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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
ESTABLISHMENT OF A JOINT VENTURE**

Establishment of a Joint Venture

The Board is pleased to announced that on 28 April 2020 (after trading hours), the Company entered into the Limited Joint Venture Agreement with Liaoning Hanhua Capital, a subsidiary of the Company, and Shenfu Assets to establish the Joint Venture. The Joint Venture will invest in the inclusive financing guarantee institution (proposed to be established), which will be controlled by the Group.

According to the Limited Joint Venture Agreement, the total capital commitment of the Joint Venture is RMB3,000,000,000, of which Liaoning Hanhua Capital will contribute RMB30,000,000, while the Company and Shenfu Assets will contribute RMB970,000,000 and RMB2,000,000,000 respectively.

The inclusive financing guarantee institution intends to be established in Shenfu New District and it will adhere to inclusive finance, support agriculture and support the small, optimize and perfect the financing guarantee system of Liaoning Province, and actively cooperate with the government re-guarantee system, policy banks and commercial Bank cooperation to provide financing guarantee and non-financing guarantee services for small, medium and micro enterprises in Liaoning and China.

The financial results of the Joint Venture and inclusive financing guarantee institution will be included in the Group's consolidated financial statements

Implications of the Listing Rules

As the maximum applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) calculated from the transactions contemplated under the Limited Joint Venture Agreement exceeds 25% but is less than 100%, the transactions constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and Shareholder's approval requirements pursuant to under Chapter 14 of the Listing Rules.

Dispatch of Circular

1

A circular containing further information on the establishment of the Joint Venture is expected to be dispatched to the Shareholders on or before 29 May 2020.

Introduction

The Board is pleased to announced that on 28 April 2020 (after trading hours), the Company entered into the Limited Joint Venture Agreement with Liaoning Hanhua Capital, a subsidiary of the Company, and Shenfu Assets to establish the Joint Venture. The Joint Venture will invest in the inclusive financing guarantee institution in Shenfu New District (proposed to be established) , which will be controlled by the Group. According to the Limited Joint Venture Agreement, the total capital commitment of the Joint Venture is RMB3,000,000,000, of which Liaoning Hanhua Capital (as a General Partner) will contribute RMB30,000,000, while the Company and Shenfu Assets (as Limited Partners) will contribute RMB970,000,000 and RMB2,000,000,000 respectively.

The proposed financing guarantee institution will adhere to inclusive finance, support agriculture and support the small, optimize and perfect the financing guarantee system of Liaoning Province, and actively cooperate with the government re-guarantee system, policy banks and commercial Bank cooperation to provide financing guarantee and non-financing guarantee services for small, medium and micro enterprises in Liaoning and the whole country.

The inclusive financing guarantee business of supporting agriculture and supporting small businesses is not only the focus of economic policy in the post-epidemic era, but also an important support for China's economic development towards high quality. Government funds will be invested in partnerships and invest in inclusive financing guarantee institutions. It not only gives play to the credit advantages of government funds, but also help the Group better play its role in inclusive finance, especially its platform, system, technology, team, resources and other advantages accumulated over the past 16 years in the financing guarantee industry. This will be an innovative sample of government-led and market-led solutions to the financing problems of small and medium-sized enterprises. The Group will actively promote the Joint Venture to introduce other types of government funds at various levels in a timely manner, inject additional capital into inclusive financing guarantee institutions, continuously enhance their capital strength, upgrade credit ratings, expand guarantee scale, and innovate management models.

Limited Joint Venture Agreement

The principal terms of the Limited Joint Venture Agreement are set out below:

Date:	28 April 2020 (after trading hours)
Name of the Joint Venture	Liaoning RongDan Development Investment Management Center Partnership Enterprise (Limited Partnership); a limited partnership to be established in accordance with the Partnership Enterprise Law of the PRC, mainly engaging in investment and asset management services (subject to

business license).

Partners

General Partner:

Liaoning Hanhua Capital

Limited Partners:

(1) The Company (Junior Limited Partner) ; and

(2) Shenfu Assets (Preferred Limited Partner)

Business scope of the Joint Venture

The Joint Venture will principally be engaged in investment and asset management(subject to business license).

The Joint Venture aims to make full use of the respective advantages of the General Partner and the Limited Partners, and gain investment returns for all Partners through the new establishment of, or investment in, financing guarantee companies.

In order to carry out financing guarantee business, it is necessary to obtain the corresponding qualifications before proceeding. The newly established financing guarantee institution will be engaged in financing guarantee. All-round consideration in respect of the capital scale and business planning of the Joint Venture will be taken upon its established

Duration and termination

The duration of the Joint Venture is 20 years from the date of its establishment

Upon expiry of the initial term of the Joint Venture, the general meeting of Partners will decide whether to extend Joint Venture. If the Partners decide not to extend the term, the Joint Venture shall be dissolved and liquidated in accordance with relevant PRC laws.

Commitment

The total capital commitment to be contributed by the Partners under the Joint Venture is RMB3,000,000,000 (the “**Total Commitment**”).

Name of Parties	Parties’ Commitment	Percentage
	(RMB)	
Liaoning Hanhua Capital	30,000,000	1.00%
The company	970,000,000	32.33%
Shenfu Assets	2,000,000,000	66.67%
Total	3,000,000,000	100%

The Total Commitment of each Partner are determined by Liaoning Hanhua Capital , the Company and Shenfu Assets, as Parties of the Limited Joint Venture Agreement, based on the Joint Venture’s expected capital requirements after fair negotiation.

According to the Limited Joint Venture Agreement, each Partner must fully pay up the capital contribution within 12 months after the establishment of the Joint Venture.

Management of the Joint Venture

The General Partner will act as the executive Partner of the Joint Venture. The Executive Partner will be responsible for the operation and management of the Joint Venture and will act on behalf of the Joint Venture externally. Other Partners will have the right to monitor and supervise the performance of the Executive Partner.

Distribution of income

Profits generated by the Joint Venture will be distributed in the following priority and manners:

After each year, the Joint Venture will distribute to the Preferred Limited Partner with priority, the following amount of profits generated during the term of the Joint Venture, after deducting the operating expenses of the Joint Venture , The amount of profits to be distributed to the Preferred Limited Partners in priority is calculated by the

Preferred Limited Partner's actual capital contribution based on the one-year Loan Prime Rate(LPR) floating by 100 basis points (but not less than 2%) as announced by the Interbank Lending Center.

If the distribution to the Preferred Limited Partner is lower than above, the Junior Limited Partner shall make up the difference to the Preferred Limited Partner within 30 days after the end of the Joint Venture's income distribution (limited to Parties' Commitment).

The remaining profits of the Joint Venture shall be distributed to all Partners according to their respective capital contribution proportions. With Shenfu New District Government's purpose to support the development of the financing guarantee industry, if the balance of guarantee liability of financial guarantee company invested by the Joint Venture in Liaoning Province at the end of a year that is not less than 5 times of the actual capital contribution in the Joint Venture by Shenfu Assets, then Shenfu Assets will waive its entitlement to such distribution of the remaining profits. Such portion waived by Shenfu Assets will be rewarded to the General Partner as risk compensation and business rewards.

Conditions Precedent

The establishment of the Joint Venture and transaction contemplated under the Agreement are subject to the Company having obtained the approval by the Shareholders at a general meeting of the Company.

The above condition precedent may not be waived by any parties to the Agreement.

Information about the Partners

The Company

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.

Liaoning Hanhua Capital

Liaoning Hanhua Capital is a subsidiary of the Company. It was established on 14 October 2015, has a registered capital of RMB 110,000,000. It is mainly engaged in entrusted management of equity investment fund companies, equity investment and management of investment projects, venture capital, and business management consulting.

Shenfu Assets

Shenfu Assets, established on 23 April 2019, has a registered capital of RMB 20,000,000. It is owned by the Finance Bureau of Shenfu New District Management Committee of Liaoning Province. It is mainly engaged in the operation and management of state-owned assets; project investment and non-profit project investment and management; foreign investment; investment consulting; financial leasing, etc.

To the best of the Directors' knowledge, due diligence and belief after making all reasonable enquiries, Shenfu Assets and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Financial impact of the Establishment of Joint Venture

The capital contribution of the Company and its subsidiary, Liaoning Hanhua Capital, is provided by the internal resources of the Group. Due to the diversification of the capital contribution cycle, the capital contribution will not cause significant fluctuations or any significant adverse effects on the financial position of the Group.

The financial results of Joint Venture and investment inclusive financing guarantees will be included in the Group's consolidated financial statements.

Reasons and Benefits of the Establishment of Joint Venture

It is expected that the Group will introduce support funds for the government financing guarantee industry and will invest in the financing guarantee institutions in Liaoning Province, and will integrate the resources and business advantages accumulated by the Group in Liaoning Province over the past 16 years, as well as the technology, system and team advantages in the field of financing guarantee, combining with the funds and credit provided by the local government, actively participate in the construction of local financing guarantee system. It will help the Group's business development in Liaoning region, as well as innovate investment and management models in the field of financing guarantee, also provides financing services for the real economy and small and medium-size enterprise and make it bigger and stronger.

Therefore, the Directors believe that the establishment of the Joint Venture 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 maximum applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) calculated from the transaction contemplated under the Limited Joint Venture Agreement exceeds 25% but all applicable ratios are less than 100%, the transaction constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

A circular containing further information on the establishment of the Joint Venture will be be dispatched to the Shareholders.

As additional time would be required for the preparation of the circular, including the indebtedness statement and the statement of sufficiency of working capital, the Company expects that the circular will be dispatched on or before 29 May 2020.

Definitions

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

“Agreement” or “Limited Joint Venture Agreement”	the limited joint venture agreement dated 28 April 2020 among the Partners for the establishment of the Joint Venture
“Board”	the board of Directors
“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)
“Connected person”	Has the meaning given to it by the Listing Rules
“Director(s)”	director(s) of the Company
“General Partner”	A Partner of the Joint Venture with unlimited liability for a partnership, namely Liaoning Hanhua Capital for the purpose of this announcement
“Group”	the Company and its subsidiaries
“Junior Limited Partner”	A Limited Partner who is allocated after the Preferred Limited Partner receives the proceeds of the Joint Venture, the Company
“Liaoning Hanhua Capital”	Liaoning Hanhua Capital Management Co., Ltd., a subsidiary of the Company
“Joint Venture”	Liaoning RongDan Development Investment Management Center Partnership Enterprise (Limited Partnership), a limited partnership that proposed be established in accordance with the Partnership Enterprise Law of the PRC
“Limited Partners”	Partners with limited investment and limited liability, namely the Company and ShenFu Assets collectively for the purpose of the announcement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Partners”	The General Partner and Limited Partners
“Parties”	parties to the Limited Joint Venture Agreement, namely the General

Partner and Limited Partners

“PRC”	People's Republic of China (for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
“Preferred Limited Partner”	Limited Partner with priority in receiving the distribution of income from the Joint Venture, namely Shenfu Assets
“Shenfu Assets”	The Limited Partner of the Joint Venture, namely Liaoning Shenfu New District State-owned Assets Management Co., Ltd., a company incorporated under the laws of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the People’s Republic of China. Unless otherwise stated, amounts set out in this announcement are in RMB.
“Shareholder(s)”	the holder(s) of Share(s)
“%”	percentage

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

Chongqing, the PRC, 28 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*