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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)

ANNOUNCEMENT CONNECTED TRANSACTION FURTHER CAPITAL INCREASE REGARDING A SUBSIDIARY AND DEEMED DISPOSAL

INTRODUCTION

Reference is made to the voluntary announcement of the Company dated 29 May 2020.

The Board announces that, on 2 July 2021, Huifang Tongda (a wholly-owned subsidiary of the Company), Wuzhong Gaoxin, Dongfang Investment and Wuzhong Investment, entered into the Agreement, pursuant to which the said Contributing Parties agreed to further increase the registered capital of Huida Factoring (an indirect non wholly-owned subsidiary of the Company).

In particular, Huifang Tongda, Wuzhong Gaoxin and Dongfang Investment agreed to contribute RMB30 million, RMB10 million and RMB10 million, respectively, in proportion to their respective shareholding in Huida Factoring. Wuzhong Investment agreed to contribute RMB20 million as an incoming shareholder of Huida Factoring. Upon completion of the Capital Increase, the total amount of capital contribution made by the Company to Huida Factoring through Huifang Tongda would become RMB90 million, whereas the Company's shareholding in it would decrease from 60.00% to 52.94%.

DEEMED DISPOSAL AND LISTING RULES IMPLICATIONS

As a result of the Capital Increase, the Company's shareholding in Huida Factoring will decrease from 60.00% to 52.94%. Therefore, the Capital Increase contemplated under the Agreement constitutes a deemed disposal of approximately 7.06% of the Company's equity interest in Huida Factoring.

As all applicable percentage ratios for the Capital Increase and transactions contemplated under the Agreement are less than 5%, the Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

As at the date of this announcement, Huida Factoring, being an indirect non wholly-owned subsidiary of the Company, is owned as to 60%, 20% and 20% by Huifang Tongda, Wuzhong Gaoxin and Dongfang Investment, respectively. Therefore, Wuzhong Gaoxin and Dongfang Investment are substantial shareholders of Huida Factoring, and hence connected persons of the Company. Accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios for the Capital Increase and transactions contemplated under the Agreement are less than 5% but more than 0.1%, the transactions contemplated under the Agreement are subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

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THE PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are set out below:

Date

2 July 2021

Parties

1. Huifang Tongda;
2. Wuzhong Gaoxin;
3. Dongfang Investment;
4. Wuzhong Investment; and
5. Huida Factoring.

Principal Terms

1. The details of the Capital Increase are as follows:
 - (a) The registered capital of Huida Factoring shall be increased from RMB100 million to RMB170 million.
 - (b) The Contributing Parties agreed to settle the Capital Increase by way of cash. Based on the proportion of their respective shareholding in Huida Factoring, Huifang Tongda, Wuzhong Gaoxin and Dongfang Investment agreed to contribute RMB30 million, RMB10 million and RMB10 million to Huida Factoring, respectively. In addition, Wuzhong Investment agreed to contribute RMB20 million to Huida Factoring as an incoming shareholder. The aggregate amount of the Capital Increase is RMB70 million.

The (i) shareholding structure of Huida Factoring and (ii) amount of the Capital Increase by and the proportion of shareholding of each Contributing Party before and upon completion of the Capital Increase are set out below:

Name of shareholder	Capital injected prior to the completion of the Capital Increase <i>RMB million</i>	Shareholding prior to the completion of the Capital Increase	Capital to be injected <i>RMB million</i>	Total capital injected after the completion of the Capital Increase <i>RMB million</i>	Shareholding after the completion of the Capital Increase
Huifang Tongda	60	60%	30	90	52.94%
Wuzhong Gaoxin	20	20%	10	30	17.65%
Dongfang Investment	20	20%	10	30	17.65%
Wuzhong Investment	—	—	20	20	11.76%
Total	<u>100</u>	<u>100%</u>	<u>70</u>	<u>170</u>	<u>100%</u>

The Company's further contribution to the registered capital of Huida Factoring through Huifang Tongda will be financed by internal funds.

2. Payment of the capital contribution shall be made by the Contributing Parties:

- (a) as a one-off payment within a period of 60 business days from the date on which all conditions precedent of the Agreement are satisfied, or otherwise waived by the Contributing Parties in writing, where such date must either be (i) within 10 business days from the date of signing of the Agreement or (ii) such later date as the Contributing Parties may further agree; or
- (b) by instalments in accordance with such payment terms as the Contributing Parties may further agree.

REASONS FOR AND BENEFIT OF ENTERING INTO THE AGREEMENT

In line with the reverse mixed-ownership* (反向混合所有制) reform encouraged by the government of the PRC, the purpose of the Capital Increase is to introduce state-owned and collective capital into the Group's downstream shareholding structure. The Group believes this will further improve its credit level, which is conducive to its business expansion, procurement of further bank financing and servicing of more small and micro enterprises in the PRC.

DEEMED DISPOSAL AND LISTING RULES IMPLICATIONS

As a result of the Capital Increase, the Company's shareholding in Huida Factoring will decrease from 60.00% to 52.94%. Therefore, the Capital Increase contemplated under the Agreement constitutes a deemed disposal of approximately 7.06% of the Company's equity interest in Huida Factoring.

As all applicable percentage ratios for the Capital Increase and transactions contemplated under the Agreement are less than 5%, the Capital Increase does not constitute a discloseable transaction under Chapter 14 of the Listing Rules.

As at the date of this announcement, Huida Factoring, being an indirect non wholly-owned subsidiary of the Company, is owned as to 60%, 20% and 20% by Huifang Tongda, Wuzhong Gaoxin and Dongfang Investment, respectively. Therefore, Wuzhong Gaoxin and Dongfang Investment are substantial shareholders of Huida Factoring, and hence connected persons of the Company. Accordingly, the Capital Increase constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios for the Capital Increase and transactions contemplated under the Agreement are less than 5% but more than 0.1%, the transactions contemplated under the Agreement are subject to the reporting and announcement requirements but is exempted from the circular (including independent financial advice) and shareholders' approval requirement for the Company under Chapter 14A of the Listing Rules.

None of the Directors has a material interest in the Capital Increase, the Agreement and the transactions contemplated thereunder, and hence no Director has to abstain from voting on the relevant resolution approving the same.

INFORMATION ON THE PARTIES TO THE AGREEMENT

The Group

The Group is dedicated to providing diversified financing services including inclusive finance and technology finance as well as insurance brokerage services to its customers and to engage in the investment business. Currently, the Group principally operates its businesses in Jiangsu, Sichuan, Anhui and Hubei Provinces and Hong Kong.

Dongfang Investment

Dongfang Investment is a limited liability company established in the PRC. It is primarily engaged in equity investment using collective capital on behalf of Luzhi Township, Wuzhong District, Suzhou City, Jiangsu Province, PRC.

Huida Factoring

Huida Factoring is a limited liability company established in the PRC. It is primarily engaged in the provision of factoring and trade finance services.

Huifang Tongda

Huifang Tongda is a limited liability company established in the PRC. It is primarily engaged in equity investment and management advisory.

Wuzhong Gaoxin

Wuzhong Gaoxin is a limited liability company established in the PRC. It is primarily engaged in equity investment using state-owned capital on behalf of the People's Government of Wuzhong District, Suzhou City, Jiangsu Province, PRC.

Wuzhong Investment

Wuzhong Investment is a limited liability company established in the PRC. It is primarily engaged in equity investment using state-owned capital on behalf of the People's Government of Wuzhong District, Suzhou City, Jiangsu Province, PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wuzhong Investment (and its ultimate beneficial owners) are third parties independent of, and not connected with, the Company and its connected persons.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“Agreement”	the agreement entered into between and among Huifang Tongda and the Contributing Parties on 2 July 2021 in relation to the Capital Increase
“Board”	the board of directors of our Company
“Capital Increase”	the aggregate amount of the capital contributions to be made by the Contributing Parties to Huida Factoring pursuant to the terms of the Agreement
“Company”	China Huirong Financial Holdings Limited 中國匯融金融控股有限公司, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”, “percentage ratios”, “subsidiary(ies)”	each has the meaning ascribed to it under the Listing Rules
“Contributing Parties”	Huifang Tongda, Wuzhong Gaoxin, Dongfang Investment and Wuzhong Investment
“Director(s)”	the director(s) of our Company
“Disposal”	the disposal of approximately 7.06% of the Company’s equity interest in Huida Factoring upon completion of the Capital Increase
“Dongfang Investment”	Suzhou Dongfang Venture Investment Co., Ltd.* (蘇州東方創業投資有限公司), a limited liability company established in the PRC
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huida Factoring”	Suzhou Huida Commercial Factoring Co., Ltd.* (蘇州匯達商業保理有限公司), an indirect non wholly-owned subsidiary of the Company which is a limited liability company established in the PRC
“Huifang Tongda”	Suzhou Huifang Tongda Information Technology Co., Ltd* (蘇州匯方同達信息科技有限公司), a wholly-owned subsidiary of the Company which is a limited liability company established in the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuzhong Gaoxin”	Suzhou Wuzhong Gaoxin Entrepreneurship Service Co., Ltd.* (蘇州吳中高新創業服務有限公司) (formerly known as Suzhou Wuzhong Gaoxin Technology Venture Management Co., Ltd.* (蘇州吳中高新科技創業管理有限公司), changed on 10 June 2020), a limited liability company established in the PRC
“Wuzhong Investment”	Suzhou Wuzhong City Construction Investment Development Co., Ltd.* (蘇州市吳中城市建設投資發展有限公司), a limited liability company established in the PRC
“%”	per cent

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

Hong Kong, 2 July 2021

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. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong.

* *For identification purpose only*