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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)

**DISCLOSEABLE TRANSACTION
ESTABLISHMENT OF THE JV SECURITIES COMPANY
AS THE LEAD PROMOTER**

ESTABLISHMENT OF THE JV SECURITIES COMPANY

The Board is pleased to announce that on 1 December 2016 (after trading hours), the Company, as the lead promoter, entered into the Joint Venture Contract with Jiangbeizui Group, Kingsway Financial, Chongqing Huiwei (a wholly-owned subsidiary of the Company) and Prive Financial in relation to the establishment of the JV Securities Company. Pursuant to the Joint Venture Contract, subject to the conditions precedent set out therein, the parties intend to establish the JV Securities Company in Chongqing, the Company and Chongqing Huiwei shall subscribe for 40% and 10% of the registered capital of the JV Securities Company with an amount of RMB600,000,000 and RMB150,000,000, respectively in cash. Upon completion of capital contribution, the Company will become the largest shareholder of the JV Securities Company.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios exceeds 5% and all of the percentage ratios are less than 25%, the establishment of the JV Securities Company pursuant to the Joint Venture Contract and the transactions thereunder constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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JOINT VENTURE CONTRACT

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

DATE

1 December 2016 (after trading hours)

PARTIES

- (1) the Company;
- (2) Jiangbeizui Group;
- (3) Kingsway Financial;
- (4) Chongqing Huiwei (a wholly-owned subsidiary of the Company); and
- (5) Prive Financial.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Jiangbeizui Group, Kingsway Financial and Prive Financial, together with their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

SCOPE OF BUSINESS

The JV Securities Company will be a limited liability company qualified as an independent legal entity, established under the Company Law, the Securities Law, the Law of the PRC on Chinese-Foreign Equity Joint Ventures and Regulation on the Supervision and Administration of Securities Companies as well as such other relevant laws, regulations and regulatory documents. The proposed business scope of the JV Securities Company shall include securities brokerage, underwriting and sponsorship in securities, proprietary trading, securities and assets management and other business approved by the CSRC.

REGISTERED CAPITAL AND CAPITAL CONTRIBUTION

The total amount of registered capital of the JV Securities Company is RMB1,500,000,000, which will be contributed by the Parties in cash on legitimate self-owned funds in proportion to their respective percentage subscription of the registered capital with details as follows:

Parties	Amount of capital contribution (RMB)	Equity interest percentage (%)
The Company	600,000,000	40%
Jiangbeizui Group	375,000,000	25%
Kingsway Financial	330,000,000	22%
Chongqing Huiwei (a wholly-owned subsidiary of the Company)	150,000,000	10%
Prive Financial	45,000,000	3%
Total	<u>1,500,000,000</u>	<u>100%</u>

Pursuant to the Joint Venture Contract, from the date of obtaining the requisite approvals from the CSRC, the total capital contribution amount of each party should be deposited with a designated account within 14 working days in one lump-sum subject to notice to be given by the Preparatory Committee. The subscription funds must be funds legally owned by it, and shall be verified by an accounting firm which is legally registered in China with qualifications for securities and futures related business by issuing a certificate on the capital contribution.

The total amount of the registered capital of the JV Securities Company and the proportion quota to be subscribed for by each party are determined by all parties after arm's length negotiation with reference to, among other things, the assets, the initial capital requirement, the financial position and the prospects and potential of the business of the JV Securities Company.

The Company's capital contribution will be funded by internal resources of the Company. Upon completion of capital contribution, the Company will become the largest shareholder of the JV Securities Company.

Pursuant to the Joint Venture Contract, the Parties will be entitled to the profits of the JV Securities Company in proportion to their respective equity interests in the JV Securities Company. In the case of annual earnings, the JV Securities Company shall, after making up the losses and appropriations to the surplus reserves, distribute 10%-50% of the after-tax profits to the shareholders of the JV Securities Company according to the articles of association of the JV Securities Company.

RESTRICTIONS ON TRANSFER

Pursuant to the Joint Venture Contract, the equity interest of each party shall be subject to a lock-up period of 48 months from the date of establishment of the JV Securities Company. Shareholder of the JV Securities Company may transfer its equity interest to a third party other than a shareholder of the JV Securities Company with consent of more than half of the other shareholders, and provided all conditions are equal, other shareholders shall have the pre-emptive right to purchase all (but no less than all) of the transferring equity interests of which has been consented by the shareholders of the JV Securities Company. If more than half of the other shareholders do not consent to the transfer, the dissenting shareholders shall purchase all (but no less than all) of the transferring equity interests, any failure to make such purchase shall be deemed as their consent to

the transfer. Shareholder of the JV Securities Company may only pledge its equity interest with consent of its shareholders with more than half of the voting rights at a general meeting, and subject to the compliance with the PRC laws, regulations and relevant departments.

CONDITIONS PRECEDENT

The Joint Venture Contract shall be effective subject to the fulfillment of the following conditions:

- (1) The Parties and their controlling shareholders, if necessary, having obtained all the approvals and authorisations under relevant laws and regulations required for signing the Joint Venture Contract and the transactions contemplated thereunder; and
- (2) the Joint Venture Contract being legally signed by the Parties.

The establishment of the JV Securities Company is subject to, among other things, the approval by the CSRC, the Ministry of Commerce and other relevant regulatory authorities in the PRC.

PREPARATORY COMMITTEE, BOARDS OF DIRECTORS AND SUPERVISORS OF THE JV SECURITIES COMPANY

Pursuant to the Joint Venture Contract, the Parties have unanimously agreed to authorize the Preparatory Committee to handle the matters relating to the establishment of the JV Securities Company.

Pursuant to the proposed articles of association of the JV Securities Company, the board of directors of the JV Securities Company shall consist of 7 directors (including 2 independent directors). The Company and Chongqing Huiwei are entitled to nominate an aggregate of 4 directors (including 1 independent director). The chairman of the board of directors of the JV Securities Company shall be a director elected by the board of directors of the JV Securities Company.

Pursuant to the proposed articles of association of the JV Securities Company, the board of supervisors of the JV Securities Company shall consist of 5 supervisors, among which, 2 supervisors are employee representative supervisors who shall be elected by the employees' representative congress. The chairman of the board of supervisors of the JV Securities Company shall be elected by the board of supervisors of the JV Securities Company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

As a leading comprehensive and inclusive financial service group in the PRC, the Company strives to pursue new development opportunities in the financial services industry through equity investment and platform resources integration, so as to provide comprehensive financial services to micro, small and medium-sized enterprises and fulfill their diversified financing and business needs. Rely on the relevant specific policy guidance of Supplement X of the CEPA that eligible Hong Kong-funded financial institutions is allowed to set up one new full-licensed joint venture securities company in certain reform experiment zones for "piloting financial reforms" as approved by the PRC, and by establishing the JV Securities Company as the lead promoter, the Group intends to seize new opportunities in the rapid development of securities market in a timely manner, give full play to the background of the Group and the joint venture partners with service experience in capital

market, coordinate existing financial business resources and promoting new business and recurring profit generation points, and further enhance the integrated business strength of the Company.

Having considered the above factors, the Directors consider that the terms and conditions of the Joint Venture Contract and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

The Company is a national inclusive comprehensive financial service provider approved by the State Administration for Industry and Commerce of the PRC, and the PRC's first national inclusive financial service group listed on the Stock Exchange, focusing on providing diversified and comprehensive financial services such as credit guarantee, small loans, financial factoring, asset management and financing leases to micro, small and medium-sized enterprises in the PRC. The Group continues to maintain a leading position across the country in terms of business scale, corporate construction, team building, asset quality and service standard.

INFORMATION ON CHONGQING HUIWEI

Chongqing Huiwei is a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company, which is principally engaged in external investment business with self-owned funds.

INFORMATION ON JIANGBEIZUI GROUP

Jiangbeizui Group is a wholly state-owned enterprise with investment and financing function approved by Chongqing Municipal People's Government, which is principally engaged in the business of land reserve management, engineering construction, housing lease and property management, engineering supervision and etc.

INFORMATION ON KINGSWAY FINANCIAL

Kingsway Financial is a limited liability company incorporated in Hong Kong and an indirectly wholly-owned subsidiary of Sunwah Kingsway Capital Holdings Limited (a limited liability company incorporated in Bermuda whose shares are listed on the Main Board of the Stock Exchange, Stock Code: 188). Kingsway Financial is principally engaged in the provision of securities, options, futures and commodities brokerage services in Hong Kong. It is a licensed corporation permitted to carry on Type 1 (dealing in securities) , Type 2 (dealing in futures contracts) , Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

INFORMATION ON PRIVE FINANCIAL

Prive Financial is a limited liability company incorporated in Hong Kong, focusing on offering a variety of financial services on its wealth and asset management platform and software system. Prive Financial is a licensed corporation permitted to carry on Type 1 (dealing in securities) regulated activities under the SFO. Prive Financial is part of a financial technology holding company,

Prive Holdings Limited, headquartered in Hong Kong. Its clients and business activities are spread across various countries in Asia and Europe. Through its award-winning Prive Managers platform, Prive Financial is part of a completely integrated and comprehensive wealth and asset management platform and ecosystem, which are powered by its proprietary, artificial intelligence-driven, bionic advisory engine and technology to create a completely integrated and comprehensive wealth and asset management platform and ecosystem.

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DEFINITIONS

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

“Board”	the board of Directors of the Company
“CEPA”	Mainland and Hong Kong Closer Economic Partnership Arrangement
“Chongqing”	Chongqing city, the PRC
“Chongqing Huiwei”	Chongqing Huiwei Investment Co., Ltd.* (重慶惠微投資有限公司), a wholly-owned subsidiary of the Company
“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 PRC, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 3903)
“Company Law”	the Company Law of the PRC
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Jiangbeizui Group”	Chongqing Jiangbeizui Central Business District Investment Group Co., Ltd.* (重慶市江北嘴中央商務區投資集團有限公司)
“Joint Venture Contract”	the joint venture contract entered into among the Company, Jiangbeizui Group, Kingsway Financial, Chongqing Huiwei and Prive Financial on 1 December 2016 in relation to the establishment of the JV Securities Company

“JV Securities Company”	瀚華證券有限責任公司 (Hanhua Kingsway Securities Co., Ltd*), a limited liability company to be incorporated under the laws of the PRC pursuant to the Joint Venture Contract, the final name will be subject to the approval of the State Administration for Industry & Commerce of the PRC
“Kingsway Financial”	Kingsway Financial Services Group Limited (滙富金融服務有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ministry of Commerce”	Ministry of Commerce of the PRC
“Parties”	the parties to the Joint Venture Contract, i.e. the Company, Jiangbeizui Group, Kingsway Financial, Chongqing Huiwei and Prive Financial
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
“Prive Financial”	Prive Financial Limited
“Preparatory Committee”	the preparatory committee for the establishment of the JV Securities Company
“RMB”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Beijing, the PRC, 1 December 2016

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, Mr. DUAN Xiaohua, 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