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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)

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

The Board announces that, on 20 December 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Sellers entered into the Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, an aggregate of 20% of the equity interests in the Target (an indirect non wholly-owned subsidiary of the Company) for a cash consideration of RMB60,000,000.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5%, but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Each of Seller B and Seller C is a substantial shareholder of the Target, which is a non wholly-owned subsidiary of the Company, holding 10% of the equity interests in the Target 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 persons 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 confirm 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. Pursuant to Rule 14A.101 of the Listing Rules, the Acquisition and transactions contemplated under the Agreement are subject to reporting and announcement requirements but are exempt 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 20 December 2017, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Sellers entered into the Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Sellers have conditionally agreed to sell, an aggregate of 20% of the total equity interests in the Target (an indirect non wholly-owned subsidiary of the Company) for a cash consideration of RMB60,000,000.

THE PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are set out below:

Date:

20 December 2017

Parties:

- (i) Huifang Tongda as the Purchaser;
- (ii) Suzhou Hongyuan City Municipal Construction Engineering Co., Ltd as Seller A;
- (iii) Mr. Sheng Chunquan as Seller B; and
- (iv) Mr. Zhang Dexue as Seller C.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save for each of Seller B and Seller C being a connected person of the Company at the subsidiary level, Seller A is a third party independent of the Company and its connected persons.

Assets to be acquired:

20% equity interests in the Target, of which 5% is to be acquired from Seller A, 5% is to be acquired from Seller B and 10% is to be acquired from Seller C.

Consideration and payment terms:

Pursuant to the Agreement, the aggregate consideration for the Acquisition is RMB60,000,000 payable in cash and will be paid by the Purchaser to the Sellers on Completion, of which RMB15,000,000 will be payable to Seller A, RMB15,000,000 will be payable to Seller B and RMB30,000,000 will be payable to Seller C.

The consideration was arrived at after arm's length negotiations between the Purchaser and the Sellers and was determined on normal commercial terms with reference to (i) the registered capital of RMB300,000,000 of the Target which has been fully paid-up; and (ii) the financial statements of the Target as at 30 June 2017. The book value of the total owner's equity of the Target as at 30 June 2017 was RMB324,706,000 while the net total owner's equity of the Target was RMB324,706,000, and accordingly, 20% of the aforesaid figures was RMB64,941,200.

Conditions precedent:

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

- (i) simultaneous completion of the transfer of their respective equity interests in the Target to the Purchaser by Seller A, Seller B and Seller C;
- (ii) 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;
- (iii) the Sellers having obtained confirmations from all the other shareholders (save for the Purchaser) holding the remaining 35% equity interests in the Target in respect of the waivers of their pre-emptive rights concerning the 20% equity interests in the Target, being the subject matter of the Acquisition;
- (iv) there having been no injunction or similar order restricting any party to the Agreement from completing the transactions contemplated under the Agreement; and

- (v) the warranties given by the Sellers 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 Sellers may agree) after fulfilment or waiver (if applicable) of the above conditions.

INFORMATION ABOUT THE TARGET

The Target 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, including comprehensive customer due diligence. In October 2014, the Target 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 is authorized to lend an aggregate principal amount of approximately RMB500,000,000 to customers. In addition, the Target 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 may provide guarantee equals to three times of the registered capital of the Target, which is equivalent to RMB900,000,000. In return for the credit-guarantee services provided, the Target charges its customers a guarantee fee.

As at the date of this announcement, 40% of the equity interests in the Target is owned by the Purchaser, 10% by each of Seller B and Seller C, 5% by Seller A, 10% by Ms. Zheng Rulan (鄭茹蘭), 15% by Wuzhong District Suzhou City Dongshan Town Collective Assets Management Company* (蘇州市吳中區東山鎮集體資產經營公司) and 10% by Suzhou Jie Cheng Dyeing Co., Ltd.* (蘇州市捷誠染色有限公司). The

registered capital of the Target is RMB300,000,000 (equivalent to approximately HK\$375,000,000) and has been fully paid-up by the shareholders of the Target in proportion to their respective equity interest holdings in the Target.

The audited financial information of the Target for the two financial years ended 31 December 2016 is set out below:

	Year ended 31 December 2015	Year ended 31 December 2016
	<i>approximately</i>	<i>approximately</i>
	<i>RMB</i>	<i>RMB</i>
Net profits before taxation	20,012,000	25,360,000
Net profits after taxation	16,825,000	24,400,000

According to the audited accounts of the Target, the book value of the total assets of the Target as at 31 December 2016 was RMB343,003,000.

Seller A, Seller B and Seller C subscribed for their respective interests in the Target at the cost of RMB15,000,000, RMB15,000,000 and RMB30,000,000, respectively.

After Completion, the Group will own a total of 60% of the equity interests in the Target and the financial results of the Target 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 40% of the equity interests in such business. As the Finance Office has uplifted such limit to 60%, the Company carries out the Acquisition in order to increase the profit attributable to the equity holders of the Company.

If the Finance Office further uplifts the aforesaid limit, the Group may consider acquiring additional equity interests in the Target.

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

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.

INFORMATION ABOUT THE SELLERS

Seller A is Suzhou Hongyuan City Municipal Construction Engineering Co., Ltd., a company established in the PRC with limited liability, and is principally engaged in civil engineering and construction projects.

Each of Seller A, Seller B and Seller C is independent of each other.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is more than 5%, but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Each of Seller B and Seller C is a substantial shareholder of the Target, which is a non wholly-owned subsidiary of the Company, holding 10% of the equity interests in the Target 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 persons 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 confirm 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. Pursuant to Rule 14A.101 of the Listing Rules, the Acquisition and transactions contemplated under the Agreement are subject to reporting and announcement requirements but are exempt 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.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of an aggregate 20% equity interests in the Target by the Purchaser from Sellers pursuant to the Agreement
“Agreement”	the conditional equity transfer agreement dated 20 December 2017 entered into between the Purchaser as buyer and Sellers as vendors 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 December 2017 (or such other date as the Purchaser and the Sellers may agree)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region 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 A”	蘇州鴻源市政建設工程有限公司 (Suzhou Hongyuan City Municipal Construction Engineering Co., Ltd.*)
“Seller B”	盛春泉 Sheng Chunquan
“Seller C”	張德學 Zhang Dexue
“Sellers”	Seller A, Seller B and Seller C
“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” 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*

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

Suzhou, China, 20 December 2017

As at the date of this announcement, the executive directors of the Company are Mr. Chen Yannan, Mr. Wu Min and Mr. Zhang Changsong, the non-executive directors of the Company are Mr. Zhuo You, Mr. Zhang Cheng 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.