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Hanhua Financial Holding Co., Ltd.*

瀚華金控股份有限公司

(A joint stock limited liability company incorporated in the People's Republic of China)

(Stock Code: 3903)

MAJOR TRANSACTION

DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY

The Disposal

The Company announces that, on 10 April 2020 (non-trading hours), the Sellers (including the Company and its wholly-owned subsidiaries) entered into the Agreement with the Buyers, pursuant to which the Sellers conditionally agreed to sell and the Buyers conditionally agreed to acquire, 100% equity interest in aggregate, in the Target Company at a total consideration of RMB 358,800,000 in cash. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated in the financial statements of the Group.

Implications of the Listing Rules

As one of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements pursuant to under Chapter 14 of the Listing Rules.

Dispatch of Circular

A circular containing further information on the Disposal is expected to be dispatched to the Shareholders on or before 6 May 2020.

The Disposal

On 10 April 2020 (non-trading hours), the Sellers (including the Company and its wholly-owned subsidiaries) entered into the Agreement with the Buyers, pursuant to which the Sellers conditionally agreed to sell and the Buyers conditionally agreed to acquire 100% equity interest, in aggregate, in the Target Company at a total consideration of RMB 358,800,000 in cash.

Major Terms of the Equity Transfer Agreement

Date: 10 April 2020 (non-trading hours)

Parties: Sellers: The Company, Hanhua Assets, Zhongwei Assets, and Hanhua Guarantee; Hanhua Assets, Zhongwei Assets, and Hanhua Guarantee are all wholly-owned subsidiaries of the Company.
Buyers: Shenzhen Fantai, Guangzhou Fake, Guangzhou Lingqiu, Guangdong Lijun.

Assets to be Sold

100% equity interest in Target Company, namely, Heilongjiang Hanhua Internet Small Loan Co., Ltd.

Consideration

The consideration of a total amount of RMB 358,800,000 was determined by the parties to the Agreement after arm's length negotiations, taking into account factors including the Target Company's business scope, business history, its market occupation ratio, operating network; and the prospect of Target Company's future business.

The consideration shall be paid by the Buyers in the following manner:

- (a) The Earnest Money was paid by the Buyers;
- (b) The Buyers (or a designated Buyer) shall pay the first installment, totaling RMB 300,000,000 to each Seller's designated accounts after the entering into of the Agreement and before the completion of the registration of industrial and commercial change of equity transfer, in proportion to the Buyers' respective shareholding (after deduction of the Earnest Money);
- (c) The Buyers (or a designated Buyer) shall pay the second installment, totaling RMB 47,040,000 to each Seller's designated accounts in proportion to the Buyers' respective shareholding after the approval of the regulatory authority in the place where the Target Company is located and before completion of passing of management rights of the Target Company;

(d) The Buyers (or a designated Buyer) shall pay the remaining amount to each Seller's designated accounts in proportion to the Buyers' respective shareholding after completion of passing of management rights of the Target Company.

Conditions Precedent

The Disposal and the transactions contemplated under the Agreement are subject to the completion of the business change registration and obtaining an approval (by way of issue of an administrative license) by the regulatory authority in the place where the Target Company is located, namely Heilongjiang Local Financial Supervision and Administration Bureau ("**Heilongjiang Financial Bureau**"), and the Shareholders' approval of the Disposal at a general meeting to be convened.

The approval of Heilongjiang Financial Bureau is a prerequisite effecting the Disposal and the transfer of equity interest, that is, after both parties sign the Agreement, they must first complete the business change registration and then apply to Heilongjiang Financial Bureau for approval. After the registration of business change is completed, if the approval of Heilongjiang Financial Bureau could not be obtained ultimately, the Buyers and the Sellers shall carry out the registration of equity change again to restore the shareholding status to that before the change, and in such event, payments will be refunded from the receiving account(s) to the Buyers' account(s), or to the payment account of the designated party.

During this period of changing the registration and obtaining the approval, all expenses incurred shall be borne by all parties to the Agreement.

The Sellers' Undertakings

The Company and its subsidiaries, as the Sellers, undertake to the Buyers that (a) the events, situation, information and data of the Target Company disclosed to the Buyers are free from concealment, omission and misleading, true and reliable; (b) the passing of management rights of the Target Company will be completed timely; and (c) the interests of the Buyers during the period between the signing of the Agreement and the completion of the passing of management rights will be maintained.

Information of the Target Company

(a) Basic information of the Target Company

The Target Company was established in the PRC on 27 November 2014. It is principally engaged in (online) small loan business, bill discount business, small loan company reloan business, equity investment business, asset transfer business and agency business nationwide. As of the date of this announcement, its registered capital and paid-up capital are RMB 300,000,000.

(b) Equity Structure of the Target Company

As of the date of signing the Agreement and before the equity transfer, the Target Company's shareholding structure was as follows:

No.	Names of Shareholders	Subscription Amount (RMB)	% of Equity Interests	Actual Paid-up Capital (RMB)
1	Chongqing Hanhua Asset Management Co., Ltd	150,000,000	50%	150,000,000
2	The Company	80,000,000	26.67%	80,000,000
3	Sichuan Zhongwei Asset Management Co.	40,000,000	13.33%	40,000,000
4	Hanhua Financial Guarantee Co., Ltd.	30,000,000	10%	30,000,000
	Total	300,000,000	100%	300,000,000

The following sets out the financial information of the Target Company for the two years ended 31 December 2018 and 2019:

	For the year ended 31 December 2018	For the year ended 31 December 2019
	RMB'000	RMB'000
	(Audited)	(Unaudited)
Net profit before tax	16,841	20,719
Net profit after tax	12,625	15,534
Net assets as of 31 December 2018 and 2019	325,586	320,757

Information about the Sellers

The Company is a nationwide inclusive financial service provider approved by the State Administration for Industry and Commerce of China. It is the first national inclusive financial service group listed on the Stock Exchange in China, and it focuses on providing diversified and comprehensive financial services for domestic small, medium and micro enterprises and individuals. The Group continues to maintain a national leading position in terms of business scale, institutional layout, professional team, risk control technology and service standards.

Hanhua Assets, a wholly-owned subsidiary of the Company, established on 29 May 2007, has a registered capital of RMB 500,000,000. It is mainly engaged in corporate asset reorganization, corporate mergers and acquisitions, transfer planning and consulting, internal asset management consulting, investment consulting and other businesses.

Zhongwei Assets, a wholly-owned subsidiary of the Company, established on 21 October 2010, has a registered capital of RMB 200,000,000. It is mainly engaged in investment

management, project investment, business information consulting, corporate financial consulting and other businesses.

Hanhua Guarantee, a wholly-owned subsidiary of the Company, established on 19 August 2009, has a registered capital of RMB 3,500,000,000. It is mainly engaged in financing guarantee, performance guarantee, property promotion guarantee, financial advisory, asset management and other businesses.

Information about the Buyers

Shenzhen Fantai, established in September 2016, is a professional Internet financial software service provider, mainly engaged in the research and development and operation of Internet financial software products.

Guangzhou Fake, established in January 2017, is a company mainly engaged in research and development of automation technology, engineering and technical research and experimental development.

Guangzhou Lingqiu, established in August 2016, is a company mainly engaged in research and development of online technology; computer network system engineering service; computer technology development and other services.

Guangdong Lijun, established in March 2011, is a company mainly engaged in information and electronic technology services; scientific and technological information consultation service; information system integration service; information technology consulting services and other services.

After all reasonable enquiries made by the Directors, to the best knowledge, information and belief of the Directors, the Buyers and their ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Financial Effect of the Disposal

After the completion of the Disposal, the Group will no longer hold any equity interest in the Target Company, and the financial results of the Target Company will no longer be consolidated in the consolidated financial statements of the Group.

The Sellers are expected to receive a total of RMB 358,800,000 in cash in three installments, and the final proceeds (after deducting related expenses and costs) from the Disposal will be used for business development and general operating capital of the Group.

The Group expects that the Disposal will achieve an unaudited gain of approximately RMB 58,800,000 upon completion, based on the total consideration of the Disposal less the Target Company's unaudited net assets of approximately RMB 300,000,000. The above calculation is subject to tax (which could only be determined based on the profitability of each Seller at the end of 2020), and is subject to review by the Group's auditor.

Reasons and Benefits of the Disposal

Taking into account the outbreak of COVID-19 , threatening the prospects of the global financial market and increasing the risk of continued economic contraction, the Board believes that the Disposal provides a good opportunity for the Group to streamline the business segment of the Group and make better use of the Group's financial resources for its financial services business and strengthening the Group's cash position to cope with the coming economic uncertainty.

The Directors consider that the Disposal will not have a significant impact on the operations of the Company.

The Directors consider that the terms of the Disposal and the Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Implications of the Listing Rules

As the applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in relation to the Disposal exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements pursuant to under Chapter 14 of the Listing Rules.

Dispatch of Circular

A circular containing further information on the Disposal is expected to be dispatched to the Shareholders on or before 6 May 2020.

Definitions

Unless the context requires otherwise, the following terms in this announcement shall have the following meanings:

“Agreement”	Equity transfer agreement dated 10 April 2020 between the Buyers and the Sellers for the sale and purchase of 100% equity in the Target Company
“Board”	the board of Directors
“Buyers”	Shenzhen Fantai, Guangzhou Fake, Guangzhou Lingqiu, Guangdong Lijun
“Company”	Hanhua Financial Holding Co., Ltd.* (瀚華金控股份有限公司), a joint stock limited liability company incorporated in the People’s Republic of China, the H Shares of which are listed and traded on the Main Board of the Stock Exchange (stock code: 3903)
“Disposal”	The transactions contemplated under the Agreement in relation to the disposal of 100% equity interest in the Target Company
“Earnest Money”	RMB 1,000,000 in aggregate, paid by the Buyers to the Sellers as the earnest money for the Disposal
“Group”	the Company and its subsidiaries
“Guangzhou Fake”	Guangzhou Fake Automation Technology Holdings Ltd.
“Guangzhou Lingqiu”	Guangzhou Lingqiu Network Technology Co., Ltd.
“Guangzhou Lijun”	Guangdong Lijun Information Technology Co., Ltd.

“Hanhua Asset”	Chongqing Hanhua Asset Management Co., Ltd., a wholly-owned subsidiary of the Company
“Hanhua Guarantee”	Hanhua Financial Guarantee Co., Ltd., a wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Sellers”	The Company, Hanhua Asset, Zhongwei Asset, Hanhua Guarantee
“Shenzhen Fantai”	Shenzhen Fantai Information Technology Service Co., Ltd.
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Heilongjiang Hanhua Internet Small Loan Co., Ltd.
“Zhongwei Asset”	Sichuan Zhongwei Asset Management Co., Ltd., a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the People’s Republic of China. Unless otherwise stated, amounts set out in this announcement are in RMB.
“%”	percentage

By order of the Board
Hanhua Financial Holding Co., Ltd.
Zhang Guoxiang
Chairman of the Board

Chongqing, the PRC, 13 April 2020

As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Guoxiang, Mr. WANG Dayong and Mr. CUI Weilan; the non-executive directors of the Company are Mr. TU Jianhua, Ms. LIU Jiaoyang, Ms. LIU Tingrong, Ms. WANG Fangfei, Mr. FENG Yongxiang and Mr. LIU Bolin; and the independent non-executive directors of the Company are Mr. BAI Qinxian, Mr. DENG Zhaoyu, Mr. QIAN Shizheng, Mr. NG Leung Sing and Mr. YUAN Xiaobin.

** For identification purpose only*