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CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

CONNECTED TRANSACTIONS IN RELATION TO THE PROPOSED ACQUISITION OF EQUITY INTERESTS IN SUZHOU WUZHONG DISTRICT DONGSHAN AGRICULTURAL MICROFINANCE CO., LTD.*

The Board announces that, on 13 January 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Seller entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, an aggregate of 10% of the equity interests in the Target Company (an indirect non wholly-owned subsidiary of the Company) for a cash consideration of RMB30,000,000 (equivalent to approximately HK\$33,570,000). After Completion, the Group will own a total of 70% of the equity interests in the Target Company.

LISTING RULES IMPLICATIONS

The Seller is a substantial shareholder of the Target Company, which is a non wholly-owned subsidiary of the Company, holding 10% of the equity interests in the Target Company (prior to the Completion) and thus a connected person of the Company at the subsidiary level. Therefore, the Acquisition and the transactions contemplated under the Agreement constitute connected transactions between the Group and connected person at the subsidiary level under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) have approved the Acquisition and transactions contemplated under the Agreement and confirmed that (i) the terms of the Agreement were negotiated on an arm's length basis; and (ii) the Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As one or more of the applicable percentage ratios in respect of the Acquisition is more than 1%, but less than 5%, the Acquisition and transactions contemplated under the Agreement are subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt under Rules 14A.76(2) and 14A.101 of the Listing Rules from the circular, independent financial advice and shareholders' approval requirements.

None of the Directors has a material interest in the Acquisition, the Agreement and the transactions contemplated thereunder, and hence no Director has to abstain from voting on the relevant board resolutions approving the Acquisition, the Agreement and the transactions contemplated thereunder.

Details of the Agreement will be disclosed in the next published annual report of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

The Board announces that, on 13 January 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Seller entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Seller has conditionally agreed to sell, an aggregate of 10% of the total equity interests in the Target Company (an indirect non wholly-owned subsidiary of the Company) for a cash consideration of RMB30,000,000 (equivalent to approximately HK\$33,570,000). After Completion, the Group will own a total of 70% of the equity interests in the Target Company.

THE PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are set out below:

Date:

13 January 2020

Parties:

- (i) Huifang Tongda as the Purchaser; and
- (ii) Ms. Zheng Rulan as the Seller.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Seller is a connected person of the Company at the subsidiary level.

Assets to be acquired:

10% equity interests in the Target Company.

Consideration and payment terms:

Pursuant to the Agreement, the total consideration for the Acquisition is RMB30,000,000 (equivalent to approximately HK\$33,570,000) payable in cash and will be paid by the Purchaser to the Seller on Completion.

The consideration was arrived at after arm's length negotiations between the Purchaser and the Seller and was determined on normal commercial terms with reference to (i) the registered capital of RMB300,000,000 of the Target Company which has been fully paid-up; and (ii) the financial statements of the Target Company as at 31 December 2019. The book value of the total owner's equity of the Target Company as at 31 December 2019 was approximately RMB359,618,096.37 while the net total owner's equity of the Target Company was approximately RMB359,618,096.37, and accordingly, 10% of the aforesaid figures was approximately RMB35,961,809.64.

Conditions precedent:

Completion is conditional upon, among other things, the fulfilment or waiver (as the case may be) of the following conditions:

- (i) all necessary approvals in relation to the signing of the Agreement and the Acquisition (including but not limited to the approval from the Finance Office) having been obtained;
- (ii) the Seller having obtained confirmations from all the other shareholders (save for the Purchaser) holding the remaining 30% equity interests in the Target Company in respect of the waivers of their pre-emptive rights concerning the 10% equity interests in the Target Company, being the subject matter of the Acquisition;
- (iii) there having been no injunction or similar order restricting any party to the Agreement from completing the transactions contemplated under the Agreement; and
- (iv) the warranties given by the Seller and the Purchaser (as the case may be) under the Agreement having remained true, accurate and complete in all material respects.

If the above conditions are not fulfilled on or before the Long Stop Date, the Agreement will be terminated and all rights, obligations and liabilities of the parties thereunder in relation to the Acquisition shall cease and terminate and neither of the parties shall have any claim against the other save for any antecedent breach of any right or obligation under the Agreement.

Completion of the Acquisition:

Completion shall take place on the second Business Day (or such other date as the Purchaser and the Seller may agree) after fulfilment or waiver (if applicable) of the above conditions.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a limited liability company established under the laws of the PRC and its principal business activity is to provide microfinancing in the principal amount of generally up to RMB3,000,000 for each loan to microenterprises, individual entrepreneurs and individuals in Suzhou city, Jiangsu Province, the PRC. Such loans are primarily credit-based with reference to the credit worthiness of the relevant borrower customer as determined by certain credit evaluation mechanism adopted by the Target Company, including comprehensive customer due diligence. In October 2014, the Target Company was recognized by the Finance Office as having a “AAA” regulated rating (which is the highest rating that may be granted to regulated microfinancing service provider).

As at the date of this announcement, the Target Company is authorized to lend an aggregate principal amount of approximately RMB500,000,000 to customers. In addition, the Target Company provides credit-guarantee services under which it guarantees its customers’ ability to repay financing obligations owed by such customers to the relevant lenders that are financial institutions in the PRC. As at the date of this announcement, the maximum aggregate amount of underlying loan principals for which the Target Company may provide guarantee equals to three times of the registered capital of the Target Company, which is equivalent to RMB900,000,000. In return for the credit-guarantee services provided, the Target Company charges its customers a guarantee fee.

As at the date of this announcement, 60% of the equity interests in the Target Company is owned by the Purchaser, 10% by Ms. Zheng Rulan (鄭茹蘭), 15% by Suzhou Wuzhong District Dongshan Town Collective Assets Management Company* (蘇州市吳中區東山鎮集體資產經營公司) and 15% by Suzhou Jie Cheng Dyeing Co., Ltd.* (蘇州市捷誠染色有限公司). The registered capital of the Target Company is RMB300,000,000 and has been fully paid-up by the shareholders of the Target Company in proportion to their respective equity interests in the Target Company.

The audited financial information of the Target Company for the two financial years ended 31 December 2019 is set out below:

	Year ended 31 December 2018 <i>approximately RMB</i>	Year ended 31 December 2019 <i>approximately RMB</i>
Net profits before taxation	41,106,872.15	45,009,393.11
Net profits after taxation	30,806,140.57	33,726,361.48

According to the audited accounts of the Target Company, the book value of the total assets of the Target Company as at 31 December 2019 was approximately RMB473,615,523.95.

The Seller subscribed for her interests in the Target Company at the cost of RMB30,000,000.

After Completion, the Group will own a total of 70% of the equity interests in the Target Company and the financial results of the Target Company will be continuously consolidated and accounted for as a subsidiary of the Group upon Completion.

REASONS AND BENEFITS FOR THE ACQUISITION

The Finance Office has previously stipulated that any single shareholder of a microfinancing business can at most only hold an aggregate of 60% of the equity interests in such business. As the Finance Office has entirely abolished such restriction and any single shareholder may own 100% of the equity interests in a microfinancing business, the Company carries out the Acquisition in order to increase its equity interests in the Target Company, which in turn, given the profit-making track record of the Target Company as set forth above, to increase the profit attributable to the Shareholders.

Since the aforementioned restriction has been abolished, notwithstanding that the Company has no definite intention to acquire the remaining equity interests, in full or in part, in the Target Company as at the date of this announcement, the Company may consider acquiring additional equity interests in the Target Company in the future subject to (i) the financial performance of the Target Company and (ii) the sufficiency and availability of funds of the Company to support further acquisition(s). Should that be the case, the Company may make further announcement(s) in accordance with the requirements under the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition and the Agreement and transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE GROUP AND THE SELLER

The Company, through its subsidiaries and associates, engages principally in the provision of comprehensive financing services in the PRC.

The Purchaser is a company established in the PRC with limited liability and an investment holding company. It is an indirect wholly-owned subsidiary of the Company.

The Seller is a natural person in the PRC.

LISTING RULES IMPLICATIONS

The Seller is a substantial shareholder of the Target Company, which is a non wholly-owned subsidiary of the Company, holding 10% of the equity interests in the Target Company (prior to the Completion) and thus a connected person of the Company at the subsidiary level. Therefore, the Acquisition and the transactions contemplated under the Agreement constitute connected transactions between the Group and connected person at the subsidiary level under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) have approved the Acquisition and transactions contemplated under the Agreement and confirmed that (i) the terms of the Agreement were negotiated on an arm's length basis; and (ii) the Agreement and the transactions contemplated thereunder have been entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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None of the Directors has a material interest in the Acquisition, the Agreement and the transactions contemplated thereunder, and hence no Director has to abstain from voting on the relevant board resolutions approving the Acquisition, the Agreement and the transactions contemplated thereunder.

Details of the Agreement will be disclosed in the next published annual report of the Company in accordance with Rules 14A.71 and 14A.72 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the proposed acquisition of an aggregate 10% equity interests in the Target Company by the Purchaser from the Seller pursuant to the Agreement
“Agreement”	the conditional equity transfer agreement dated 13 January 2020 entered into between the Purchaser as buyer and Seller as vendor in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (excluding Saturdays, Sundays or public holidays in the PRC) on which businesses are generally open in the PRC
“Company”	China Huirong Financial Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Stock Exchange (stock code: 1290)
“Completion”	completion of the Acquisition

“connected person”, “percentage ratios”, “subsidiary(ies)”, “substantial shareholder”	each has the meaning ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Finance Office”	江蘇省人民政府金融工作辦公室 (Finance Office of the Jiangsu Provincial People’s Government*)
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 January 2020 (or such other date as the Purchaser and the Seller may agree)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Purchaser” or “Huifang Tongda”	蘇州匯方同達信息科技有限公司 (Suzhou Huifang Tongda Information Technology Co., Ltd.*), an indirect wholly-owned subsidiary of the Company which is a limited liability company established under the laws of the PRC on 10 February 2012
“RMB”	Renminbi, the lawful currency of the PRC
“Seller”	鄭茹蘭 (Zheng Rulan)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company” 蘇州市吳中區東山農村小額貸款有限公司 (Suzhou Wuzhong District Dongshan Agricultural Microfinance Co., Ltd.*), a limited liability company established under the laws of the PRC on 26 February 2012

“%” per cent

* For identification purpose only

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1 = HK\$1.119.

By order of the Board
China Huirong Financial Holdings Limited
Wu Min
Chairman

Suzhou, PRC, 13 January 2020

As at the date of this announcement, the executive directors of the Company are Mr. Wu Min and Mr. Zhang Changsong, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng, Mr. Ling Xiaoming and Ms. Zhang Shu and the independent non-executive directors of the Company are Mr. Zhang Huaqiao, Mr. Feng Ke and Mr. Tse Yat Hong.