THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Rongzhong Financial Holdings Company Limited, you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the licensed securities dealer, the bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

(1) MAJOR AND CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SHAREHOLDER'S LOAN AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AEM Capital Limited
明德企業融資有限公司

AEM Capital Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

富強金融資本
FORTUNE FINANCIAL CAPITAL

Fortune Financial Capital Limited

A notice convening the EGM of the Company to be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 17 March 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (i.e not later than 10:00 a.m. on Wednesday, 15 March 2023) or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

References to time and dates in this circular are to Hong Kong time and dates.

PRECAUTIONARY MEASURES FOR THE EGM

Please see page EGM-3 of this circular for measures being taken to try to prevent and control the spread of the COVID-19 pandemic at the EGM, including:

- compulsory wearing of a surgical face mask for each attendee
- no distribution of corporate gift or refreshment

The Company reminds shareholders that they may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting as an alternative to attending the meeting in person.

24 February 2023

CONTENT

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Board"	the board of Directors
"Business Day"	a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
"Capital Grower"	Capital Grower Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Purchaser
"Clifton Rise"	Clifton Rise International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Purchaser
"Company"	China Rongzhong Financial Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and registered as a non-Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whose issued Shares are listed on the Stock Exchange
"Completion"	completion of the Disposal
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration for the Sale Shares, being the cash sum of HK$100,000 or equivalent in Renminbi, being the consideration payable by the Purchaser to the Company for the purchase of the Sale Shares and the assignment of the benefit and advantage of the Debt
"Debt"	the amount of indebtedness from the Target Company to the Company as at the date of the Sale and Purchase Agreement in the sum of HK$177,925,850.34, representing the interest-free advances made by the Company to the Target Company
"Director(s)"	the director(s) of the Company

"Disposal"	the disposal of the Sale Shares and the Debt by the Company to the Purchaser pursuant to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement), at the Consideration of HK$100,000 or equivalent in RMB, which will be satisfied upon the Completion
"EGM"	the extraordinary general meeting of the Company to be convened and held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 17 March 2023 at 10:00 a.m. for the Independent Shareholders to, among other things, consider and, if though fit, approve the Disposal
"Goldbond"	Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of the Company as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all the independent non-executive Directors established for the purpose of giving recommendations to the Independent Shareholders in respect of the Disposal
"Independent Financial Adviser"	Fortune Financial Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the transactions contemplated thereunder
"Independent Shareholders"	the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolution approving the Disposal and the transactions contemplated thereunder
"Independent Third Party(ies)"	third party(ies) which is/are independent of the Company and its connected person(s)

"Latest Practicable Date"	20 February 2023, being the latest practicable date to ascertain certain information contained herein before the printing of this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Parties"	collectively, the Company and the Purchaser, and individually, a "Party"
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Purchaser"	Mr. Xie Xiaoqing 謝小青
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rongzhong Capital Investments"	Rongzhong Capital Investments Group Limited (融眾資本投資集團有限公司), a company incorporated in the PRC with limited liability and a joint venture of a controlling shareholder of the Company (being Perfect Honour Limited, which is a wholly owned subsidiary of Goldbond) and a substantial shareholder of the Company (being Silver Creation Investments Limited, a company incorporated in the British Virgin Islands with limited liability)
"Rongzhong HK"	Rongzhong International Finance Lease Holdings Limited (融眾國際融資租賃集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company immediately before the Completion
"Rongzhong PRC"	Rongzhong International Financial Leasing Co., Ltd.* (融眾國際融資租賃有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company immediately before the Completion
"Sale and Purchase Agreement"	the agreement for sale and purchase dated 31 March 2022 entered into between the Purchaser and the Company in relation to the Disposal

"Sale Shares"	104,422 shares of the Target Company, representing 100% of the total issued share capital of the Target Company
"SFO"	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
"Share(s)"	ordinary share(s) in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Solomon Glory"	Solomon Glory Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Goldbond, being the chargee of 38,503,380 Shares (representing approximately 9.33% of the issued share capital of the Company as at the Latest Practicable Date) which pursuant to an order issued on 13 March 2019 by The High Court of The Hong Kong Special Administrative Region, such Shares shall be sold at a price not more than 10% discount to the average closing prices of the Shares as quoted on the Stock Exchange for the previous 10 consecutive trading days prior to the date of sale of such Shares or any of them
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"Supplemental Agreement"	a supplemental agreement dated 2 June 2022 entered into between the Company and the Purchaser to amend and modify certain terms of the Sale and Purchase Agreement, pursuant to which, among others, the unaudited financial information of the Target Company has been updated to 31 March 2022
"Target Company"	Rongzhong Capital Holdings Limited (融眾資本集團有限公司*), a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company immediately before the Completion
"Target Group"	Target Company, Rongzhong HK and Rongzhong PRC

"Wenzhou Jinzhonghui"	Wenzhou Jinzhonghui Automobile Leasing Services Co., Ltd.*（溫州金眾匯汽車租賃服務有限公司）, a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
"Yong Hua"	Yong Hua International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Purchaser
"%"	per cent.

* *for identification purposes only*

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)

Executive Director:
Ms. Wong Emilie Hoi Yan

Non-executive Directors:
Mr. Chen Shuai
Ms. Wong Jacqueline Yue Yee
Ms. Wong Michelle Yatyee
Mr. Wong Ming Bun David

Independent non-executive Directors:
Mr. Lie Chi Wing
Mr. Ng Wing Chung Vincent

Registered Office:
Third Floor
Century Yard, Cricket Square
P.O. Box 902
Grand Cayman KY1-1103
Cayman Islands

Headquarter and Principal Place of Business in China:
Floor 18, Tower B
Optics Valley International Plaza
No. 889 Luoyu Road
East Lake Development Zone
Wuhan, Hubei Province
China

Principal Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong):
Unit 3901, 39/F,
Tower One, Lippo Centre,
89 Queensway, Hong Kong.

24 February 2023

To the Shareholders

Dear Sir or Madam,

(1) MAJOR AND CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SHAREHOLDER'S LOAN AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

References are made to the announcements in relation to the Disposal made by the Company on 31 March 2022, 2 June 2022 and 15 February 2023.

On 31 March 2022 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Purchaser conditionally agreed to acquire, and the Company conditionally agreed to sell the Sale Shares and assign the benefit and advantage of the Debt, representing the entire issued share capital of the Target Company and the entire shareholder's loan owed by the Target Company to the Company, respectively, at the Consideration of HK$100,000 or equivalent in RMB.

In addition, on 2 June 2022 (after trading hours), the Company and the Purchaser entered into the Supplemental Agreement to amend and modify certain terms of the Sale and Purchase Agreement, pursuant to which, among others, the unaudited financial information of the Target Company has been updated to 31 March 2022.

2. THE SALE AND PURCHASE AGREEMENT

Date: 31 March 2022 (2 June 2022 for the Supplemental Agreement)

Parties: (i) The Company as the vendor; and

(ii) Mr. Xie Xiaoqing 謝小青, as the Purchaser

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the Purchaser is interested in approximately 12.41% of the Shares and therefore a substantial Shareholder and he is a director of certain subsidiaries of the Company. Accordingly, the Purchaser is a connected person of the Company.

For more details of the Parties, please refer to paragraphs headed "Information of the Company" and "Information of the Purchaser", respectively.

Assets to be Disposed of

(1) The Sale Shares, being the entire issued share capital of the Target Company; and

(2) the Debt, being the entire shareholder's loan owed by the Target Company to the Company.

Consideration and Payment Terms

The Consideration shall be HK$100,000 or equivalent in RMB, which shall be satisfied by the Purchaser to the Company in cash upon the Completion.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser with reference to, including without limitation, (i) the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) of approximately HK$946.6 million as at 31 March 2022; (ii) the unaudited net loss after tax of HK$102.4 million and HK$613.1 million recorded by the Target Group respectively for the two years ended 31 March 2022, which represented a deterioration in the financial performance of the Target Group; (iii) the lease receivables of approximately HK$121.8 million, which have all been past due for at least 3 years and represented the major assets of the Target Group; (iv) the assignment of the benefit and advantage of the Debt of approximately HK$177.9 million as at 31 March 2022; (v) the current financial position of the Target Group, which shows a great difficulty in providing sufficient internal funds as working capital to maintain or rebuild the leasing business of the Target Group; and (vi) the reasons and benefits of the Disposal as set out below in this circular.

Save as disclosed in the paragraph headed "Financial Information of the Target Group", as at the Latest Practicable Date, the Directors are not aware of any material change in the financial or trading position of the Target Group since 31 March 2022.

After considering all the aforesaid factors (particularly the net liabilities position of the Target Group), it was initially agreed by the Purchaser that the Consideration would be at a nominal amount. Nevertheless, after several rounds of negotiations between the Company and the Purchaser, it was further agreed between the Purchaser and the Company that the Consideration would be HK$100,000 for the purpose of partially reimbursing the Company for its direct expenses of HK$0.8 million incurred in relation to the Disposal.

Having considered the above factors, in particular, (i) the benefits to be derived by the Group, including the Disposal will offload the upkeeping burden of the Target Group which has limited upside potential, as well as improve the Group's financial and liquidity position such that it can expand its leasing business with greater profitability; and that (ii) lease receivables of approximately HK$187.6 million with a higher probability of recovery which are expected to generate future income will be retained by the Group, the Directors believe that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Condition Precedent

Completion is conditional upon and subject to the passing of the ordinary resolutions by the Independent Shareholders at the EGM to be convened and held to approve the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

Completion

Completion shall take place within five Business Days after the condition precedent being fulfilled, or otherwise on a date mutually agreed between the Parties.

3. INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. The Target Company is principally engaged in investment holding and the Target Group is principally engaged in the provision of financial leasing services in the Hubei Province of the PRC.

Financial Information of the Target Group

The unaudited consolidated financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards is as follows:

	For the year ended 31 March		For the six months ended 30 September
	2021	**2022**	**2022**
	(unaudited)	(unaudited)	(unaudited)
	HK$'000	*HK$'000*	*HK$'000*
Net loss before tax and extraordinary items	102,432	613,110	34,127
Net loss after tax and extraordinary items	102,432	613,110	34,127

The unaudited total assets and net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 30 September 2022 were approximately HK$112.9 million and HK$885.5 million, respectively.

Proposed Loan Assignments

As per the Company's announcements on 28 June 2021 and 15 February 2023, Rongzhong PRC has applied to the relevant bank for the assignments (the "Proposed Loan Assignments") of all of the 24 loans (the "Bank Loans") provided by such bank to

Rongzhong Capital Investments. The Group subsequently obtained a letter of undertaking (the "Undertaking Letter") from Rongzhong Capital Investments, three Independent Third Parties and the Purchaser (all being the guarantors of the Bank Loans) (collectively, the "Guarantors"), pursuant to which (i) each of the Guarantors has undertaken to continue to perform its obligations as a guarantor as stipulated under the relevant loan agreements subsequent to the completion of the Proposed Loan Assignments, and to use its best endeavours to provide all necessary assistance to the Group to facilitate the application of the Proposed Loan Assignments; (ii) the Guarantors will undertake all the repayment responsibilities of the Bank Loans; (iii) it was acknowledged that Rongzhong PRC would, in accordance with the request of the relevant bank, transfer certain lease receivables and receivables arising from sale and leaseback arrangements to Rongzhong Capital Investments subsequent to the completion of the Proposed Loan Assignments; and (iv) the Undertaking Letter will expire two years after the completion of Proposed Loan Assignments. The Undertaking Letter shall cease to have effect if the aforesaid application is withdrawn by Rongzhong PRC or rejected by the relevant bank.

As at 31 December 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements was approximately HK$42,778,000, while the balance of the Bank Loans was approximately HK$509,627,000, which approximately HK$11,111,000 of the relevant lease receivables and receivables arising from sale and leaseback arrangements and all of the Bank Loans are included in the net assets and liabilities of the Target Group to be disposed of in the Disposal.

As at the Latest Practicable Date, the Proposed Loan Assignments are still at the application stage with the relevant bank. Saved as the Proposed Loan Assignments and the Disposal, no other arrangement has been entered into between the Group and the Guarantors.

Notwithstanding the fact that the Group's application for the Proposed Loan Assignments is still in progress, in view of (i) the continuous deterioration of the business performance and financial position of the Group; (ii) the low recoverability of certain lease receivables of the Group; (iii) the assessment results of the recoverability and the current status of all the lease receivables performed by Alpha & Leader; (iv) the uncertainties of the time frame of the progress of the application of the Proposed Loan Assignments; and (v) the extra benefit in offloading the Group's liabilities of approximately HK$138.5 million (Proposed Loan Assignments of approximately HK$509.6 million compared to the unaudited bank borrowings of the Target Group to be disposed of approximately HK$648.1 million as at 31 December 2022), the Company decided to conduct the Disposal to dispose of certain non-performing and less profitable portions of the leasing portfolio together with its liabilities so as to improve its financial position of the Group, which is also in the interests of the Company and its shareholders as a whole.

If the Company receives the relevant bank's approval for, and/or any of such agreements are entered into in respect of, the Proposed Loan Assignments before the completion of the Disposal, further discussion will be made with the Purchaser on the terms of the Disposal. The Company will re-comply with all Listing Rules requirements and make necessary disclosures.

4. INFORMATION OF THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3963). 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.

5. INFORMATION OF THE PURCHASER

As of the Latest Practicable Date, the Purchaser is a merchant who owns the entire issued share capital in each of Yong Hua, Capital Grower and Clifton Rise, which are interested in approximately 9.33%, 0.51% and 2.57% of the issued Shares, respectively and the Purchaser is a director of certain subsidiaries of the Company. Therefore, the Purchaser is a substantial Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to the order dated 13 March 2019 issued by The High Court of Hong Kong, to the effect that, amongst others, Solomon Glory, as lender, do recover against Yong Hua the sum of HK$150,467,304.72 (the "Liability"). The 38,503,380 Shares held by Yong Hua charged to secure the Liability shall be sold subject to certain conditions to recover the Liability. As of the Latest Practicable Date, the said charged Shares of Yong Hua have not been sold.

6. REASON FOR AND BENEFITS OF THE DISPOSAL

Improving the financial position and liquidity of the Group

As the Target Group recorded an unaudited net loss after tax of HK$102.4 million and HK$613.1 million respectively, for the two years ended 31 March 2022 due to the global political, economic tensions and the outbreak of the novel coronavirus ("COVID-19"), the Disposal of certain non-performing and less profitable portions of the leasing portfolio together with its liabilities of which after the Completion is expected to enhance the financial position and the liquidity of the Group. Upon completion of the Disposal, assets and liabilities of the Target Group with an aggregate unaudited net liability value of HK$946.6 million as at 31 March 2022 will be transferred to the Purchaser, which mainly comprised (i) lease receivables of approximately HK$121.8 million with interest rates ranging from 8.3% to 14.7%, which were all past due for 3 to 9 years as at the Latest Practicable Date; (ii) bank and cash of approximately HK$3.4 million; (iii) other assets including prepayment and other receivables of approximately HK$2.6 million; (iv) bank borrowings of approximately HK$706.0 million; (v) amounts due to a shareholder of approximately HK$177.9 million; (vi) tax liabilities of approximately HK$55.0 million; and (vii) other liabilities including deposits from customers and other payables of approximately HK$135.5 million.

The assets and liabilities of the Target Group with an unaudited net asset value of approximately HK$82.9 million as at 31 March 2022 will be retained in the Group, which mainly comprised (i) lease receivables of approximately HK$187.6 million with interest rates ranging from 8.4% to 15.4%, which were all past due for 1 to 7 years as at the Latest Practicable Date and are expected to generate future income; (ii) other assets of approximately HK$5.2 million; (iii) tax liabilities of approximately HK$11.5 million; and (iv) other liabilities including deposits from customers and other payables of approximately HK$98.4 million.

The income expected to be generated by the aforesaid lease receivables includes (1) regular interest income; (2) under-provision of interest income in prior years to be recognized after the realization of the financial assets that have been seized or frozen by the Group, provided that the realized amounts are in excess of the balance of such lease receivables; and (3) the potential interest income to be generated from providing leasing services to new customers by utilising the funds recovered from overdue lease receivables.

In determining the assets and liabilities to be disposed of and retained by the Group, the Group has assessed the recoverability and the current status of the lease receivables. The lease receivables to be disposed of through the Disposal are (i) those that have a low probability of recovery (including without limitation, customers that can no longer be reached, corporate customers that have been wound up, and cases where the Group is unlikely to recover relevant debts by enforcing its rights over the underlying collateral as they are subordinated to other third parties) and (ii) cases where the Group foresees that considerable costs will be incurred for the debt recovery and monetization process and are likely to exceed the amounts to be recovered. As for the lease receivables to be retained by the Group, the Group believed that there is a reasonable likelihood of recovery for such receivables after assessing (i) the repayment abilities (including their financial position and business performance and prospect) and the additional collateral provided by such customers; (ii) the latest repayment plans and progress of such customers; and (iii) the relevant debt recovery progress, in which financial assets such as cash, bank accounts and lease assets of certain customers have been seized or frozen by the Group.

The Debt of approximately HK$177.9 million was capital contribution from the Company to Rongzhong PRC through the two holding vehicles, the Target Company and Rongzhong HK in 2016. The Debt of approximately HK$177.9 million was eliminated by the Company, the Target Company and Rongzhong HK in Group level. In substance, the amounts of approximately HK$177.9 million was capital contributed by the Company to the Target Group. Hence, it is agreed between the Company and the Purchaser that the Debt shall also be assigned to the Purchaser in the Disposal to reflect the original intention of such contribution.

Through the Disposal, the finance cost of the Group will decrease significantly. As the revenue generated by the leasing assets of the Target Group is nil to the total revenue of the Group for the year ended 31 March 2022, the Disposal is expected to have minimal impact on the Group's operations. Hence, after the Disposal, both the liquidity and the financial position of the Group will be improved and the net current liabilities position will turnaround into a net current asset position. As such, the Group will be able to leverage on its resources to expand its leasing business with higher profitability.

Apart from the Disposal, the Directors have considered other alternatives, including debt financing, placing new Shares to Independent Third Parties, rights issue and open offer to improve the financial position and liquidity of the Group.

Debt financing, such as obtaining additional bank borrowings and/or issuance of debt instruments to raise funds, would subject the Group to repayment obligations, increase the Group's finance costs and result in a higher gearing ratio of the Group. This would thus adversely affect the financial position of the Group and potentially limit its ability to obtain further financing from financial institutions to support its daily operations and business expansion.

As for placing new Shares to Independent Third Parties, the Directors believe that it would not be a desirable option as it would immediately dilute the shareholding interests of the existing Shareholders and would lead to a potential value dilution of the interest of the existing Shareholders if the placing price of new Shares to Independent Third Parties is less than the market value of the Shares. Given that the trading in the shares of the Company on the Stock Exchange has been suspended with effect from 27 September 2022 and the market capitalisation of the Company was at historical low (i.e. less than HK$50 million) during most of the time in the three months immediately preceding the date of trading suspension (i.e. 27 September 2022), the amount of funds to be raised from placing new Shares is theoretically small and may not be beneficial to the existing Shareholders once the market capitalisation increases in the coming future.

The Directors have also explored the possibility of a rights issue or an open offer as it is offered to Shareholders on a pro-rata basis. However, it would require the Company to undergo a comparatively lengthy process (including without limitation, engaging additional professional parties, preparing the requisite legal and compliance documentation and arranging for extra administrative works) and incur higher administrative and professional costs. The Company did not approach and identify any placing agents and/or investors for placing of new Shares and underwriter for rights issue or open offer up to the Latest Practicable Date. Given (i) the low trading volume and liquidity of the Shares during the past twelve months prior to the date of the Sale and Purchase Agreement and up to and including the Latest Practicable Date; (ii) the market capitalisation of the Company is at historical low; (iii) that the Group was loss-making in the last three financial years; and (iv) the difficult market conditions, the Company might have difficulty to convince the Shareholders to subscribe for new Shares and/or identify a suitable underwriter to participate in the rights issue or open offer on favourable terms.

In light of the above, the Directors believe that the Disposal would be the most viable and cost-effective option for the Company to improve the financial position and liquidity of the Group. The Directors believe that other fundraising options as set out above are not desirable given the current financial position of the Company, the recent trading performance of the Shares and the challenging market conditions. The Directors will explore and consider other available fundraising options should additional funding needs arise after the Disposal.

The Directors are of the view that the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) is entered into and the Consideration is determined on normal commercial terms or better, on arm's length basis with terms which are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. The Directors do not consider that there is any disadvantage to the Group in entering into the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement).

7. FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

Earnings

Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will no longer be consolidated into the Group's financial statements. As at the Latest Practicable Date, certain assets and liabilities of the Target Group have already been transferred to another subsidiary of the Company, in which (i) assets and liabilities with an unaudited net asset value of HK$95.8 million were transferred to such subsidiary on 29 March 2022; and (ii) assets and liabilities with an unaudited net liabilities value of HK$12.9 million were further transferred to such subsidiary on 27 May 2022. As such, the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 31 March 2022 is at approximately HK$946.6 million. Hence, the Group expects to recognize a gain on Disposal of approximately HK$717.9 million in the financial year ending 31 March 2023, which is arrived at after adding the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 31 March 2022 of approximately HK$946.6 million and deducting the assignment of the benefit and advantage of the Debt of approximately HK$177.9 million as at 31 March 2022, the cumulative exchange and statutory reserves recognised in respect of the Target Group of HK$50.1 million as at 31 March 2022 and the direct expenses in relation to the Disposal of HK$0.8 million from the Consideration of HK$100,000.

As disclosed in the announcement dated 2 June 2022, the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 31 March 2022 was approximately HK$612.9 million. Subsequently, the Target Group recorded (i) impairment losses on other receivables, prepaid expenses and finance lease receivables of approximately HK$6.3 million, HK$1.5 million and HK$325.1 million respectively, (ii) other payables adjustment of approximately HK$0.8 million. Hence, after making such adjustments, the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 31 March 2022 was approximately HK$946.6 million. Furthermore, given the aforementioned impairment losses and other payables adjustment of HK$333.7 million incurred by the Target Group and the exchange gain of HK$11.9 million, the expected gain on Disposal of approximately HK$396.1 million in the financial year ending 31 March 2023 as disclosed in the announcement dated 2 June 2022 was adjusted to HK$717.9 million.

The estimated gain on Disposal of approximately HK$717.9 million is arising from the transaction with an owner in their capacity as owner of the Company and hence the Disposal is treated as an equity transaction. Hence, the estimated gain on Disposal will be treated as deemed capital contribution from a Shareholder and recognised in "reserves accounts" of the consolidated statement of changes in equity.

The actual gain on the Disposal to be recorded by the Company is subject to audit and may be different from the estimated amount.

The proceeds from the Disposal are expected to be used as general working capital of the Group.

Assets and liabilities

Having taken into account the Consideration and the unaudited consolidated net liabilities of the Target Group attributable to the Company as at 31 March 2022, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK$127.8 million. The total liabilities of the Group will decrease by approximately HK$1,074.4 million.

Shareholders should note that the financial impact set out above is for illustrative purpose only which will have to be ascertained at the time of preparation of the Company's consolidated financial statements with reference to, among others, the actual costs and expenses associated with the Disposal and is subject to audit.

8. IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal as contemplated under the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, none of the Directors has material interests in the Disposal and therefore none of the Directors had abstained from voting on the Board resolutions approving the Disposal and the transactions contemplated thereunder.

As of the Latest Practicable Date, the Purchaser is a merchant who owns the entire issued share capital of each of Yong Hua, Capital Grower and Clifton Rise, which are interested in approximately 9.33%, 0.51% and 2.57% of the issued Shares, respectively and the Purchaser is a director of certain subsidiaries of the Company. Therefore, the Purchaser is a substantial Shareholder and a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under the Listing Rules.

9. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

10. EGM

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder who has a material interest in the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder is required to abstain from voting in relation to the relevant resolution(s). As at the Latest Practicable Date, the Purchaser is ultimately interested in an aggregate of 51,207,600 Shares (representing approximately 12.41% of the issued Shares) via its wholly-owned companies, namely Yong Hua, Capital Grower and Clifton Rise, which in turn hold 38,503,380 Shares, 2,117,370 Shares and 10,586,850 Shares respectively (representing approximately 9.33%, 0.51% and 2.57% of the issued Shares respectively), and are entitled to control the voting rights in respect of such Shares held by them. In view of the interest of the Purchaser in the Disposal, the Purchaser and his associates will abstain from voting on the resolution approving the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder at the EGM.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder has any material interest in the Disposal, and therefore no other Shareholder is required to abstain from voting on the relevant resolution approving the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder at the EGM.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he/she has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his/her Shares to a third party, either generally or on a case-by-case basis.

All resolutions to be proposed at the EGM will be voted on by poll. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to read the notice and to complete the form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person and any adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

11. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose views have been set out in this circular after taking into consideration the advice of the Independent Financial Adviser) considers that terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the Disposal are on normal commercial terms or better, fair and reasonable and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution for approving the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder to be proposed at the EGM.

12. ADDITIONAL INFORMATION

Your attention is also drawn to the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the additional information as set out in the appendices to this circular.

WARNING

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the condition precedent. Therefore, the Disposal may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

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

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)

24 February 2023

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SHAREHOLDER'S LOAN

We refer to the circular of the Company to the Shareholders dated 24 February 2023 (the "Circular"), of which this letter forms part. Capitalised terms used herein shall have the same meanings as defined in the Circular, unless the context requires otherwise.

The Independent Board Committee, comprising all of the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether, in its opinion, the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Fortune Financial Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. Details of the advice from the Independent Financial Adviser, together with the principal factors and reasons taken into consideration in arriving at such advice, are set out on pages 20 to 43 of the Circular.

Having considered the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement), the principal factors and reasons considered by the Independent Financial Adviser and the advice of the Independent Financial Adviser, we are of the opinion that, although the Disposal is not the ordinary and usual course of business of the Group, the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are on normal commercial terms or better and are fair and reasonable and the Disposal is in the interests of the Company and the Shareholders as a whole.

On the basis above, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM.

Yours faithfully,
the Independent Board Committee

Mr. Lie Chi Wing **Mr. Ng Wing Chung Vincent**
Independent non-executive Directors

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, which has been prepared for the purpose of incorporation in the Circular.

富強金融資本
FORTUNE FINANCIAL CAPITAL

Unit 4102-06, COSCO Tower
183 Queen's Road Central
Hong Kong

24 February 2023

To: The Independent Board Committee and the Independent Shareholders of China Rongzhong Financial Holdings Company Limited

Dear Sir/Madam,

MAJOR AND CONNECTED TRANSACTION DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY AND THE SHAREHOLDER'S LOAN

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 24 February 2023 (the "**Circular**"), of which this letter forms parts. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 31 March 2022 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement and the transactions contemplated thereunder, pursuant to which the Purchaser conditionally agreed to acquire, and the Company conditionally agreed to sell the Sale Shares and assign the benefit and advantage of the Debt.

In addition, on 2 June 2022 (after trading hours), the Company and the Purchaser entered into the Supplemental Agreement to amend and modify certain terms of the Sale and Purchase Agreement, pursuant to which, among others, the unaudited financial information of the Target Company has been updated to 31 March 2022.

As at the date of the Sale and Purchase Agreement, the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Disposal were more than 25% but less than 75%, accordingly, the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitute a major transaction of the Company for the purpose of Chapter 14 of the Listing Rules. Furthermore, as at the Latest Practicable Date, the Purchaser, through his wholly owned subsidiaries, was interested in aggregate in approximately 12.41% of the issued Shares and the Purchaser was the director of certain subsidiaries of the Company, therefore, the Purchaser is connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the entering into of the Sale of Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the annual reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll and Rule 14A.36 of the Listing Rules requires any shareholder who has a material interest in the underlying transactions to abstain from voting on related resolution. As the Purchaser and his respective associates are materially interested in the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, they are required to abstain from voting on the proposed resolutions relating to the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder at the EGM. Save for the Purchaser and his associates, no other Shareholders are required to abstain from voting on relevant resolution(s) as aforementioned at the EGM.

An Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lie Chi Wing and Mr. Ng Wing Chung Vincent, has been established to advise the Independent Shareholders, among other things, the entering into of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, Fortune Financial Capital, have been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we were independent from and not connected with the Company, the Purchaser and any of their respective substantial shareholders or associates that could reasonably be regarded as relevant to our independence and accordingly, we were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the entering into of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. Save for our appointment as the Independent Financial Adviser, there was no other engagement between the Company and Fortune Financial Capital Limited in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions, beliefs and representations contained in the Circular and the information and representations provided to us by the Group, the Directors and/or the management of the Group. We have reviewed, *inter alia*, the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Company and the Directors. We have assumed that i) all statements, information and representations provided by the Directors and the management of the Group; and ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have also sought and received confirmation from the Company that no material facts have been omitted from the information provided and the opinions expressed to us or there is undisclosed private agreement/arrangement or implied understanding with anyone concerning the Disposal, the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representation and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information and taken sufficient and necessary steps to reach an informed view and to provide a reasonable basis for our opinion in compliance with Rule 13.80 of the Listing Rules. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the prospects of the Group, the Purchaser, or their respective subsidiaries or associates (if applicable). We have also not considered the taxation implication on the Group or the Shareholders as a result of the Disposal.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information of the Independent Board Committee and Independent Shareholders solely in connection with their consideration of the entering into of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement), and the transactions contemplated thereunder, and except for its inclusion in this circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Information of the Group

(i) Background information of the Group

With reference to the Letter from the Board, 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.

(ii) Financial highlights of the Group

The table below sets out the key financial information of the Group for the three years ended 31 March 2022 and the six months ended 30 September 2021 and 2022, as extracted from the published annual report of the Company for the year ended 31 March 2021 (the "**2021AR**"), the published annual report of the Company for the year ended 31 March 2022 (the "**2022AR**") and the published interim report of the Company for the six months ended 30 September 2022 (the "**2023IR**").

	For the year ended 31 March			For the six months ended 30 September	
	2020	**2021**	**2022**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	27,484	15,821	35,120	7,582	45,509
– Leasing services	27,484	15,821	10,498	4,096	26,783
– Debt collection and credit investigation services	–	–	24,622	3,486	18,726
(Loss)/profit for the year/period	(65,726)	(121,383)	(567,813)	3	(22,323)

*For the six months ended 30 September 2022 (“**1H2023**”) (unaudited)*

For 1H2023, the Group recorded revenue of approximately HK$45.5 million, representing an increase of approximately 500.2%, or HK$37.9 million, from HK$7.6 million for the six months ended 30 September 2022 (“**1H2022**”). Such increase in revenue was mainly due to i) the increase of HK$22.7 million in revenue generated from the Group’s leasing services resulting from the Group’s expansion into new operating locations outside of Hubei Province and initiation to process loans with more liquid assets and generally smaller in loan size for leasing operations; and ii) the increase of HK$15.2 million in revenue generated from the Group’s credit investigation and debt collection services which was commenced in April 2021 with a view to complement the development of the Group’s leasing services.

With reference to the 2023IR, the loss for the 1H2023 amounted to approximately HK$22.3 million as compared to the profit for 1H2022 of approximately HK$3,000. This was mainly due to the differences between impairment loss and provision of expected credit losses of HK$7.5 million for 1H2023 and reversal of expected credit losses of HK$18.3 million for 1H2022.

For the year ended 31 March 2022

For FY2022, the Group recorded revenue of approximately HK$35.1 million, representing an increase of approximately 122.0%, or HK$19.3 million, from HK$15.8 million recorded during the year ended 31 March 2021 (“**FY2021**”). According to the 2022AR, such increase in revenue was mainly due to the provision of value added services including credit assessment, investigation and debt recovery services with a view to complement the development of the Group’s leasing service. As demonstrated in the 2022AR, the Board will remain committed to continue to expand its leasing network, mitigate business risks exposure and place strong emphasis on the recovery of past due receivables, meanwhile, the Group will also explore businesses beyond the horizon of leasing, so as to further enhance and nurture synergies within the Group’s ecosystem in order to enhance the development of the Group’s leasing services and diversify the income sources of the Group.

With reference to the 2022AR, the loss for FY2022 amounted to approximately HK$567.8 million, representing an increase of approximately 367.8%, or HK$446.4 million, from the loss for FY2021 of approximately HK$121.4 million. This was mainly due to the increase in impairment losses and provision of expected credit losses from approximately HK$98.1 million for FY2021 to HK$525.7 million for FY2022 resulting from the continuous impact of novel coronavirus ("**COVID-19**") pandemic, liquidity crisis of the property market in PRC and geopolitical instability causing material adverse impacts on the businesses of the customers of the Group (mostly SMEs in Hubei Province), affecting the recovery of the Group's outstanding lease receivables.

For the year ended 31 March 2021

As disclosed in the 2021AR, the revenue of the Group decreased by approximately HK$11.7 million or 42.4% from approximately HK$27.5 million to HK$15.8 million for the year ended 31 March 2020 and 2021, respectively. During the relevant reporting years, the Group had only one principal business segment, which is the provision of financial leasing services in the PRC and in turn generates interest income and finance income. Such decrease was mainly due to the Group's prudent and conservative strategy to promote business during the continued static economy in order to safeguard our asset with additional emphasis placed in the recovery of past due lease receivables and receivables arising from sale and leaseback arrangements and enhancement of internal control.

The Group recorded a loss for FY2021 of approximately HK$121.3 million, representing an increase of approximately 84.7% from the loss for FY2020 of approximately HK$65.7 million. This was mainly due to i) the aforementioned decrease in revenue; and ii) the increase in the recognition of provision for the impairment losses on financial assets as a combined result of slowdown of economic growth and lockdown of cities operation due to Covid-19 pandemic, the tightening of the financial regulatory environment, weakening of leased assets quality and increase of financial risk and credit risk bore by the lessor.

Set out below is a summary of the financial position of the Group as at 31 March 2020, 2021 and 2022 and 30 September 2022 as extracted from the 2021AR, 2022AR, and 2023IR.

	As at 31 March 2020	**As at 31 March 2021**	**As at 31 March 2022**	**As at 30 September 2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	123,984	95,347	168,358	147,493
Current assets	791,100	751,620	265,564	240,448
Total assets	915,084	846,967	433,922	387,941
Current liabilities	392,901	740,832	1,043,389	966,131
Non-current liabilities	506,901	216,125	86,417	71,107
Total liabilities	899,802	956,957	1,129,806	1,037,238
Net (liabilities)/assets	15,282	(109,990)	(695,884)	(649,297)

For the financial position of the Group as at 30 September 2022, the major assets of the Group included i) lease receivables and receivables arising from sale and leaseback arrangements of approximately HK$286.4 million; ii) property, plant and equipment of approximately HK$62.3 million, which altogether accounted for approximately 89.9% of the total assets of the Group. Meanwhile, the major liabilities of the Group as at 30 September 2022 included i) bank borrowings of approximately HK$652.9 million; ii) deposit from customers of approximately HK$198.0 million, which in aggregate accounted for approximately 82.0% of the total liabilities of the Group.

As set out in the table above, the non-current assets of the Group decreased from approximately HK$124.0 million as at 31 March 2020 to approximately HK$95.3 million as at 31 March 2021 which was mainly due to the decrease in lease receivables and receivables arising from sale and leaseback arrangements. Although the non-current assets of the Group bounced back to approximately HK$168.4 million as at 31 March 2022, we noted from the 2022AR that the level of lease receivables and receivables arising from sale and leaseback arrangements further decreased and such a bounce was mostly attributable to the increase in property, plant and equipment and the recognition of a goodwill arising from the acquisition of Alpha & Leader Risks and Assets Management Company Limited (please refer to the circular of the Company dated 30 June 2021 for details) and Ultimate Harvest Global Limited (please refer to the circular of the Company dated 24 January 2022 for details) during FY2022. The non-current assets of the Group decreased from approximately HK$168.4 million as at 31 March 2022 to HK$147.5 million as at 30 September 2022, which was mainly due to the decrease in property, plant and equipment and goodwill.

The current assets of the Group remained relatively stable as at 31 March 2020 and 2021. The current assets of the Group substantially decreased from HK$751.6 million as at 31 March 2021 to HK$265.6 million as at 31 March 2022. Such decrease was mainly due to substantial increase in provision for expected credit losses recognized on lease receivables and receivables arising from sale and leaseback arrangements resulting from the continuous impact of COVID-19 pandemic, liquidity crisis of the property market in PRC and geopolitical instability causing material adverse impacts on the businesses of the customers of the Group (mostly SMEs in Hubei Province), affecting the recovery of the Group's outstanding lease receivables. The current assets of the Group further decreased to HK$240.4 million as at 30 September 2022. Such decrease was mainly due to a further decrease in lease receivables and receivables arising from sale and leaseback arrangements.

The total liabilities of the Group increased from approximately HK$898.8 million as at 31 March 2020 to approximately HK$957.0 million as at 31 March 2021. Such increase was mainly due to increase bank borrowings from approximately HK$614.3 million to HK$659.8 million.

The total liabilities of the Group further increased to approximately HK$1,129.8 million as at 31 March 2022, which was predominantly due to increases in i) bank borrowings from approximately HK$659.8 million as at 31 March 2021 to approximately HK$710.5 million; and ii) amount due to a related company of approximately HK$51.3 million.

As at 30 September 2022, the total liabilities of the Group decreased to HK$1,037.2 million, which was mainly due to the decrease in bank borrowings from approximately HK$710.5 million as at 31 March 2022 to approximately HK$652.9 million.

2. Information of the Purchaser

As at the Latest Practicable Date, the Purchaser was a merchant who owns the entire issued share capital in each of Yong Hua, Capital Grower and Clifton Rise, which are interested in approximately 9.33%, 0.51% and 2.57% of the issued Shares, respectively and the Purchaser was a director of certain subsidiaries of the Company. Therefore, the Purchaser is a substantial Shareholder and a connected person of the Company under Chapter 14A of the Listing Rules.

Pursuant to the order dated 13 March 2019 issued by The High Court of Hong Kong, to the effect that, amongst others, Solomon Glory, as lender, do recover against Yong Hua the sum of HK$150,467,304.72 (the "**Liability**"). The 38,503,380 Shares held by Yong Hua charged to secure the Liability shall be sold subject to certain conditions to recover the Liability. As of the Latest Practicable Date, the said charged Shares of Yong Hua have not been sold.

3. Information of the Target Group

(i) Background information of the Target Group

With reference to the Letter from the Board and as provided by the management of the Group, the Target Company is a company established in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. The Target Company is principally engaged in investment holding and the Target Group is principally engaged in the provision of financial leasing services in the Hubei Province of the PRC.

(ii) Financial highlights of the Target Group

Set out below is the summary of the unaudited consolidated financial information of the Target Group for the two years ended 31 March 2022 and the six months ended 30 September 2022 as extracted from the management accounts of the Target Group prepared and provided by the Company.

	For the year ended 31 March 2021 (unaudited) *HK$'000*	For the year ended 31 March 2022 (unaudited) *HK$'000*	For the six months ended 30 September 2022 (unaudited) *HK$'000*
Revenue	15,821	6,120	–
Total Expenses	(118,253)	(619,230)	(34,127)
Net loss before tax and extraordinary items	(102,432)	(613,110)	(34,127)
Net loss after tax and extraordinary items	(102,432)	(613,110)	(34,127)

	As at 31 March 2021 (unaudited) *HK$'000*	As at 31 March 2022 (unaudited) *HK$'000*	As at 30 September 2022 (unaudited) *HK$'000*
Non-current assets	95,347	18	16
Current assets	743,316	127,862	112,912
Total assets	838,663	127,880	112,928
Current liabilities	922,202	1,074,461	976,392
Non-current liabilities	216,125	–	22,021
Total liabilities	1,138,327	1,074,461	998,413
Net (liabilities)/assets	(299,664)	(946,581)	(885,485)

As depicted from the above, the Target Group did not generate any revenue for 1H2023, mainly due to the (i) Target Group's focus on recovering the lease receivables and receivables arising from sales and leaseback arrangement past due; and (ii) worsening business environment for leasing services in Hubei Province with a customer focus on SMEs. The Target Group recorded total expenses and net loss after tax and extraordinary items of approximately HK$34.1 million and HK$34.1 million for 1H2023, respectively, primarily due to unrealised loss on exchange rate and finance costs.

The Target Group's revenue for FY2022 decreased by approximately 61.3% as compared to that for FY2021 mainly due to i) the absence of new financial leasing services; ii) certain financial leasing services past due during FY2022, hence, the corresponding revenue had not been recognised in the profit and loss accounts in accordance with applicable accounting treatments and iii) despite Company's persevering effort in recovering the over due lease receivables, the long and complicated process of recovering the outstanding amount and monetisation of the underlying collateral (such as properties, bank accounts, cash and additional leased assets) were further complicated and became more remote as a result of cumulative events including the disruption to the domestic economy due to COVID-19 pandemic and liquidity crisis of the property developers in the PRC, hence such reclaim were not completed in FY2022, remote and relatively difficult, meanwhile the total expenses of the Target Group increased from approximately HK$118.3 million in FY2021 to approximately HK$619.2 million in FY2022 primarily as a result of loss recorded on disposal of certain retained finance lease receivables during inter-company transfer in FY2022 and difference in impairment loss provision between two years. As a whole, the Target Group recorded loss of approximately HK$613.1 million in FY2022, representing an increase in loss of approximately 498.6% as compared to the Target Group's loss for FY2021.

For the financial position of the Target Group, as at 30 September 2022, the major assets included finance lease receivables, which were all past due for at least 3 years as of the Latest Practicable Date, and receivables arising from sale and leaseback arrangements and prepayments and other receivables which altogether accounted for approximately 97.1% of the total assets of the Target Group, whilst the cash and bank balance of the Target Group was approximately HK$0.9 million, approximately 0.8% of the total assets of the Target Group, as at 30 September 2022. The major liabilities of the Target Group were the deposits from customers, amount due to shareholder and bank borrowings which altogether accounted for approximately 93.8% of the total liabilities of the Target Group.

Based on our review on the management accounts of the Target Group, we are of the view that the financial situation of the Target Group was deteriorated since FY2021.

(iii) Proposed Loan Assignment

With reference to the Letter from the Board and the Company's announcements on 28 June 2021 and 15 February 2023, Rongzhong PRC has applied to the relevant bank for the assignments (the "**Proposed Loan Assignments**") of all of the 24 loans (the "**Bank Loans**") provided by such bank to Rongzhong Capital Investments. The Group subsequently obtained a letter of undertaking (the "**Undertaking Letter**") from Rongzhong Capital Investments, three Independent Third Parties and the Purchaser (all being the guarantors of the Bank Loans) (collectively, the "**Guarantors**"), pursuant to which (i) each of the Guarantors has undertaken to continue to perform its obligations as a guarantor as stipulated under the relevant loan agreements subsequent to the completion of the Proposed Loan Assignments, and to use its best endeavours to provide all necessary assistance to the Group to facilitate the application of the Proposed Loan Assignments; (ii) the Guarantors will undertake all the repayment responsibilities of the Bank Loans; (iii) it was acknowledged that Rongzhong PRC would, in accordance with the request of the relevant bank, transfer certain lease receivables and receivables arising from sale and leaseback arrangements to Rongzhong Capital Investments subsequent to the completion of the Proposed Loan Assignments; and (iv) the Undertaking Letter will expire two years after the completion of Proposed Loan Assignments. The Undertaking Letter shall cease to have effect if the aforesaid application is withdrawn by Rongzhong PRC or rejected by the relevant bank.

As at 31 December 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements was approximately HK$42,778,000, while the balance of the Bank Loans was approximately HK$509,627,000, which approximately HK$11,111,000 of the relevant lease receivables and receivables arising from sale and leaseback arrangements and all of the Bank Loans are included in the net assets and liabilities of the Target Group to be disposed of in the Disposal.

As at the Latest Practicable Date, the Proposed Loan Assignments are still at the application stage with the relevant bank. Saved as the Proposed Loan Assignments and the Disposal, no other arrangement has been entered into between the Group and the Guarantors.

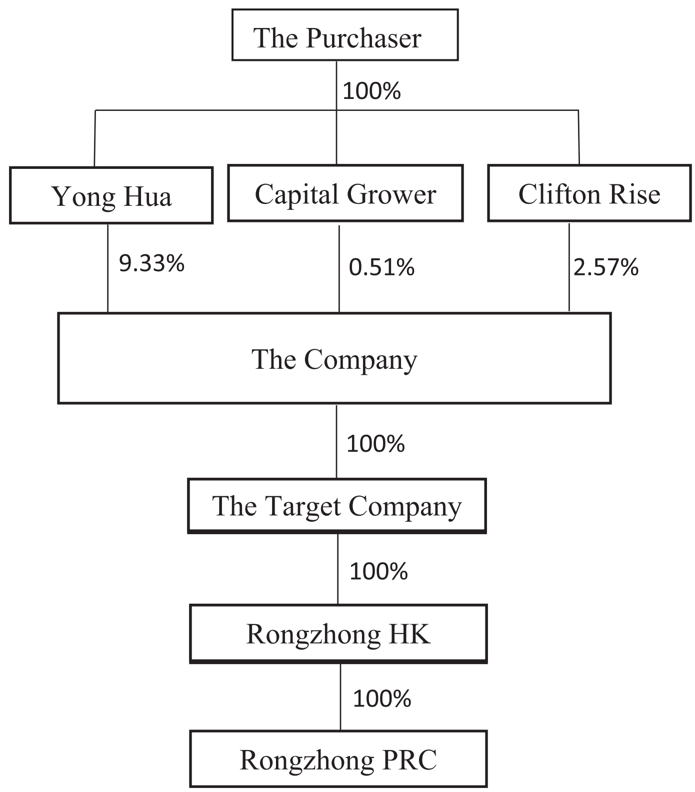
If the Company receives the relevant bank's approval for, and/or any of such agreements are entered into in respect of, the Proposed Loan Assignments before the completion of the Disposal, further discussion will be made with the Purchaser on the terms of the Disposal. The Company will re-comply with all Listing Rules requirements and make necessary disclosures.

Please refer to the section headed "3. INFORMATION OF THE TARGET GROUP" in the letter from the Board for further details.

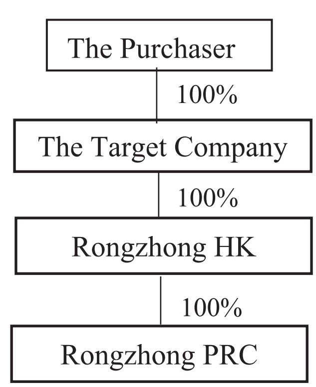
4. Structure of the Disposal

The diagrams below illustrate the shareholding structure of the Target Group immediately before and after the Completion.

Immediately before the Completion



Immediately after the Completion



5. Reasons for entering into the Agreement and benefits of the Disposal

As set out in the announcement of the Company dated 31 March 2022 in relation to the Disposal and the Letter from the Board, the Board expressed that a reform of the Group's finance lease business is needed, meanwhile, the Disposal does not annotate any departure from the finance lease business which the Group has been focused in since its establishment in 2008. On the contrary, the Disposal represents an opportunity to strengthen and enhance the leasing business of the Group. By disposing the non-performing and less profitable portions of the leasing portfolio under the Target Group together with its liabilities, it is expected that the financial position and the liquidity of the Group will be enhanced upon Completion.

As illustrated under the section headed "3. Information of the Target Group – Financial highlights of the Target Group", the Target Group recorded net liabilities of approximately HK$299.7 million, HK$946.6 million and HK$885.5 million as at 31 March 2021, 31 March 2022 and 30 September 2022, respectively. As advised by the senior management of the Company, the substantial increase in the net liabilities of the Target Group as at 31 March 2022 as compared to that of 31 March 2021 was due to (i) the increase in bank borrowings during the period in order to maintain the business operation; and (ii) the impairment of lease receivables and receivables arising from sales and leaseback arrangements during the period. Furthermore, the continuous loss making position for each of the two years ended 31 March 2021, 31 March 2022 and six months ended 30 September 2022, and the outstanding current liabilities of the Target Group due to third parties (i.e. the Debt excluded) of approximately HK$798.5 million as at 30 September 2022 created unnecessary financial burden to the Group. The unfavourable financial fundamentals entail continuous and substantial investments and financial resources to support the business and cashflow operation of the Target Group with a view to sustain the business of the Target Group. The Directors believe that this will mean a costly effort while optimal results may only be achieved in a long-time span. The Disposal is part of the overall strategic reform in the Group's leasing business by the management of the Company in light of the global political, economic tensions and the outbreak of the novel coronavirus. Upon Completion, the Disposal is expected to improve the financial position of the Group from net liabilities to net assets which is believed to be favourable to the Group's ability in obtaining fresh and additional funding for the development of its leasing business in the PRC and value added services including the due diligence, credit investigation and debt collection services in Hong Kong, the PRC and Singapore. In addition, the Group will no longer be required to provide funding to the Target Group for its operation or repayment of its liabilities after Completion and the Group can reallocate the resources more efficiently.

Notwithstanding the decreasing revenue of the Target Group from HK$15.8 million for FY2021 to HK$6.1 million for FY2022 and nil for 1H2023, we noted that there was an increase in revenue generated from the Group's leasing services for FY2022 and 1H2023, primarily due to the Group's expansion into new operating locations outside of Hubei Province and initiation to process loans with more liquid assets and generally smaller in loan size for leasing operations. With reference to the Letter of the Board and upon our enquiry, apart from the continuous growth in the Group's automobile leasing business, the Company is working with potential business partners to bring in funding and leasing opportunities to the Group and the Company had identified funding and potential leasing opportunities in the areas of various supply chain logistics, warehouse and cargo container equipment, and art financing with an aggregate value of approximately HK$500 million subject to the completion of Disposal and the resumption of trading of the shares of the Company.

Furthermore, we also noted that the debt collection services, due diligence and credit investigation services of the Group, which was commenced in April 2021, has achieved delighted and proven results in its early operation. It has accounted for approximately 70.1% and 41.1% of the revenue of the Group in FY2022 and 1H2023, respectively. With the experience of the management of the Group in credit assessment and investigation assists the Group in performing due diligence reviews on potential leasing customers, it is believed to be favourable to dispose non-performing leasing portfolio as early as possible so as to allow the Company to concentrate on its strategic business transformation, including but not limited to enhancement in credit assessment, investigation and debt collection of the customers of finance lease in order to capture more profitable opportunities and to provide more stable and better return for the Company and Shareholders. Upon our further enquiry, the senior management of the Company confirmed that the Disposal was implemented with a view to dispose its non-performing assets together with its financial obligations on commercial basis rather than being a fund raising exercise. We are of the view that the Disposal is in line with the development strategy of the Group.

With reference to the Letter from the Board and as a result of the discussion between the Company and the Purchaser, prior to the Disposal, certain assets and liabilities of the Target Group with net asset value (the "**Retained Net Assets**") were transferred to another subsidiary of the Company. Based on the consideration of the Disposal and the net liabilities excluding the Retained Net Assets as at 31 March 2022 of approximately HK$946.6 million, it is estimated that a gain of HK$717.9 million will be recognised by the Group in the year ending 31 March 2023 (the actual gain is subject to audit and further adjustment(s), if any). Upon our enquiry, we are given to understand that the Company and the Purchaser have taken into consideration, *inter alia*, i) the value of the underlying assets of the Target Group perceived by parties to the Sale and Purchase Agreement; ii) the Debt; and iii) the total capital investment made by the Group, when arriving at the terms of the Agreement, which was carried out under arm's length negotiation on normal commercial terms. We have also obtained and reviewed i) the breakdown of finance lease receivable as at 31 March 2022 of the Target Group prepared by the Company which contains details of the outstanding finance leases with, amongst others, the financing amount, interest rate, due date, deposits level, terms in relation to guarantee and the expected rate of return; and ii) the list of the Retained Net Assets prepared by the Company which contains details of relevant the lease receivables to be retained by the Company and the quarterly update on the clients repayment progress, and based on the discussion with the management of the Company on the details of lease receivables, relevant clients' status and latest update on respective repayment plan and progress, we noticed that i) the assets items are mostly lease receivables, impairment allowance and assets held for sale, whilst the major liabilities item is deposit from customers; ii) such lease receivables to be retained in the Target Group are long overdue by its customers ranging from 1 to 7 year as at the Latest Practicable Date but are expected to generate future income of approximately HK$187.6 million; iii) the factors considered by the Group in determining the Target Group's assets to be retained by the Group and the actions taken to secure the Group's interest in the those past due lease receivables to be retained in the Group as set out in the section headed "6. REASON FOR AND BENEFITS OF THE DISPOSAL – Improving the financial position and liquidity of the Group" in the Letter from the Board; and iv) although the Group's lease receivables and receivables arising from sale and leaseback arrangements with various enterprises in Hubei Province amounted to a gross carrying amount of approximately HK$1,651.2 million were all credit-impaired and an accumulated impairment loss of HK$1,371.6 million was provided for these receivables as disclosed in the 2023IR, nothing has come to our attention that causes us to believe that the Retained Net Assets are certainly unrecoverable as at the Latest Practicable Date.

Despite the fact that the benefit and advantage of the Debt will be assigned to the Purchaser upon Completion and the Company will no longer be able to recover the interest-free advances in the sum of approximately HK$177.9 million made by the Company to the Target Company, we are advised by the management of the Company that such advances had been completely provided for on the Company's books and records in the financial year ended 31 March 2020 after taking into the account the then business performance of the Target Group. Upon our enquiry, we are advised by the management of the Company that, having reviewed the latest business performance of the Target Group, the chances to recover the full amount of such advances in a short period of time was less favourable as at the Latest Practicable Date. In addition, as set out in the Letter from the Board, the Debt of approximately HK$177.9 million was capital contribution from the Company to Rongzhong PRC through the two holding vehicles, i.e. the Target Company and Rongzhong HK, in 2016. As such, the Debt has been completely eliminated between companies within the Group. Furthermore, in substance, the amounts of approximately HK$177.9 million was contributed by a parent company, namely the Company, to its wholly owned subsidiary, that is Rongzhong PRC, as working capital to maintain its then business operation. Hence, it shall be viewed as part of capital contribution to the Target Company and Rongzhong HK instead of a borrowing. Given the circumstances as mentioned herein, it is agreed between the Company and the Purchaser that the Debt shall also be assigned to the Purchaser in the Disposal to reflect the original intention of this amount of contribution. Thus, having considered the above, in particular relevant accounting treatments and management's view on the recoverability of the advances, the assignment of the Debt per se should not have negative impact on the latest financial information of the Group. And at the same time, the Disposal will release the Group from being liable for the repayment of bank borrowings and interests of approximately HK$648.1 million as at 31 December 2022 obtained by the Target Group and will ease the financial pressure and improve the gearing position of the Group by reducing its liabilities.

We are also aware of the Proposed Loan Assignments as detailed in the Letter of the Board and the Company's announcements dated 28 June 2021 and 15 February 2023. Upon our enquiry, we are given to understand that before deciding to conduct the Disposal, the Company has taken into consideration, *inter alia*, i) the continuous deterioration of the business performance and financial position of the Group; ii) the low recoverability of certain lease receivables of the Group; and iii) the extra benefit in offloading the Group's liabilities of approximately HK$138.5 million (Proposed Loan Assignments of approximately HK$509.6 million compared to the unaudited bank borrowings of the Target Group to be disposed of approximately HK$648.1 million as at 31 December 2022). We also note that if the Company receives the relevant bank's approval for, and/or any of such agreements are entered into in respect of, the Proposed Loan Assignments before the completion of the Disposal, further discussion will be made with the Purchaser on the terms of the Disposal. The Company will comply with all Listing Rules requirements and make necessary disclosures. In view of the above, we have obtained and reviewed i) the list of Bank Loans provided by the Company which contained particulars of each of the Bank Loans (such as duration, interest rate, loan amount, overdue amount and guarantor) as at 31 December 2022; ii) the application materials of the Proposed Loan Assignments; and iii) written correspondences between the bank and the Company in relation to the Proposed Loan

Assignments. Based on our review, in particular the fact that i) the Group first applied for the Proposed Loan Assignments in June 2021 and the time frame of the progress of the application remains uncertain as at the Latest Practicable Date; ii) even if the Proposed Loan Assignments became effective as at 30 September 2022, the Target Group (excluding the assets and liabilities to be retained in the Group) was still in net liabilities position; iii) the extra benefit in offloading the Group's liabilities as mentioned above; and iv) the benefits of the Disposal as stated in the above paragraphs in this section, we are of the view that the Disposal is a preferred means of improving the Group's financial position given the Proposed Loan Assignments and is in the interest of the Company and the Shareholders as a whole.

Having considered the circumstances and various factors stated above, we concur with the Directors (including the independent non-executive Directors whose view are set out in the Letter from the Independent Board Committee contained in the Circular) that, although the Disposal is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the Sale and Purchase Agreement

Summarised below are the major terms of the Sale and Purchase Agreement

Date	:	31 March 2022 (2 June 2022 for the Supplemental Agreement)
Parties	:	The Company, as the vendor Mr. Xie Xiaoqing 謝小青, as the Purchaser
Nature of the transactions	:	The Purchaser conditionally agreed to acquire, and the Company conditionally agreed to sell the Sale Shares and assign the benefit and advantage of the Debt.
Consideration and payment terms	:	The consideration for the Sale Shares payable by the Purchaser to the Company is HK$100,000 which shall be settled in cash upon the Completion.
Condition precedent	:	Completion is conditional upon the passing of an ordinary resolution for the approval of the Sale and Purchase Agreement and the transactions contemplated therein by the Independent Shareholders at the EGM.
Completion	:	Completion shall take place within five Business Days after the condition precedent being fulfilled, or otherwise on a date mutually agreed between the Parties.

Further details of the principal terms of the Sale and Purchase Agreement are outlined in the Letter from the Board.

(i) Analysis on the fairness and reasonableness of the Consideration

With reference to the Letter from the Board, the Consideration was determined after arm's length negotiations between the Company and the Purchaser on an arm's length basis with reference to, including without limitation, the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) of approximately HK$946.6 million as at 31 March 2022 and the assignment of the benefit and advantage of the Debt of approximately HK$177.9 million as at 31 March 2022.

On one hand, the consideration of HK$100,000 for the Sale Shares represents a significant premium on the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) of approximately HK$946.6 million and HK$885.5 million as at 31 March 2022 and 30 September 2022, respectively, hence, the financial and liquidity position of the Group is expected to improve upon the Completion and provide a solid foundation for the Group to implement its transformation strategy of the leasing business. On the other hand, as aforementioned, the Debt was capital contribution from the parent company to its subsidiary and such advances shall not be viewed as a borrowing to the Target Group, and had been fully provided for on the Company's books and records in the financial year ended 31 March 2020. Although the Consideration is negligible as compared to the amount of the Debt, the successful completion of the Disposal is more important than the absolute amount to be received by the Company as certain assets and liabilities of the Target Group, including the lease receivables with higher probability of recovery as assessed by the management of the Company which are expected to generate future income of approximately HK$187.6 million, will be retained by the Group. The net assets value to be retained by the Group as at 30 September 2022 amounted to approximately HK$75.7 million. We are of the view that this arrangement is in the interest of the Company and Shareholders as a whole and contributed to the fairness and reasonableness of the Consideration.

Furthermore, we are aware that certain lease receivables of the Target Group (the "**LRs to be Disposed**") of approximately HK$121.8 million, which were all past due for 3 to 9 years as at the Latest Practicable Date, will be transferred to the Purchaser upon Completion. In this regard, we have been provided with the breakdown of such lease receivables which contained particulars of the lease receivables (such as duration, interest rate, loan amount and overdue amount), collateral value and latest status on respective recovery process. Based on our review, we noticed that among the 56 LRs to be Disposed, i) none of the LRs to be Disposed have been successfully recovered or disposed to third party as at Latest Practicable Date; ii) none of the LRs to be Disposed yet to be recovered has an expected timeline on repayment or recovery; iii) 2 LRs to be Disposed showed no progress due to customers that can no longer be reached or corporate customers that have been wound up; iv) the underlying collateral of 18 LRs to be Disposed are insufficient to cover the respective principal; and v) as at Latest Practicable Date, 36 LRs to be Disposed were in litigation process or had been outsourced to a law firm to pursue recovery through legal procedures which may take over a year as advised by the management of the Company. We are of the view that the successful recovery of the LRs to be Disposed remains very much in doubt, not to mention considerable costs and resources have to be deployed in this process. As such, although the Consideration is incomparable to the principal amount of the LRs to be Disposal, having considered the obstacles and likelihood of recovery of the outstanding principal (which there is no guarantee can be given at this stage), we are of the view the fairness and reasonableness of the Consideration will not been affected by the LRs to be Disposed.

As mentioned in the section headed "3. Information of the Target Group – (ii) Financial highlights of the Target Group" in this letter, the financial performance of the Target Group has been worsened in FY2022 with decrease in revenue, increase in expenses and greater loss had been recorded as compared to FY2021 and the Target Group only had bank balance and cash of approximately HK$0.9 million as at 30 September 2022. The leasing business is capital intensive and dependent on stable and regular cash inflow, e.g. on time repayment from existing clients and external loan from third parties. As disclosed in the 2023IR, lease receivables and receivables arising from sale and leaseback arrangements with various enterprises in Hubei Province amounted to a gross carrying amount of approximately HK$1,651.2 million were all credit-impaired and an accumulated impairment loss of HK$1,371.6 million was provided for these receivables, and with limited bank balance and cash and the liquidity pressure to keep up with interest burden on existing bank borrowings, the Target Group is expected to experience great difficulty in allocating sufficient internal funds as working capital to maintain or rebuild its leasing business. Meanwhile, any extra external debt financing activities will inevitably increase the interest burden of the Target Group.

We have also enquired the Company about the working capital required to sustain the operation of the Target Group. The unaudited bank balance and cash of the Target Group as at 30 September 2022 was approximately HK$0.9 million. Given the weak financial position and uncertainty of the operation of the Target Group, it is expected that significant financial resources of the Group (excluding the Target Group) will be frequently needed to allocate to the Target Group in order to sustain the basic operation of the Target Group and repay the outstanding bank borrowings.

Given these restraints, it is unlikely that the Target Group is able to carry out new leasing business, and there is a chance of falling into an endless loop of lack of fresh cash inflow, unable to start new business and unable to turnaround the unfavourable financial position and results. This dilemma is going to deteriorate the liquidity, business operation and prospect of the Target Group further, which may lead to a dead end with minimal, if not zero, residual value. Although the Consideration is relatively nominal as compared to the financial information of the Target Group, the Disposal is able to offload the upkeeping burden of the Target Group which has limited future up side opportunity. In this sense, the benefit to be received by the Group upon Completion outweighs the absolute amount of the Consideration.

With reference to facts presented in this section and having considered i) the reasons illustrated in the sections headed "5. Reasons for entering into the Agreement and benefits of the Disposal" above; ii) the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) were agreed based on arm's length negotiations between the Company and the Purchaser; iii) the financial position and results of the Target Group for the two years ended 31 March 2022 and six months ended 30 September 2022; iv) the prospect of the Target Group; v) the positive effect to the financial results of the Group upon the Completion, we are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

(ii) Analysis on other terms of the Agreement

Upon our review of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement), we are not aware of any other terms contained in the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) which is unfavourable to the Group.

Having taken into account all the factors presented above, we are of the opinion that the terms of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) are on normal commercial terms or better, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

7. Possible financial effects upon completion of the Disposal

Upon Completion, the Company will no longer hold any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Group. Thus, all assets and liabilities of the Target Group will no longer be consolidated into the Group's financial statements.

(i) Earnings

Upon Completion, the Target Group will not have any revenue contribution to the Group in the future, whereas, the cost of sales, other expenses of the Target Group which are of recurring nature will no longer impact the Group's financial. Taking into consideration the recent poor financial performance of the Target Group and factors discussed in the above sections, the Group will not be required to bear any future loss of the Target Group's business.

As set out in the Letter from the Board, as at the Latest Practicable Date, certain assets and liabilities of the Target Group had already been transferred to another subsidiary of the Company, in which (i) assets and liabilities with a net asset value of HK$95.8 million were transferred to such subsidiary on 29 March 2022; and (ii) assets and liabilities with a net liabilities value of HK$12.9 million were further transferred to such subsidiary on 27 May 2022. Hence, the Group currently expects to record a gain of approximately HK$717.9 million in the financial year ending 31 March 2023, which is arrived at after adding the unaudited net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 31 March 2022 of approximately HK$946.6 million and deducting the assignment of the benefit and advantage of the Debt of approximately HK$177.9 million as at 31 March 2022, the cumulative exchange and statutory reserves recognised in respect of the Target Group of HK$50.1 million as at 31 March 2022 and the direct expenses in relation to the Disposal of HK$0.8 million from the Consideration of HK$100,000.

As a result of the factors discussed in the section headed "5. Reasons for entering into the Agreement and benefits of the Disposal" above, the Disposal would likely have a positive impact on the future earnings potential of the Group.

(ii) Assets and liabilities

As set out in the Letter from the Board, having taken into account the Consideration and the unaudited consolidated net liabilities of the Target Group attributable to the Company as at 31 March 2022, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK$127.8 million, meanwhile the total liabilities of the Group will decrease by approximately HK$1,074.4 million.

(iii) Cash flow

The Consideration of HK$100,000 from the Disposal will be used as general working capital of the Group, and it is expected that the Disposal will have a positive effect of the Group.

The actual gain or loss arising from the Disposal to be recognised by the Group may be different from the above and shall be subject to the review by auditor of the Company and determined based on the amount of the consolidated net assets/liabilities (as the case may be) of the Target Group and the amount of expenses incidental to the Disposal. It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Company following the Completion.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Disposal are on normal commercial terms and are fair and reasonable; (ii) although the Disposal is not conducted in the ordinary and usual course of business of the Group, it is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the proposed resolution in respect of the Sale and Purchase Agreement (as supplemented by the Supplemental Agreement) and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,
For and on behalf of
FORTUNE FINANCIAL CAPITAL LIMITED
Alfred Wu
Managing Director

Note: Mr. Alfred Wu is a licensed person registered with the Securities and Futures Commission and a responsible officer of Fortune Financial Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has more than 15 years of experience in corporate finance advisory in Hong Kong.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 March 2020, 2021 and 2022 and for the six months ended 30 September 2022 are disclosed in the documents, which have been published and are available on the website of the Stock Exchange (https://www.hkexnews.hk) and the website of the Company (https://www.chinarzfh.com):

- the annual report of the Company for the year ended 31 March 2020 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0930/2020093000296.pdf), please refer to pages 53 to 108 in particular;

- the annual report of the Company for the year ended 31 March 2021 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0728/2021072800906.pdf), please refer to pages 54 to 108 in particular;

- the annual report of the Company for the year ended 31 March 2022 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0926/2022092601582.pdf), please refer to pages 46 to 136 in particular; and

- the interim report of the Company for the six months ended 30 September 2022 (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1216/2022121600484.pdf), please refer to pages 2 to 33 in particular.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding indebtedness as follows:

Borrowings

As at the close of business on 31 December 2022, the Group had outstanding borrowings comprising (i) bank borrowings of approximately HK$116,004,000 which are secured by charges over receivables arising from sale and leaseback arrangements of the Group and guaranteed by a joint venture of a major shareholder of the Company and a director of the Company's subsidiary; (ii) bank borrowings of approximately HK$22,505,000 which are secured by charges over bank deposits of the Group and guaranteed by a joint venture of a major shareholder of the Company and a director of the Company's subsidiary; (iii) bank borrowings of approximately HK$509,627,000 which are secured by charges over receivables arising from sale and leaseback arrangements of the Group and guaranteed by Rongzhong Capital Investments, three Independent Third Parties and the Purchaser; (iv) bank borrowings of approximately HK$3,593,000 are unsecured and guaranteed by two directors of the Company's subsidiary; (v) an outstanding carrying amount of loan note of approximately HK$9,406,000 which is unsecured and unguaranteed and carried interest at 4.58% per annum; (vi) amounts due to directors of the Company's subsidiary of approximately HK$621,000 which are unsecured and unguaranteed; (vii) amount due to a shareholder of the Company of HK$18,809,000 which is unsecured and unguaranteed and carried interest at 6% per annum; and (viii) amount due to a related party of approximately HK$49,080,000 which is unsecured and unguaranteed and carried interest at 4.5% and 6% per annum.

Lease liabilities

As at the close of business on 31 December 2022, the Group had outstanding lease liabilities of approximately HK$3,408,000 measured at the present value of the remaining lease payments using a discount rate ranged from 4.75% to 5.13%. The lease liabilities were secured by rental deposits of approximately HK$598,000 and unguaranteed.

Contingent consideration payables

As at the close of business on 31 December 2022, the Group had unsecured and unguaranteed contingent consideration payables of (i) promissory notes in aggregate amount of approximately HK$3,015,000 to be issued by the Company to the shareholder of the Company; (ii) cash consideration payable estimated to be approximately HK$nil; and (iii) derivative financial liability of HK$9,654,000.

Convertible bonds

As at the close of business on 31 December 2022, the Group had an outstanding carrying amount of convertible bonds, being unsecured and unguaranteed, of approximately HK$2,320,000, which is non-interest bearing and repayable by 3 March 2025.

Contingent liabilities or guarantees

As at the close of business on 31 December 2022, the Group did not have any contingent liabilities or guarantees. Save as the borrowings of approximately HK$729.6 million, lease liabilities of approximately HK$3.4 million, contingent consideration payables of approximately HK$12.7 million and convertible bonds of approximately HK$2.3 million as disclosed above, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, which were either guaranteed, unguaranteed, secured and unsecured, any mortgages and charges or any contingent liabilities or guarantees at the close of business on 31 December 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

3. WORKING CAPITAL STATEMENT

As at 31 December 2022, the Group had total bank borrowings amounted to approximately HK$651,729,000, in which bank borrowings of approximately HK$625,763,000 were already due and should be repayable on demand and bank borrowings of approximately HK$1,685,000 would be due for repayment within twelve months. Should the banks consider the bank borrowings that were already due as an event of default, together with such default would trigger the cross default provisions in other loan agreements entered into by the Group, bank borrowings amounted to approximately HK$627,448,000 which were repayable within twelve months from 31 December 2022 based on the agreed scheduled repayments set out in the respective loan agreements would become due for immediate repayment. In relation to the bank borrowings that were already due, as at the Latest Practicable Date, (i) the Group did not receive any default notices or demands for repayment from the relevant banks; (ii) the Group was negotiating with such banks to extend the repayment dates of such loans, and no rejections had been issued by the banks regarding such requests.

In addition, there are significant slow-down in the collection of the Group's lease receivables and receivables arising from sale and leaseback arrangement in recent years.

As disclosed in the paragraph headed "3. Information of the Target Group – Proposed Loan Assignments" under the section headed "Letter from the Board" in this circular, pursuant to the Company's announcements dated 28 June 2021 and 15 February 2023, Rongzhong PRC has applied to the relevant bank for the Proposed Loan Assignments of the Bank Loans provided by such bank to Rongzhong Capital Investments. The Group subsequently obtained the Undertaking Letter from the Guarantors, pursuant to which (i) each of the Guarantors has undertaken to continue to perform its obligations as a guarantor as stipulated under the relevant loan agreements subsequent to the completion of the Proposed Loan Assignments, and to use its best endeavours to provide all necessary assistance to the Group to facilitate the application of the Proposed Loan Assignments; (ii) the Guarantors will undertake all the repayment responsibilities of the Bank Loans; (iii) it was acknowledged that Rongzhong PRC would, in accordance with the request of the relevant bank, transfer certain lease receivables and receivables arising from sale and leaseback arrangements to Rongzhong Capital Investments subsequent to the completion of the Proposed Loan Assignments; and (iv) the Undertaking Letter will expire two years after the completion of Proposed Loan Assignments. The Undertaking Letter shall cease to have effect if the aforesaid application is withdrawn by Rongzhong PRC or rejected by the relevant bank.

As at 31 December 2022, the net carrying amount of the relevant lease receivables and receivables arising from sale and leaseback arrangements was approximately HK$42,778,000, while the balance of the Bank Loans was approximately HK$509,627,000, which approximately HK$11,111,000 of the relevant lease receivables and receivables arising from sale and leaseback arrangements and all of the Bank Loans are included in the net assets and liabilities of the Target Group to be disposed of in the Disposal.

As at the Latest Practicable Date, the Proposed Loan Assignments are still at the application stage with the relevant bank.

Should the Group fail to extend the relevant bank borrowings and/or unable to collect the receivables, or the relevant bank refuse to approve the Proposed Loan Assignments, the liquidity position of the Group may be adversely affected and the sufficiency of working capital for the Group to continue its operation may become uncertain. In view of these circumstances, the Directors have the following plans to improve the Group's liquidity and financial position:

(i) obtaining new funding sources (such as obtaining additional loan facilities from other related parties if necessary) and utilising the unused loan facility of approximately HK$14.8 million as at the Latest Practicable Date under an unsecured term loan facility in an aggregate amount of HK$50,000,000 carrying an interest at 6% per annum provided by Goldbond to the Company to finance the general working capital of the Company;

(ii) taking active measures to expedite the realisation of lease receivables and receivables arising from sale and leaseback arrangements through various means, including without limitation, commencing legal proceedings against such customers or renegotiating repayment plans with such customers;

(iii) negotiating with the banks on the renewal of and extension for repayments of certain bank borrowings and arranging new banking facilities when necessary. The Directors considered that the Group is making positive progress in the aforesaid negotiations, in which (i) the Company entered into an agreement with a bank in May 2022 regarding a loan of approximately HK$24.2 million to extend the relevant repayment date to May 2024; and (ii) the Company is actively negotiating with relevant banks on the extension of repayment of bank borrowings of approximately HK$625.8 million; and

(iv) taking active measures to control administrative costs to improve the Group's operating cash flows and financial position.

The Directors have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the date of this circular. The Directors, after making due and careful enquiry, based on the assumptions that the Group will be able to renew the bank borrowings as forecasted and after taking into account the abovementioned measures and the Completion of the Disposal of the Target Group, are of the opinion that the Group will have sufficient working capital for its normal business operation for at least the next twelve months from the date of this circular, in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save as disclosed in (i) the announcement of the Company dated 27 September 2022 in relation to the suspension of trading in the shares of the Company with effect from 27 September 2022; and (ii) the interim report of the Company for the six months ended 30 September 2022 in relation to a loss of approximately HK$22.3 million recorded for the six months ended 30 September 2022 by the Group as compared to a profit of approximately HK$3,000 as recorded in the previous corresponding period ended 30 September 2021, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2022, the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Despite all the adverse circumstances brought by the COVID-19 pandemic, the Group remains committed to continue to expand its leasing network, diversify income source with mitigating business risks exposure through processing loan application with more liquid assets and place strong emphasis on the recovery of past due receivables. The Board firmly believes that diversification of income sources and associated business risks is a key in enhancing the operations of the Group. As at the Latest Practicable Date, the Company does not have any intention, understanding, negotiation or arrangement to acquire any new businesses. Going forward, the Board will continue to actively explore businesses beyond the horizon of leasing (i.e. all potential businesses which could support or create synergies to the leasing business) to further enhance and nurture synergies within our ecosystem in order to further complement the development of the Group's leasing services and to provide sustainable sources of revenue to the Group.

In addition, for the purpose of the future development of the Group's leasing business, apart from the continuous growth in the Group's automobile leasing business, the Company is working with potential business partners to bring in funding and leasing opportunities to the Group. As at the Latest Practicable Date, the Company had identified funding and potential leasing opportunities in the areas of various supply chain logistics, warehouse and cargo container equipment, and art financing with an aggregate value of approximately HK$500 million subject to the completion of Disposal and the resumption of trading of the shares of the Company.

The Group would conduct further facilitation works following the Completion of the Disposal. When the Disposal is approaching Completion, Alpha & Leader would continue to support the Company's leasing business by conducting customers due diligence works. The Company would then negotiate the details of the relevant agreements with the potential business partners.

The Company strongly believes that its operations will turn around as and when the general economic environment, political environment and the COVID-19 pandemic situation gradually improve (both domestically and internationally).

Following the Completion, the Group intends to continue the operation of its existing principal business 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.

The Group focuses on the finance lease business since its establishment in 2008 and will continue to focus on the development of the leasing business. The Disposal does not annotate that the Group shall shift its focus to other businesses. Rather, it is part of overall strategy to strengthen our ecosystem of an all-rounded enhancement of our Group's leasing business to enhance its profitability and sustainability of the Group in the near future.

Aligning with current industry trend and development, the Group will continue to position itself as an integrated leasing business platform with diversified business lines (including operating leases, finance leases and other associated valued added services), and will remain dedicated to providing comprehensive leasing services to customers in various industries.

The development of the leasing business is mainly comprised of the following steps:

1) Enhancement in credit assessment, investigation and debt collection of the customers of leasing business

The Group conducts its debt collection services, due diligence and credit investigation services in Hong Kong, the PRC and Singapore through the acquisition of 51% of the interest of Alpha & Leader Risks and Assets Management Company Limited ("Alpha & Leader") in 2021. Debt collection services are provided to clients with past due commercial accounts receivables ranging from 3 – 12 months. This is a non-litigation service that enables creditors to recover their 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 non-recoverable debts. 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, credit scoring results and recommendations to clients prior to the entering into potential business transactions. The Group's extensive experience in credit assessment and investigation assists the Group in performing due diligence reviews on potential leasing customers, thereby maximizing returns on leasing business returns and minimizing credit risks. The Group can also utilise its expertise in debt collection service to monitor and enhance its recoverability of the past due receivables.

2) Establishment of the operating lease business to expand network of finance lease

Finance lease and operating lease both fall under the same umbrella of leasing services due to (i) the similarities of their business nature; (ii) the fact that they share the same key target customer group; and (iii) they share many common traits in terms of a common deal sourcing network and common team execution, which involve credit review, approval process and post-lending monitoring.

Since establishment, the Group has been operating primarily in the Hubei Province of the PRC and due to the outbreak of COVID-19 pandemic in Wuhan and the Hubei Provinces, cities had been locked down for months since late January 2020, the Group was therefore forced to suspend its operation in Wuhan. The Group has experienced diminishing revenue and operations, together with the on-going COVID-19 pandemic in PRC and its impact on economies, the management of the Group considers that diversification in business strategies as well as the Group's business risks are the keys to turn around its financial performance and create value for its Shareholders. Hence, in April 2021, Wenzhou Jinzhonghui Automobile Leasing Services Co., Ltd (''Wenzhou Jinzhonghui'') was established in the PRC, which is principally engaged in the provision of automobile operating lease services in Wenzhou, the PRC.

For automobile leasing, based on the different leasing options and criteria set by the Group, the business development personnel of the Group will first communicate with potential customers to determine the type of lease that matches their needs (i.e. financial leasing or operating leasing) based on various factors (such as mobility, job nature and family background) of each customer. Operating lease would aim for customers with a higher mobility since the term of such lease is generally around 1 year. Customers can leverage on the Company's various established locations and register their automobiles in different provinces due to their higher mobility. On the contrary, for customers that are very stable in terms of mobility and family arrangements, the Group's operational staff would recommend them to enter into a finance lease arrangement where the lease term is generally 2 to 3 years.

The formation of Wenzhou Jinzhonghui and the recent acquisition of the operating lease business is a natural strategic step for the Group to diversify its sources of income generated from leasing services and to diversify its business risks through more liquid assets with generally smaller loan amounts, which in turns enabling the Group to achieve synergy and benefit from the common economies of scale to achieve organic growth.

In addition, the established operating lease locations enable additional channels and a more broader network for deal sourcing for the Group to efficiently diversify and expand its leasing business outside of Hubei Province.

3) Improving the financial position and liquidity of the Group to obtain additional financing for development of the lease business

The Disposal improves the financial position of the Group from net liabilities to net assets. For details, please refer to paragraph headed ''Reason for and Benefits of the Disposal'' in this circular. The acquisition of Alpha & Leader and acquisition of the operating lease business both enhanced the profitability and cash flow of the Group, the Board considers that the Group is having an improved the ability to obtain additional funding for development of its lease business.

Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will no longer be consolidated into the Group's financial statements. The Group expects to recognize a gain on Disposal of approximately HK$717.9 million in the financial year ending 31 March 2023. Having taken into account the Consideration and the unaudited consolidated net liabilities of the Target Group attributable to the Company as at 31 March 2022, it is estimated that upon Completion, the total assets of the Group will decrease by approximately HK$127.8 million and the total liabilities of the Group will decrease by approximately HK$1,074.4 million. Accordingly, having taking into consideration of the reason for the Disposal as stated under the paragraph headed "Reason for and benefits of the Disposal" under the "Letter from the Board" to this circular, the Company is of the view that the Disposal is in the interests of the Group as a whole as it will improve the financial position and liquidity of the Group in the long run. The Board is optimistic about the future development in the existing principal business as well as the profitability of the Group.

Going forward, while the duration of the COVID-19 pandemic, the property market crisis in the PRC and the global political tension remains uncertain, the Group strives to adhere to the implementation of its business strategy by (i) enhancing synergies across multiple platforms within our ecosystem in order to further develop the Group's leasing business; (ii) diversifying the Group's business risks through granting loans in smaller loan size with more liquid assets; and (iii) diversifying geographical risks 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*HK$*
10,000,000,000	Shares of HK$0.01 each	100,000,000
Issued and fully paid or credited as fully paid:		*HK$*
412,509,000	Shares of HK$0.01 each	4,125,090

3. DISCLOSURE OF INTERESTS OF DIRECTORS

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") were as follows:

Interests in Shares/underlying Shares of the Company

Name of Director	Capacity/nature of interest	Number of Shares/underlying Shares *(Note 1)* Personal Interest	Corporate Interest	Other Interest	Total Interest	Approximate % of issued shares
Ms. Wong Emilie Hoi Yan ("Ms. Emilie Wong")	Beneficial owner	400,000 (L) *(Note 5)*	–	–	400,000 (L)	0.1%
Mr. Chen Shuai ("Mr. Chen")	–	–	–	–	–	–
Ms. Wong Jacqueline Yue Yee ("Ms. Jacqueline Wong")	Beneficial owner/interest of controlled corporations/ founder of a discretionary trust and beneficiary of a trust	400,000 (L) *(Note 5)*	20,234,242 (L) *(Note 2)*	168,555,903 (L) *(Note 3)*	189,190,145 (L)	45.86%
	Beneficiary of a trust	–	–	38,503,380 (S) *(Note 4)*	38,503,380 (S)	9.33%
Ms. Wong Michelle Yatyee ("Ms. Michelle Wong")	Beneficial owner/interest of controlled corporations and beneficiary of a trust	400,000 (L) *(Note 5)*	20,234,242 (L) *(Note 2)*	168,555,903 (L) *(Note 3)*	189,190,145 (L)	45.86%
	Beneficiary of a trust	–	–	38,503,380 (S) *(Note 4)*	38,503,380 (S)	9.33%
Mr. Wong Ming Bun David ("Mr. David Wong")	Beneficial owner	4,000,000 (L) *(Note 5)*	–	–	4,000,000 (L)	0.97%
Mr. Lie Chi Wing	Beneficial owner	22,000 (L) *(Note 5)*	–	–	22,000 (L)	0.01%
Mr. Ng Wing Chung Vincent	Beneficial owner	22,000 (L) *(Note 5)*	–	–	22,000 (L)	0.01%

Notes:

1. The letters "L" and "S" denote the Directors' long position and short position in the Shares or underlying Shares of the Company respectively.

2. Such interests include 10,127,176 Shares held by Legend Crown International Limited("Legend Crown") and 10,107,066 Shares held by Plenty Boom Investments Limited("Plenty Boom"). Ms. Jacqueline Wong founded the discretionary trust (the "Ace York Management Trust") of which the property included the entire issued share capital of Legend Crown and Plenty Boom. The trustee of the Ace York Management Trust is Ace York Investment Management Limited("Ace York Management", a company owned as to 50% by Ms. Jacqueline Wong and 50% by Ms. Michelle Wong), where the beneficiaries are Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s). By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong and Ace York Management are taken to have a duty of disclosure in relation to the said Shares held by Legend Crown and Plenty Boom under the SFO.

3. Such Shares include (i) 143,805,903 Shares held by Perfect Honour Limited ("**Perfect Honour**"), which is a wholly owned subsidiary of Goldbond; and (ii) 24,750,000 Shares that Goldbond was directly interested in. On 4 March 2022, the Company issued convertible bonds in an aggregate principal amount of HK$3,811,500 at a conversion price of HK$0.154 per conversion share to Goldbond, in which a maximum of 24,750,000 new Shares will be allotted and issued to Goldbond upon conversion of such convertible bonds.

   Mr. Wong Charles Yu Lung ("**Mr. Wong**") and Mrs. Wong Fang Pik Chun ("**Mrs. Wong**"), parents of Ms. Michelle Wong and Ms. Jacqueline Wong established the Allied Luck Trust (as defined below) and Ms. Michelle Wong and Ms. Jacqueline Wong established the Aceyork Trust (as defined below), where both Ms. Jacqueline Wong and Ms. Michelle Wong and their respective issue(s) are the beneficiaries of such trusts. The assets of the Allied Luck Trust include all the Goldbond's shares held by Allied Luck Trading Limited ("**Allied Luck**", a company wholly-owned by the Allied Luck Trust), being approximately 30.99% of the total issued share capital of the Goldbond (the "**Allied Luck Trust**"), and the assets of the Aceyork Trust included all the Goldbond's shares held by Ace Solomon Investments Limited ("**Ace Solomon**"), being approximately 26.06% of the total issued share capital of the Goldbond. Ace Solomon is a company jointly owned by Allied Golden Investment Limited ("**Allied Golden**") and Aceyork Investment Limited ("**Aceyork**"), which (in each of the cases of Allied Golden and Aceyork) in turn are wholly-owned by the Aceyork Trust (the "**Aceyork Trust**"). By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong, being beneficiaries of the Allied Luck Trust and the Aceyork Trust, are taken to have a duty of disclosure in relation to the said Shares held by Goldbond and Perfect Honour under the SFO.

4. On 3 May 2018, Solomon Glory, which is a wholly owned subsidiary of Goldbond, as lender, enforced its rights under the security of a loan agreement pursuant to which Yong Hua has charged its assets including the shares (the "Charged Shares") of the Company held by Yong Hua by way of floating charge, which has been crystalised into a fixed charge. On 2 July 2019, the Board was notified that an order was issued on 13 March 2019 by The High Court of The Hong Kong Special Administrative Region to the effect that, among others, the Charged Shares shall be sold by China Galaxy International Securities (Hong Kong) Co., Limited (as agent) provided that each of the Charged Shares shall not be sold at a price of more than 10% discount to the average closing prices of the shares of the Company as quoted on The Stock Exchange of Hong Kong Limited for the previous 10 consecutive trading days prior to the date of sale of the Charged Shares or any of them.

5. These interests represent the interests in underlying Shares in respect of the share options granted by the Company to these directors.

6. As at the Latest Practicable Date, there was a total of 412,509,000 Shares in issue.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares or Debentures

As at the Latest Practicable Date, so far as the Directors are aware, the following persons (other than the Directors or chief executive of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares *(Note 1)*	Total Interest	Approximate % of issued shares
Ms. Jacqueline Wong	(i) Beneficial owner	400,000 (L) *(Note 2)*		
	(ii) Interest in controlled corporations/founder of a discretionary trust	20,234,242 (L) *(Note 3)*		
	(iii) Beneficiary of a trust	168,555,903 (L) *(Note 4)*	189,190,145 (L)	45.86%
	(iv) Beneficiary of a trust	38,503,380 (S) *(Note 5)*		9.33%
Ms. Michelle Wong	(i) Beneficial owner	400,000 (L) *(Note 2)*		
	(ii) Interest in controlled corporations	20,234,242 (L) *(Note 3)*		
	(iii) Beneficiary of a trust	168,555,903 (L) *(Note 4)*	189,190,145 (L)	45.86%
	(iv) Beneficiary of a trust	38,503,380 (S) *(Note 5)*		9.33%
Mr. Kwok Gareth Wing-Sien	Interest of Spouse	189,190,145 (L) *(Note 6)*		45.86%
	Interest of Spouse	38,503,380 (S) *(Note 6)*		9.33%
Mr. Wong	Trustee	168,555,903 (L) *(Note 4)*		40.86%
	Trustee	38,503,380 (S) *(Note 5)*		9.33%
Mrs. Wong	Trustee	168,555,903 (L) *(Note 4)*		40.86%
	Trustee	38,503,380 (S) *(Note 5)*		9.33%

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares *(Note 1)*	Total Interest	Approximate % of issued shares
Goldbond	Interest in controlled corporation	143,805,903 (L) *(Note 4)*		34.86%
	Beneficial owner	24,750,000 (L) *(Note 4)*	168,555,903	40.86%
	Interest in controlled corporation	38,503,380 (S) *(Note 5)*		9.33%
Perfect Honour	Beneficial owner	143,805,903 (L) *(Note 4)*		34.86%
Solomon Glory	Having a security interest in shares	38,503,380 (S) *(Note 5)*		9.33%
Mr. Zhao John Huan("Mr. Zhao")	Interest in controlled corporation	43,752,347 (L) *(Note 7)*		10.61%
Silver Creation Investments Limited ("Silver Creation")	Beneficial owner	43,752,347 (L) *(Note 7)*		10.61%
Hony Capital Fund 2008, L.P.("Hony Capital")	Interest in controlled corporation	43,752,347 (L) *(Note 7)*		10.61%
Hony Capital Fund 2008 GP, L.P. ("Hony GP, L.P.")	Interest in controlled corporation	43,752,347 (L) *(Note 7)*		10.61%
Hony Capital Fund 2008 GP Limited ("Hony GP")	Interest in controlled corporation	43,752,347 (L) *(Note 7)*		10.61%
Hony Group Management Limited ("Hony Management")	Interest in controlled corporation	43,752,347 (L) *(Note 7)*		10.61%
Hony Managing Partners Limited ("Hony Partners")	Interest in controlled corporation	43,752,347 (L) *(Note 7)*		10.61%
Exponential Fortune Group Limited ("Exponential Fortune")	Interest in controlled corporation	43,752,347 (L) *(Note 7)*		10.61%

Name of substantial shareholder	Capacity/nature of interest	Number of Shares/ underlying Shares *(Note 1)*	Total Interest	Approximate % of issued shares
The Purchaser	Interest in controlled corporation	12,704,220 (L) *(Note 8)*		
	Interest in controlled corporation	38,503,380 (L) *(Note 9)*	51,207,600 (L)	12.41%
	Interest in controlled corporation	38,503,380 (S) *(Note 9)*		9.33%
Yong Hua	Beneficial Owner	38,503,380 (L) *(Note 9)*		9.33%
	Beneficial Owner	38,503,380 (S) *(Note 9)*		9.33%

Notes:

1. The letters "L" and "S" denote a person's/an entity's long position and short position in the Shares or underlying Shares of the Company respectively.

2. These interests represent the interests in underlying shares in respect of the share options granted by the Company to these Substantial Shareholders.

3. Reference to the 20,234,242 Shares relates to the same block of Shares held by Legend Crown and Plenty Boom. Please refer to Note 2 of the section headed "3. Disclosure of Interests of Directors – Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures" in this appendix for further details. By virtue of the above, Ms. Jacqueline Wong and Ms. Michelle Wong are taken to have duty of disclosure in relation to these Shares held by Legend Crown and Plenty Boom.

4. The four references to the 168,555,903 Shares relate to 143,805,903 Shares held by Perfect Honour and 24,750,000 Shares that Goldbond was directly interested in. Please refer to Note 3 of the section headed "3. Disclosure of Interests of Directors – Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures" in this appendix for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Perfect Honour and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Goldbond and Perfect Honour.

5. The six references to the 38,503,380 Shares relate to the same block of Shares held by Solomon Glory. Please refer to Note 4 of the section headed "3. Disclosure of Interests of Directors – Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures" in this appendix for further details. By virtue of the above, Ms. Jacqueline Wong, Ms. Michelle Wong, Mr. Wong, Mrs. Wong, Solomon Glory and Goldbond are taken to have a duty of disclosure in relation to these Shares held by Solomon Glory.

6. Mr. Kwok Gareth Wing-Sien, the spouse of Ms. Michelle Wong, is deemed to be interested in Ms. Michelle Wong interest in the Company.

7. The eight references to the 43,752,347 Shares relate to the same block of Shares held by Silver Creation. Silver Creation is wholly-owned by Hony Capital. Hony Capital is controlled by its sole general partner Hony GP, L.P., which in turn is controlled by its sole general partner, Hony GP. Hony GP is wholly-owned by Hony Management, which is owned as to approximately 80.00% by Hony Partners. Hony Partners is 100% owned by Exponential Fortune, which is a company owned as to approximately 49% by Mr. Zhao. By virtue of the above, Mr. Zhao, Silver Creation, Hony Capital, Hony GP, L.P., Hony GP, Hony Management, Hony Partners and Exponential Fortune are taken to have a duty of disclosure in relation to these Shares held by Silver Creation.

8. Such interests include 2,117,370 Shares held by Capital Grower, and 10,586,850 Shares held by Clifton Rise, which are all companies owned as to 100% by Purchaser. By virtue of the above, the Purchaser is taken to have a duty of disclosure in relation to the said Shares held by Capital Grower and Clifton Rise under the SFO.

9. Such Shares are held by Yong Hua, a company owned as to 100% by Purchaser. Please refer to Note 4 of the section headed "3. Disclosure of Interests of Directors – Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares or Debentures" in this appendix for further details. By virtue of the above, Purchaser is taken to have a duty of disclosure in relation to the said Shares held by Yong Hua under the SFO.

10. As at the Latest Practicable Date, there was a total of 412,509,000 Shares in issue.

Saved as disclosed above, so far as is known to the Directors, as at the Latest Practicable Date, no person had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was a substantial shareholder of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

4. DIRECTORS' INTEREST IN ASSETS / CONTRACTS AND OTHER INTERESTS

(a) Interests in assets

On 26 October 2021, the Company and Goldbond entered into the Agreement of sale and purchase (as supplemented by the supplemental agreement dated 6 December 2021) in relation to the acquisition of 51% of the issued share of Ultimate Harvest Global Limited, which has been engaged in automobile operating lease business in the PRC. The completion of the acquisition of Ultimate Harvest Global Limited took place on 4 March 2022. The consideration of HK$17,000,000 had been satisfied by the Company, in which HK$3,811,500 by issuing the convertible bonds to Goldbond and/or its designated nominee(s) upon the completion of sale and purchase; and HK$13,188,500 by issuing the loan note to Goldbond and/or its designated nominee(s) upon the completion of sale and purchase. Ms. Jacqueline Wong and Ms. Michelle Wong by virtue of being controlling shareholders of the Company and Goldbond and Mr. David Wong, being non-executive Director and a director and the chief executive officer of Goldbond, they were considered to be interested in the said acquisition. Details of this acquisition are disclosed in the circular of the Company dated 24 January 2022.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 March 2022 (the date to which the latest published audited consolidated accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

(b) Interests in contracts

Saved as disclosed above, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

(c) Interests in competing business

As at the Latest Practicable Date, the following Directors are considered to have interests in businesses which compete or may compete, either directly or indirectly, with the business of the Group:

Name of Directors	Name of Companies	Nature of Business Considered to Compete or Likely to Compete with the Business of the Group	Nature of Interest of the Directors in the Companies
Ms. Emilie Wong	Certain subsidiaries of Rongzhong Group Limited *(Note)*	Investment holding	A director of certain subsidiaries of Rongzhong Group Limited
	Legend Crown International Limited ("Legend Crown")	Investment holding	A director
	Plenty Boom Investments Limited("Plenty Boom")	Investment holding	A director
	Yancheng Goldbond	Provision of non-bank financial services to SMEs in the PRC	A director and legal representative
Mr. Chen	Hony Capital	Private equity firm engaged in investment holding	Managing Director
	Rongzhong Group Limited and its subsidiaries *(Note)*	Investment holding	A director of Rongzhong Group Limited and its subsidiaries
	Rongzhong Capital Investments Group Limited and its subsidiaries	Provision of non-bank financial services to SMEs in the PRC	A director of Rongzhong Capital Investments Group Limited and its subsidiaries

Name of Directors	Name of Companies	Nature of Business Considered to Compete or Likely to Compete with the Business of the Group	Nature of Interest of the Directors in the Companies
Ms. Jacqueline Wong	Legend Crown	Investment holding	Having certain deemed interest and a director
	Plenty Boom	Investment holding	Having certain deemed interest and a director
	Certain subsidiaries and an associate of Goldbond	Provision of finance leasing and factoring services	A director of certain subsidiaries and an associate of Goldbond
Ms. Michelle Wong	Legend Crown	Investment holding	Having certain deemed interest and a director
	Plenty Boom	Investment holding	Having certain deemed interest and a director
	Goldbond and its subsidiaries	Provision of finance leasing and factoring services	A director of the Goldbond and directors of certain of its subsidiaries
Mr. David Wong	Goldbond and its subsidiaries	Provision of finance leasing and factoring services	A director of the Goldbond and directors of certain of its subsidiaries

Note: Rongzhong Group Limited is owned as to 40% by the Goldbond through Perfect Honour, 40% by Hony Capital through Silver Creation, approximately 12.42% by Yong Hua; approximately 3.79% by Legend Crown and approximately 3.79% by Plenty Boom.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the Listing Rules.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation other than statutory compensation.

6. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) were entered into by members of the Group within two years immediately preceding the date of this circular and are or may be material:

(a) the agreement of sale and purchase dated 26 October 2021(as supplemented by the supplemental agreement dated 6 December 2021) entered into between the Company and Goldbond in relation to the acquisition of 51% of issued share of Ultimate Harvest Global Limited at a consideration of HK$17,000,000, details of which are set out in the Company's announcements dated 26 October 2021, 16 November 2021, 6 December 2021, 31 December 2021, 8 February 2022, 4 March 2022 and the circular of the Company dated 24 January 2022;

(b) the Sale and Purchase Agreement; and

(c) the Supplemental Agreement.

7. LITIGATIONS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

8. QUALIFICATION OF EXPERT AND CONSENTS

The following are the qualifications of the expert who has given opinion or advice, which are contained or referred to in this circular:

Name	Qualification
Fortune Financial Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert:

(a) has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, which has been prepared for inclusion in this circular, and references to its name in the form and context in which it appears;

(b) did not have any shareholding, directly or indirectly, in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and

(c) did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2022, being the date to which the latest published audited consolidated accounts of the Company were made up.

The letter of the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

9. MISCELLANEOUS

(a) The secretary of the Company is Mr. Cheng King Fai Kenneth ("Mr. Cheng"), who is the deputy financial controller of the Company, a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheng holds a Master's degree in Business Administration from Tsinghua University and a Bachelor's degree in Accountancy from The Hong Kong Polytechnic University.

(b) The registered office of the Company is at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman KY1-1103, Cayman Islands, and the principal place of business in Hong Kong is at Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

(c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

(d) The English texts of this circular shall prevail over the Chinese texts in case of inconsistency.

10. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange (https://www.hkexnews.hk) and the website of the Company (https://www.chinarzfh.com) for the period of 14 days commencing from the date of this circular:

(a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 41 of this circular;

(b) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 42 to 90 of this circular;

(c) the material contracts as referred to in the section headed "6. Material Contracts" in this appendix;

(d) the Sale and Purchase Agreement;

(e) the Supplemental Agreement;

(f) the written consent of the expert as referred to in the section headed "8. Qualification of Expert and Consents" in this appendix;

(g) the circular issued by the Company dated 30 June 2021 in respect of major and connected transaction in relation to the acquisition of 51% equity interest in Alpha & Leader Risks and Assets Management Company Limited and its subsidiaries;

(h) the circular issued by the Company dated 24 January 2022 in respect of major and connected transaction in relation to the acquisition of 51% equity interest in Ultimate Harvest Global Limited and its subsidiaries; and

(i) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of China Rongzhong Financial Holdings Company Limited 中國融眾金融控股有限公司 (the "Company") will be held at 2/F, 35-45B Bonham Strand, Sheung Wan, Hong Kong on Friday, 17 March 2023 at 10:00 a.m. to consider and, if thought fit, pass the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) subject to the fulfillment of the terms and conditions set out in the agreement for sale and purchase dated 31 March 2022 (as supplemented by the supplemental agreement dated 2 June 2022) (the "Sale and Purchase Agreement", a copy of which has been produced to the meeting and signed by the chairman of the meeting (the "Chairman") for identification purpose) entered into between the Company and Mr. Xie Xiaoqing (the "Purchaser") in relation to the proposed disposal (the "Disposal") of 100% of the issued share capital of the Target Company (as defined in the circular of the Company dated 24 February 2023 (the "Circular")), at the consideration of HK$100,000 or equivalent in RMB, which shall be satisfied by the Purchaser to the Company in cash upon the completion pursuant to the Sale and Purchase Agreement, the Sale and Purchase Agreement and the transactions contemplated thereunder be and are hereby approved; and

(b) any one director of the Company be and is hereby authorised to do such acts and deeds in his/her sole and absolute discretion and opinion deemed expedient and appropriate to implement and effect the Sale and Purchase Agreement and the transactions contemplated thereunder."

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

Hong Kong,

24 February 2023

Principal Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
Unit 3901, 39/F,
Tower One, Lippo Centre, 89 Queensway,
Hong Kong

Notes:

1. A shareholder of the Company entitled to attend and vote at the above meeting (or at any adjournment of it) is entitled to appoint one or more proxies to attend and vote on his/her behalf. The proxy does not need to be a shareholder of the Company.

2. A form of proxy in respect of the above meeting is enclosed. Whether or not you intend to attend the above meeting in person, you are urged to complete and return the form of proxy in accordance with the instructions printed therein.

3. In order to be valid, a form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong not less than 48 hours before the time for holding the above meeting or adjourned meeting (as the case may be).

4. Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjournment thereof. In such event, the form of proxy shall be deemed to have been revoked.

5. Where there are joint holders of any share of the Company, any one of such holders may vote at the above meeting (or at any adjournment of it), either personally or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such holders are present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased shareholder in whose name any share stands shall for this purpose be deemed joint holders hereof.

6. For the purposes of determining shareholders' eligibility to attend and vote at the above meeting, the register of members of the Company will be closed. Details of such closures are set out below:

   For determining eligibility to attend and vote at the above meeting:

Latest time to lodge transfer documents for registration:	4:30 p.m. on Monday, 13 March 2023
Closure of register of members:	Tuesday, 14 March 2023 to Friday, 17 March 2023 (both dates inclusive)
Record date:	Friday, 17 March 2023

During the above closure periods, no transfer of shares will be registered. To be eligible to attend and vote at the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong no later than the aforementioned latest time.

The health of our shareholders, staff and stakeholders is of paramount importance to us. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM to protect attending shareholders, staff and stakeholders from the risk of infection:

(i) Each attendee must wear a surgical face mask throughout the meeting and inside the meeting venue, and to maintain a safe distance between seats.

(ii) No refreshment will be served, and there will be no corporate gift.

In addition, the Company reminds all shareholders that physical attendance in person at the meeting is not necessary for the purpose of exercising voting rights. Shareholders may appoint the chairman of the meeting as their proxy to vote on the relevant resolution(s) at the meeting instead of attending the meeting in person, by completing and return the proxy form attached to this document.

Due to the constantly evolving COVID-19 pandemic situation in Hong Kong, the Company may be required to change the EGM arrangements at short notice. Shareholders should check the Company's website (https://www.chinarzfh.com) or the website of the Stock Exchange (https://www.hkexnews.hk) for future announcements and update on the EGM arrangements.

If any shareholder chooses not to attend the meeting in person but has any question about any resolution or about the Company, or has any matter for communication with the board of directors of the Company, he/she is welcome to send such question or matter in writing to our registered office or to our email at info@chinarzfh.com. If any shareholder has any question relating to the meeting, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar and transfer office as follows:

Tricor Investor Services Limited
17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
HK Tel: (852) 2980 1333
Fax: (852) 2810 8185