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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)

RESUMPTION GUIDANCE AND QUARTERLY UPDATES ON SUSPENSION OF TRADING

This announcement is made by China Rongzhong Financial Holdings Company Limited (the “**Company**” and, together with its subsidiaries, the “**Group**”) pursuant to Rules 13.09 and 13.24A of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the annual report of the Company for the year ended 31 March 2022 (the “**Annual Report**”), in relation to the Company’s auditor’s disclaimers of opinion on the consolidated financial statements of the Group for the year ended 31 March 2022 (the “**Disclaimer of Opinion**”); and, the interim report of the Company for the six months ended 30 September 2022 (the “**Interim Report**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Annual Report.

RESUMPTION GUIDANCE

As announced by the Company on 22 December 2022, the Company has received the following resumption guidance from the Stock Exchange (the “**Resumption Guidance**”):

- (i) address the issues giving rise to the Disclaimer of Opinion, provide comfort that the Disclaimer of Opinion would no longer be required and disclose sufficient information to enable investors to make an informed assessment of the Company’s financial positions as required under Rule 13.50A of the Listing Rules; and
- (ii) inform the market of all material information for the Company’s shareholders and investors to appraise the Company’s position.

The Stock Exchange required the Company to meet all Resumption Guidance and remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume and, for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also indicated that it may modify or supplement the Resumption Guidance if the Company’s situation changes.

Under Rule 6.01A(1), the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on **26 March 2024**. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by **26 March 2024**, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

BUSINESS OPERATIONS

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.

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

UPDATES ON PROGRESS OF RELEVANT MATTERS

In respect of "Material uncertainties relating to going concern"

As disclosed in the Annual Report, the Group's consolidated financial statements for the year ended 31 March 2022 have been prepared on a going concern basis, there are conditions together with other matters described there indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern. In view of such conditions, the Company has, during the course of audit, provided to the Company's auditor with all available information and has given careful consideration to the Group's current liquidity, performance and available resources in considering the Group's ability to continue as a going concern. The Company has taken and will continue to implement the measures as further detailed in note 2.1 to the consolidated financial statements to rectify the matters in relation to the Disclaimer of Opinion. As disclosed in the Interim Report, based on the plans and measures, the directors of the Company are of the opinion that the Group will have sufficient working capital to satisfy its requirements for at least the next twelve months from 30 November 2022 and, accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Reference is made to the Company's announcement dated 17 March 2023, the Company has completed the Disposal on 17 March 2023. Based on a pro forma consolidated balance sheet of the Group prepared by management, the capital deficiency position of HK\$696M as at 31 March 2022 would be turnaround to net assets position of HK\$74M upon completion of such Disposal. This would remove the most critical uncertainty relating to the Going Concern Disclaimer.

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

Assuming all the above plans and actions can be completed as planned and no new circumstances and conditions have occurred, subject to the satisfactory completion of Auditor's review of the management's assessment of the Group's going concern, the disclaimer of opinion may be removed in connection with the audit of consolidated financial statements of the group for the year ended 31 March 2023. Moreover, the Company would like to emphasize that, among the above-mentioned measures to address the material uncertainties relating to going concern, the Disposal is far more heavily weighted than the other measures because the completion of the Disposal shall turnaround the capital deficiency financial position of the Company to a net assets financial position. Completion of the Disposal would remove the most critical uncertainty relating to the Going Concern Disclaimer.

The Company and the Board will focus on the current action plans and the implementation thereof, while keeping viable options open as they continue the efforts in addressing the going concern issue and the rectification of conditions in relation to the disclaimer of opinion.

In respect of "Scope limitation on the Group's lease receivables and receivables arising from sale and leaseback arrangements"

As disclosed in the Annual Report, in respect of the Group's lease receivables and receivables arising from sale and leaseback arrangements of their net carrying amounts of approximately HK\$309,371,000 and HK\$817,669,000 associated with deposits received from customers of approximately HK\$207,963,000 and HK\$214,813,000 as at 31 March 2022 and 2021, respectively, the Group recognised accumulated impairment loss amounting to approximately HK\$1,522,838,000 and HK\$1,052,478,000 as at 31 March 2022 and 2021 and impairment loss recognised of approximately HK\$498,064,000 in consolidated profit or loss for the year ended 31 March 2022 and impairment loss recognised of approximately HK\$96,974,000 during the year ended 31 March 2021.

The Auditor was unable to obtain sufficient appropriate audit evidence regarding the judgement, assumptions and estimation techniques adopted in the impairment assessment of certain lease receivables and receivables arising from sale and leaseback arrangements, and hence the Auditor was unable to ascertain the carrying amounts as at 31 March 2021 that were free from material misstatements. Consequently, any adjustments found to be necessary to the closing balances of assets as at 31 March 2021 in respect of the matter described above might have significant effect on the Group's impairment loss recognised and cash flows for the year ended 31 March 2022 and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 March 2022.

The Board considered that the accumulative impairment loss made on the lease receivables as at 31 March 2022 had taken a prudent view on the net remaining carrying amounts of approximately HK\$309,371,000 that largely representing the deposits received from customer mentioned above and remaining borrowers with subsequent repayment not requiring fully impaired. As such, the remaining net carrying amount of the lease receivables was considered as properly reflected its recoverable amounts on the Group's financial position as at 31 March 2022, and hence the Board expects that this disclaimer related to the opening balance of certain lease receivables and receivables arising from sale and leaseback arrangements as of 31 March 2021 would not have carried forward impact to and will be removed in the independent auditor's report for the financial year ending 31 March 2023, except for the effect on the comparative figures for the year ended 31 March 2022.

In respect of "Scope limitation on the bank borrowings"

As disclosed in the Annual Report, the Group's bank borrowings amounted to approximately HK\$710,504,000 as at 31 March 2022, of which the Auditor had not received an audit confirmation in respect of certain bank borrowings amounted to approximately HK\$547,990,000 and the associated details to be shown on such bank confirmation.

Reference is made to the announcements of Company dated 17 March 2023 in relation to the completion of the Disposal took place on 17 March 2023. Upon completion of the Disposal (before 31 March 2023), the Company ceased to hold any interest in Rongzhong Capital and Rongzhong Capital and its subsidiaries will cease to be subsidiaries of the Company and the financial results, assets and liabilities (including the bank borrowings as mentioned in the disclaimer audit opinion) of Rongzhong Capital and its subsidiaries will no longer be consolidated into the Group's financial statements under Hong Kong Financial Reporting Standard 10 "Consolidated Financial Statements". The Company has discussed and agreed with the Auditor on the basis and relevant accounting standards interpretations as stated above.

After completion of the Disposal, the management of the Company would expect to provide earlier assistances and best endeavors to the Auditor's audit planning works for the annual audit of the Group for the year ending 31 March 2023 and, where appropriate, seeking legal advices, particularly to the completion of proper legal procedures on shareholding changes and the complete derecognition of the Bank Borrowings from the Group upon completion of the Disposal.

CONTINUED SUSPENSION OF TRADING

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

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

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

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

Hong Kong, 27 March 2023

As at the date of this announcement, the executive Director of the Company is Ms. Wong Emilie Hoi Yan; the non-executive Directors of the Company are Ms. Wong Jacqueline Yue Yee, Ms. Wong Michelle Yatyee and Mr. Wong Ming Bun David and the independent non-executive Directors of the Company are Mr. Lie Chi Wing and Mr. Ng Wing Chung Vincent.