 million) were granted by banks 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$154.9 million (31 March 2022: approximately HK$170.9 million).

As at 30 September 2022, the Group's bank borrowings with carrying amount of approximately HK$22.7 million (31 March 2022: approximately HK$25.4 million) were secured by bank deposits of approximately HK$1.1 million (31 March 2022: approximately HK$1.2 million).

Capital commitments

As at 30 September 2022, the Group had no capital commitments (31 March 2022: nil).

Employees and remuneration policy

As at 30 September 2022, the Group had 133 staff located in Hong Kong, the PRC and Singapore, 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 the PRC laws to contribute a certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. There were no forfeited contributions utilised to offset employers' contributions for the Reporting Period.

Singapore employees are covered by the mandatory social security savings scheme funded by contributions from employers and employees, the Central Provident Fund. The Group and its employees are each required to contribute a certain percentage of payroll costs to fund the mandatory social security savings schemes. There were no fortified contributions utilized to offset employers' contributions for the Reporting Period.

RISK FACTORS AND MANAGEMENT

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

The Group's credit risk is primarily attributable to lease receivables and receivables arising from sale and leaseback arrangements, loan receivable, short-term bank deposits, security deposits, trade and other receivables and bank balances and cash. Our Group reviews individual outstanding amount regularly depending on individual circumstance and market condition.

Our financial leasing 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 the asset quality or collectability of the lease receivables and receivables arising from sale and leaseback arrangements could adversely affect our business, prospects and financial conditions. Due to the continue worsening of general economic environment caused by the outbreak of the COVID-19 pandemic, 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 Group's business operation primarily relates to the interest-bearing bank borrowings and bank balances. 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

Our Group is exposed to foreign currency risk primarily with respect to Renminbi ("**RMB**") and United States Dollars denominated transactions, 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.

Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables, other payables and accrued charges, promissory note, derivative financial liability, contingent consideration payables and bank borrowings and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor its liquidity requirements to ensure the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

CONTINGENT LIABILITIES

As at 30 September 2022, the Group did not have any material contingent liabilities (31 March 2022: nil) except for the contingent consideration payables as set out in the condensed consolidated statement of financial position.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group from time to time is exploring investment opportunities that would benefit the Shareholders as a whole. Saved as disclosed in this announcement, the Group did not have other material acquisition or disposals by the Group during the Reporting Period and up to the date of this announcement.

RETIREMENT OF DIRECTOR

Mr. Yu Yang ("**Mr. Yu**") retired as an independent non-executive Director and ceased to be the chairman of the audit committee ("**Audit Committee**"), a member of the remuneration committee ("**Remuneration Committee**"), a member of the nomination committee ("**Nomination Committee**") and a member of the risk management committee of the Board upon the conclusion of the annual general meeting of the Company held on 31 October 2022. Details of the retirement of Mr. Yu were set out in the announcement of the Company dated 31 October 2022.

EVENTS AFTER THE PERIOD UNDER REVIEW

1. Impact of novel coronavirus outbreak to the Group

The continuous outbreak of COVID-19 had continued to caused global disruptions and catastrophes, many companies and corporations are stuck in a cycle of disruption. The city-wide lockdown of Shanghai and the many intermittent widespread regional district isolation and lockdown in Guangdong Province and many major cities in the PRC, the tighten social distancing measures across the PRC, the travel restrictions as well as quarantine, and various sanitization and anti-epidemic precaution measures; had caused major disruptions to the Group's operations in PRC. While the Group is making its best effort to restore its normal operations, the COVID-19 pandemic and disruption of operations is continuing to cause significant difficulties to the Group from all aspects, including adverse economic impacts on the financial conditions, cashflow and collectability of the Group's leasing customers, the quality of lease assets and collaterals of existing customers, the assessments and processing of application of any potential new customers etc. As a result, it is expected that the Group's operations and productivity may continue to be affected and subject to material challenges and uncertainties.

2. Latest development of the Group

The Group is actively reviewing and processing loan applications, as at 25 November 2022, the Group has entered into various automobile leasing arrangements involving an aggregate of 617 automobiles at the value of approximately RMB61.8 million (equivalent to approximately HK$68.7 million), of which approximately 91 automobiles at the amount of approximately RMB8.5 million (equivalent to approximately HK$9.4 million) are under finance lease arrangements. As at the date of this announcement, the Group has 17 establishments across various cities in the PRC for its leasing business.

The above-mentioned recent developments of the Group are in-line with the Group's strategy (i) to further enhance and nurture synergies within our ecosystem in order to further complement the development of the Group's leasing services; (ii) to expand its business outside of Hubei Province in the PRC; (iii) to diversify business risk through more liquid lease assets with generally smaller loan size; and (iv) to provide sustainable sources of revenue to the Group, which in turn will diversify the Group's business risks, enhance its financial performance and to create value for the shareholders of the Company.

Save as disclosed above, there is no other change to the Group's business plan regarding its leasing business and the Board firmly believes that the Group's leasing business will turn around as and when the general economic environment in the PRC and the COVID-19 epidemic gradually improve. The Group will also continue to manage and apply various strategies and means to recover its overdue finance lease receivables, take various actions including lawsuit, debt restructuring and other methods that are considered effective and can improve the liquidity position of the Group.

ADDITIONAL INFORMATION

In respect of "Going concern basis"

As explained in the section headed note 2 to the consolidated financial statements, notwithstanding that the Group's consolidated financial statements for the period ended 30 September 2022 have been prepared on a going concern basis, there are conditions together with other matters described there indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such conditions, the Company has, during the course of audit, provided to the Company's auditor with all available information and has given careful consideration to the Group's current liquidity, performance and available resources in considering the Group's ability to continue as a going concern. The Company has taken and will continue to implement the measures as further detailed in note 2 to the consolidated financial statements. Based on the plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from the date of this annoucement and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Action plan to address the material uncertainties relating to going concern

The Company had taken and continue to implement the measures as further detailed in Note 2 and listed below:

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

On 21 October 2021, the Company and Goldbond Group Holdings Limited ("**Goldbond**"), the Company's substantial shareholder, entered into a loan agreement pursuant to which Goldbond agreed to make available to the Company an unsecured term loan facility in an aggregate amount of HK$50,000,000 to fund the general working capital of the Company, at 6% per annum and maturity on the third anniversary of the first drawdown date (the "**Goldbond Loan Agreement**"). The availability period commenced on the date of the Goldbond Loan Agreement and will end on the earlier of three years after the date of the Goldbond Loan Agreement; or the date on which the facility is fully drawn, cancelled or terminated. As at 30 September 2022 and 30 November 2022, the amount of HK$19,848,000 and HK$17,559,000, respectively, as stand-by unutilised facilities. Besides, the directors of the Company are also negotiating and obtaining new loan facilities with other sources of finance when necessary.

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

The Group has been taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various channels including lawsuit, debt restructuring, and other methods that are considered effective and can improve the liquidity position of the Group. The Group has taken legal actions against the relevant customers and respective guarantors for an aggregate gross carrying value of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately RMB1,107,922,000. In addition, the Group has taken alternative measures and utilize the Group's expertise in debt collection service to speed up the recovery of lease receivables and receivables arising from sale and leaseback arrangements. The Group will continue to use appropriate means to further expedite the recovery of its past due receivables.

During the year ended 31 March 2022, the Group obtained a letter of undertaking from a company under the joint control of certain major shareholders of the Company (the "**Related Party**"), three independent parties and a director of a subsidiary of the Company. Pursuant to the undertaking, the Related Party agreed to take up: (i) certain lease receivables and receivables arising from sale and leaseback arrangements; and (ii) certain bank borrowings of the Group. As at 30 September 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements were approximately HK$42,778,000 while the relevant bank borrowings were approximately HK$504,128,000. The execution of the undertaking by the Related Party is depending on the approval from the relevant bank for transfer of bank borrowings. Pursuant to the Company's announcement on 28 June 2021, the Group is applying to the relevant bank for transfer of bank borrowings to the Related Party ("**Transfer of Bank Borrowings**"). Such application was still under review and pending approval from the relevant bank as at the date of issuance of this annoucement. For illustrative purposes only, based on the figures as at 30 September 2022, should the Group be able to complete the transfer and could be derecognised of those receivables and bank borrowings according to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the Group's consolidated net liabilities would be reduced by HK$461,350,000.

(iii) Negotiation of the renewal of bank borrowings

During the period ended 30 September 2022, the Group successfully renewed its bank borrowings with principal amounts of approximately HK$24,166,000 extended to May 2024. The Group is in the process of negotiation with relevant Bank to obtain further extension.

(iv) Implementation of active cost-saving measures

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

(v) Disposal of Rongzhong Capital Holdings Limited

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

For details, please refer to the Company's announcement dated 31 March 2022 and 2 June 2022.

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

The Company and the Board will focus on the above action plans and the continue implementation thereof, while keeping viable options open as they continue the efforts in addressing the going concern issue.

BUSINESS REVIEW AND PROSPECTS

The first half of the financial year 2022/2023 continued to be extremely difficult and challenging for the Group. The continuous impact of COVID-19 pandemic, liquidity crisis of the property market in PRC and geopolitical instability continued to cause material adverse impacts on the businesses of the customers of the Group (mostly SMEs), affecting the recovery of the Group's outstanding loans and hence the financial performance of the Group. In particular, the continuing threats of COVID-19 pandemic along with the intermittent widespread regional and district lockdowns and isolations in PRC has continued to cause business disruptions to the Group resulting in significant material adverse effects on the businesses and cashflows of the SME customers of the Group and their abilities to make repayments to the Group. The worsening business conditions of the SME customers of the Group coupled with the effect of rapidly declining value of the leased assets, collaterals, proposed lease assets and collaterals have posed significant challenges for all money lender businesses in the PRC, including the Group in the past few years. While the Group is making its best effort to restore its normal operations with the implementation of various proactive measures, the above-mentioned factors have continued to cause significant difficulties to the Group from all aspects.

Looking forward, while the duration of the COVID-19 pandemic, the property market crisis in the PRC and the global political tension remains uncertain and under pressure, the Group remains committed to continue the implementation of its business strategy by way of (i) enhancing synergies across multiple platforms within our ecosystem in order to further develop the Group's leasing business; (ii) diversify the Group's business risks through the granting of loans in smaller loan size and more liquid assets; and (iii) diversify of geographical risk through expansion of its operating locations; which in turn will provide sustainable sources of revenue to the Group while diversifying the Group's business risks, enhance its financial performance and creating value for the shareholders of the Company.

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 (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 recommended best practices set out in the CG Code except for the following:

As at the date of this announcement, the Company does not have a Chairman to discharge the duties as required under CG Code A.2.2 to A.2.9. The daily operation and management of the Company are monitored by the executive Director as well as the senior management of the Company. The Board is of the view that although there is no Chairman, the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals who would meet from time to time to discuss issues affecting the operation of the Company and the Group. This arrangement can still enable the Company to make and implement decisions promptly, and thus achieve the Company's objectives efficiently and effectively in response to the changing environment. Also, CG Code E.1.2 stipulates that the Chairman should attend the annual general meeting. As the position of the Chairman was vacant as at the date of the annual general meeting held on 31 October 2022, Ms. Wong Emilie Hoi Yan, the executive Director and chief executive officer of the Company, was appointed as the chairman of the annual general meeting to answer and address questions raised by the shareholders at the annual general meeting. The Company will, at the appropriate time, arrange for the election of a Chairman.

Following the retirements of Mr. Yu as the Independent Non-executive Directors with effect from the conclusion of the AGM, the Board has only two Independent Non-executive Director which fell short of the minimum number (namely three Independent Non-executive Directors) 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, Remuneration Committee and Nomination Committee did not meet the requirements under Rule 3.21, Rule 3.25 and the code provision A.5.1 of Appendix 14 of the Listing Rules:

i. the Audit Committee currently does not have a chairman and comprises of two non-executive Directors and two Independent Non-executive Directors, which fails to comply with the requirement of Rule 3.21 of the Listing Rules in respect of having a majority members being Independent Non-executive Directors;

ii. the Remuneration Committee currently comprises of two non-executive Directors and two Independent Non-executive Directors, which fails to comply with the requirement of Rule 3.25 of the Listing Rules in respect of having a majority members being Independent Nonexecutive Directors; and

iii. the Nomination Committee currently comprises of two non-executive Directors and two Independent Non-executive Directors, which fails to comply with the requirement of the code provision A.5.1 of Appendix 14 of the Listing Rules in respect of having a majority members being Independent Non-executive Directors.

The Board is currently identifying suitable candidates to fill the vacancies of Independent Nonexecutive Director to meet the above requirements as soon as practicable and within three months from the date hereof. Further announcement(s) will be made by the Company upon fulfilment of the requirements in accordance with the Listing Rules.

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 two independent non-executive Directors: Mr. Lie Chi Wing and Mr. Ng Wing Chung Vincent. The Company currently does not have the chairman of the Audit Committee.

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 September 2022 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 2022.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.chinarzfh.com) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The unaudited interim report of the Company for the six months ended 30 September 2022 will be dispatched to shareholders of the Company and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 27 September 2022 and will remain suspended until further notice.

The Company will publish further announcement(s) to keep the Company's shareholders and potential investors informed of the status and development of the Company as and when appropriate, as well as announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

Shareholders of the Company and potential investors should exercise extreme caution when dealing in the shares of the Company.

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

Hong Kong, 30 November 2022

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 and Mr. Ng Wing Chung Vincent.