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CHINA RONGZHONG FINANCIAL HOLDINGS COMPANY LIMITED

中國融眾金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 03963)

**MAJOR AND CONNECTED TRANSACTION
IN RELATION TO
THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY INVOLVING
THE ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE
AND LOAN NOTE**

THE ACQUISITION

On 26 October 2021 (after trading hours of the Stock Exchange), the Company (as purchaser) and the Vendor (as vendor) entered into the Agreement for Sale and Purchase, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell, the Sale Shares, representing 51% of the issued share capital in the Target Company, at the consideration of HK\$17,000,000, which will be satisfied by the issue of the Convertible Bonds and the Loan Note.

As at the date of this announcement, the Target Company is wholly-owned by the Vendor while the Target Group is still undergoing the Target Restructuring. Upon Completion, the Target Company will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the Acquisition is 25% or more but less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor owns the entire issued share capital of Perfect Honour which is interested in approximately 34.86% of the issued Shares of the Company. Therefore, the Vendor is a controlling shareholder and a connected person of the Company.

Accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Agreement for Sale and Purchase and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Agreement for Sale and Purchase and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Giraffe Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened and held for the Independent Shareholders to, among other things consider and, if thought fit, (i) approve the Agreement for Sale and Purchase and the transactions contemplated thereunder; and (ii) the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares arising from the conversion of the Convertible Bonds and the transactions contemplated thereunder.

A circular containing, among other things, (i) details of the Acquisition and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Acquisition; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM will be despatched to the Shareholders on or before 16 November 2021.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the conditions precedent. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

INTRODUCTION

On 26 October 2021 (after trading hours of the Stock Exchange), the Company and the Vendor entered into the Agreement for Sale and Purchase, pursuant to which the Company conditionally agreed to acquire, and the Vendor conditionally agreed to sell the Sale Shares, representing 51% of the issued share capital in the Target Company, at the consideration of HK\$17,000,000, which will be satisfied by the issue of the Convertible Bonds and the Loan Note.

THE AGREEMENT FOR SALE AND PURCHASE

Principal terms of the Agreement for Sale and Purchase are set out below.

Date: 26 October 2021

Parties: (i) the Company, as the purchaser; and
(ii) Goldbond Group Holdings Limited, as the Vendor.

As at the date of this announcement, the Vendor owns the entire issued share capital of Perfect Honour which is interested in approximately 34.86% of the issued Shares of the Company. Therefore, the Vendor is a controlling shareholder and a connected person of the Company.

For more details of the Parties, please refer to paragraphs headed “Information of the Group” and “Information of the Vendor”, respectively.

Assets to be acquired

The Sale Shares, representing 51% of the issued share capital of the Target Company as at the date of the Agreement for Sale and Purchase and the Completion Date.

Consideration and payment terms

The Consideration shall be HK\$17,000,000, which shall be satisfied by the Company in the following manner:

- (a) HK\$3,811,500 shall be satisfied by the Company by issuing the Convertible Bonds to the Vendor and/or its designated nominee(s) upon the Completion; and
- (b) HK\$13,188,500 shall be satisfied by the Company by issuing the Loan Note to the Vendor and/or its designated nominee(s) upon the Completion.

Further details of the Convertible Bonds and the Loan Note are set out in the sections headed “The Convertible Bonds” and “The Loan Note”, respectively below.

Basis of the Consideration

The Consideration was determined after arm’s length negotiations between the Company and the Vendor on normal commercial terms with reference to, including without limitation, the net asset value of the Target Group as at 30 September 2021 of approximately HK\$9,883,000 and the valuation of the Target Group as at 30 September 2021 of approximately HK\$38,000,000 performed by an independent valuer.

As the Target Group was established by the Vendor, and was not acquired from a third party, there is no original acquisition cost for the issued share capital of the Target Company.

Conditions precedent

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

- (a) the Company being satisfied with the results of the due diligence review;
- (b) the passing of the ordinary resolutions by the Independent Shareholders at the EGM to be convened and held to approve (i) the Agreement of the Sales and Purchase and the transactions contemplated thereunder, including the issue of the Loan Note; and (ii) the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares arising from the conversion of the Convertible Bonds and the transactions contemplated thereunder;
- (c) the obtaining of a valuation report (in form and substance satisfactory to the Company) from a valuer appointed by the Company and showing the value of the PRC Subsidiaries as a group to be not less than RMB28,000,000 (equivalent to approximately HK\$33,300,000);
- (d) the Vendor's warranties as set out in the Agreement for Sale and Purchase remaining true and not misleading in all respects;
- (e) the Company's warranties as set out in the Agreement for Sale and Purchase remaining true and not misleading in all respects;
- (f) the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares; and
- (g) the completion of the Target Restructuring to the satisfaction of the Company.

The Vendor shall use its best endeavours to procure the fulfilment of the conditions precedent and may at any time waive in whole or in part and conditionally or unconditionally the conditions precedent set out in condition (e) above by notice in writing to the Company. The Company may at any time by notice in writing to the Vendor waive in whole or in part and conditionally or unconditionally any of the conditions precedent set out in conditions (c), (d) or (g) above.

If the conditions precedent have not been satisfied, or where applicable, waived on or before on the Long Stop Date, or such later date as the Vendor and the Company may agree, the Agreement for Sale and Purchase shall cease and determine immediately on the Long Stop Date (save and except for some clauses which shall continue to have full force and effect), and thereafter neither Vendor nor the Company shall have any obligations and liabilities which have been accrued prior to termination towards each other under the Agreement for Sale and Purchase.

Completion

Completion shall take place within the seventh Business Day after all the conditions precedent have been satisfied or waived, or such later date as the Vendor and the Company may agree.

Non-Competition Undertakings

The Vendor undertakes to the Company that as long as the Vendor or the Company is beneficially interested in any shares in the Target Company, the Vendor shall not, without the prior written consent of the Company, either on its own account or in conjunction with or on behalf of any person directly or indirectly carry on or be engaged, concerned or interested in any business competing with the any member of the Target Group.

THE CONVERTIBLE BONDS

The Convertible Bonds shall be issued by the Company upon Completion to settle part of the Consideration. The terms of the Convertible Bonds have been negotiated on an arm's length basis and the principal terms of which are summarised below:

| | |
|--------------------------------------|--|
| Issuer: | The Company |
| Principal Amount: | HK\$3,811,500 |
| Maturity Date: | The date falling immediately before the third anniversary of the date of issue of the Convertible Bonds |
| Interest Rate: | Interest-free and shall not accrue any interest |
| Conversion Price: | The initial Conversion Price is HK\$0.154 per Conversion Share subject to adjustments in accordance with the terms and conditions of the Convertible Bonds, which are summarised below: |
| Adjustments to the Conversion Price: | <p>Subject to the terms and conditions of the Convertible Bonds and compliance with the Listing Rules and other applicable laws and regulations, the Conversion Price shall be adjusted from time to time upon the occurrence of certain events in relation to the Company including but not limited to the following:</p> <ul style="list-style-type: none">(i) if and whenever the number of issued Shares changes by reason of any consolidation or subdivision or reclassification;(ii) if and whenever the Company shall issue (other than fully paid up shares issued from profits or reserves and substituting all or part of the specified declared cash dividend, and scrip dividend arrangement in respect of the annual dividend approved by the Company at the annual general meeting) any Shares credited as fully paid up by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund); and |

- (iii) if and whenever the Company shall make any capital distribution (whether on a reduction of share capital or otherwise) to the Shareholders (in their capacity as such) or is required to grant to such Shareholders the rights to acquire the cash assets of the Company or any of its subsidiaries.

Conversion Shares:

Assuming the conversion rights attaching to the Convertible Bonds are exercised in full at the initial Conversion Price of HK\$0.154 per Conversion Share, a maximum of 24,750,000 new Shares will be issued upon conversion of the Convertible Bonds (subject to adjustments), which represent (i) approximately 6.00% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares upon full conversion of the Convertible Bonds at the initial Conversion Price and the transfer of the Fourth Tranche Transfer Shares.

The Conversion Shares will be issued under the General Mandate. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Conversion Period:

The Bondholders may convert such Convertible Bonds (in whole or in part) into Conversion Shares during the period commencing from the seventh day after the date of issue of the Convertible Bonds to the seventh day (inclusive) before the maturity date.

Conversion Rights:

The Bondholder shall have the rights to convert the principal amount of the Convertible Bonds into Shares during the conversion period at the Conversion Price (subject to adjustments pursuant to the terms and conditions of the Convertible Bonds).

Any conversion shall be made in whole or part of the principal amount of the Convertible Bonds in multiples of HK\$635,250.

The Bondholder shall not exercise any conversion rights to such an extent that results or will result in:

- (i) the number of Conversion Shares to be issued in excess of the maximum number of Shares which could be issued under the unutilised portion of the General Mandate after adjustment mechanism being triggered; or
- (ii) the Shares held by the public (as defined in Rule 8.24 of the Listing Rules) to fall below 25%, or the numbers of the issued Shares held by the public to fall below such other minimum percentage of the total issued share capital of the Company; or
- (iii) the Bondholder and persons acting in concert with it (as defined in the Takeovers Code) being required to make a general offer to all Shareholders of the Company for all the Shares in accordance with the Takeovers Code.

Ranking:

The Conversion Shares, when allotted and issued, shall rank *pari passu* with all other Shares in issue on the date of conversion of the Convertible Bonds and the Bondholders shall be entitled in respect of its Conversion Shares to all dividends, and other distributions, interests or rights as of the record date which falls after such date of conversion of the Convertible Bonds.

Transferability:

Subject to the terms and conditions of the Convertible Bonds and compliance with the Listing Rules and other applicable laws and regulations, the Convertible Bonds may be transferred or assigned by the Bondholders in whole or in part in multiples of HK\$635,250 to any person. There is no lock-up period of or restriction on the dealings in the Conversion Shares held by the Bondholders upon conversion.

Voting Rights:

A Bondholder will not be entitled to receive notice of, attend or vote at any meeting of the Company by reason only of it being a Bondholder.

Listing:

No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.

The initial Conversion Price of HK\$0.154 per Conversion Share represents:

- (i) a premium of approximately 19.380% to the closing price of HK\$0.129 per Share as quoted on the Stock Exchange on the date of the Agreement for Sale and Purchase; and

- (ii) a premium of approximately 10.791% to the average closing price of approximately HK\$0.139 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Agreement for Sale and Purchase.

The Conversion Price was determined based on arm's length negotiations between the Parties with reference to the prevailing market prices of the Shares.

THE LOAN NOTE

The Loan Note shall be issued by the Company upon Completion to settle part of the Consideration. The terms of the Loan Note have been negotiated on an arm's length basis and the principal terms of which are summarised below:

| | |
|--------------------------|--|
| Issuer: | The Company |
| The Note Holder: | The Vendor |
| Principal Amount: | HK\$13,188,500 |
| Maturity Date: | The date immediately before the third anniversary of the date of issue of the Loan Note |
| Interest: | 4.58% per annum and be payable annually from the date of issue of the Loan Note |
| Security and Collateral: | The Loan Note is unsecured and no collateral shall be provided by the Company |
| Early Redemption: | Subject to the terms and conditions of the Loan Note, the Company shall at its absolute discretion be entitled to redeem the Loan Note in whole or in part at any time before the maturity date. |

THE SHAREHOLDERS AGREEMENT

The Company, Vendor and the Target Company will enter into a Shareholders Agreement upon Completion. The principal terms of the Shareholders Agreement are set out below:

| | |
|---------------------|---|
| Board of directors: | the board of directors of the Target Company shall consist of not more than three directors, the Vendor or its successor shall have the right to appoint up to one director and to remove or substitute such director, and the Company or its successor shall have the right to appoint up to two directors and to remove or substitute any of them |
|---------------------|---|

Shareholders:

Subject to the requirements under the Listing Rules (if any), none of the following activities or transactions shall be undertaken by the Target Company without a resolution approved at a duly convened and constituted meeting of the shareholders of the Target Company by the affirmative vote of all shareholders who were present in person or by proxy(ies) at the meeting and have voted or a resolution consented to in writing by all shareholders entitled to vote thereon:

- (a) increasing or reducing the registered capital of the Target Company;
- (b) amendment to the Articles;
- (c) setting up subsidiaries, joint venture or any other external investments;
- (d) creation of any mortgage, lien, security or other encumbrances over any assets of the Target Group otherwise than in the ordinary course of the business;
- (e) disposal of any substantial assets of the Target Group of over HK\$3,000,000;
- (f) incurring any material expenditure or liability of a capital nature of over HK\$3,000,000;
- (g) issuance by the Target Company of any shares of capital stock, and other equity securities, any right, warrant, option, pre-emptive right or other right to acquire any of the foregoing, and any security convertible into, exchangeable or exercisable for any of the foregoing; and
- (h) merger, amalgamation, demerger or any other similar reorganisation

Funding:

Subject to the requirements under the Listing Rules (if any), if the Target Company requires funding and such funding is approved by the board, the Target Company shall use all reasonable endeavours to raise such funds by way of bank borrowings. If the Target Company is unable to obtain such bank borrowings, no shareholder is obligated to give support or to provide any funding to the Target Company.

Distribution of Profits: Save where any applicable laws, the requirements under the Listing Rules (if any), or any lender of any external loan may require otherwise, all or any revenue received by member(s) of the Target Group from the business or any part thereof shall, after setting aside and making provisions for such sums as may reasonably be determined by the board of the Target Company to be necessary towards payment of future costs, charges or expenses of any nature by member(s) of the Target Group, be applied as follows:

- (a) firstly, in repayment of all the external loans and/or any liabilities due or owing or payable by any member of the Target Group to any lender of any external loan or any other third party and all interests accrued thereon;
- (b) secondly, in payment and repayment of all interests (if any) accrued on the shareholder loans;
- (c) thirdly, in repayment of all shareholder loans (if any); and
- (d) finally, the remaining balance (if any) be distributed to the shareholders in proportion to their respective shareholdings in the Target Company for the time being and in accordance with the provisions of the Articles.

INFORMATION OF THE TARGET GROUP UPON COMPLETION OF THE TARGET RESTRUCTURING

The Target Company is an investment holding company and is directly wholly-owned by the Vendor as at the date of this announcement.

The Target Restructuring

Pursuant to the terms and conditions of the Agreement for Sale and Purchase, the Target Group shall undergo the Target Restructuring which includes, among others, (i) incorporating the Target Company which shall be wholly-owned by the Vendor; (ii) incorporating the Hong Kong Company which shall be wholly-owned by the Target Company; (iii) establishing the PRC Holding which shall be wholly-owned by the Hong Kong Company; and (iv) the acquisition of all the PRC Subsidiaries by the PRC Holding. Further disclosures shall be made in the circular to be despatched by the Company.

The Target Company

The Target Company is an investment holding company incorporated in the British Virgin Islands on 5 August 2021 with limited liability. Upon completion of the Target Restructuring, the Target Company will be directly wholly-owned by the Vendor and shall directly hold the Hong Kong Company.

The Hong Kong Company

The Hong Kong Company is an investment holding company incorporated in Hong Kong on 17 September 2021 with limited liability. Upon completion of the Target Restructuring, the Hong Kong Company will be directly wholly-owned by the Target Company and shall directly hold the PRC Holding.

The PRC Holding

As at the date of this announcement, the PRC Holding has not been established. The PRC Holding will be established in the PRC with limited liability. Upon completion of the Target Restructuring, the PRC Holding will be directly wholly-owned by the Hong Kong Company and will wholly own the PRC Subsidiaries.

The PRC Subsidiaries

Each of the members of the PRC Subsidiaries is a company established in the PRC by the Vendor with limited liability.

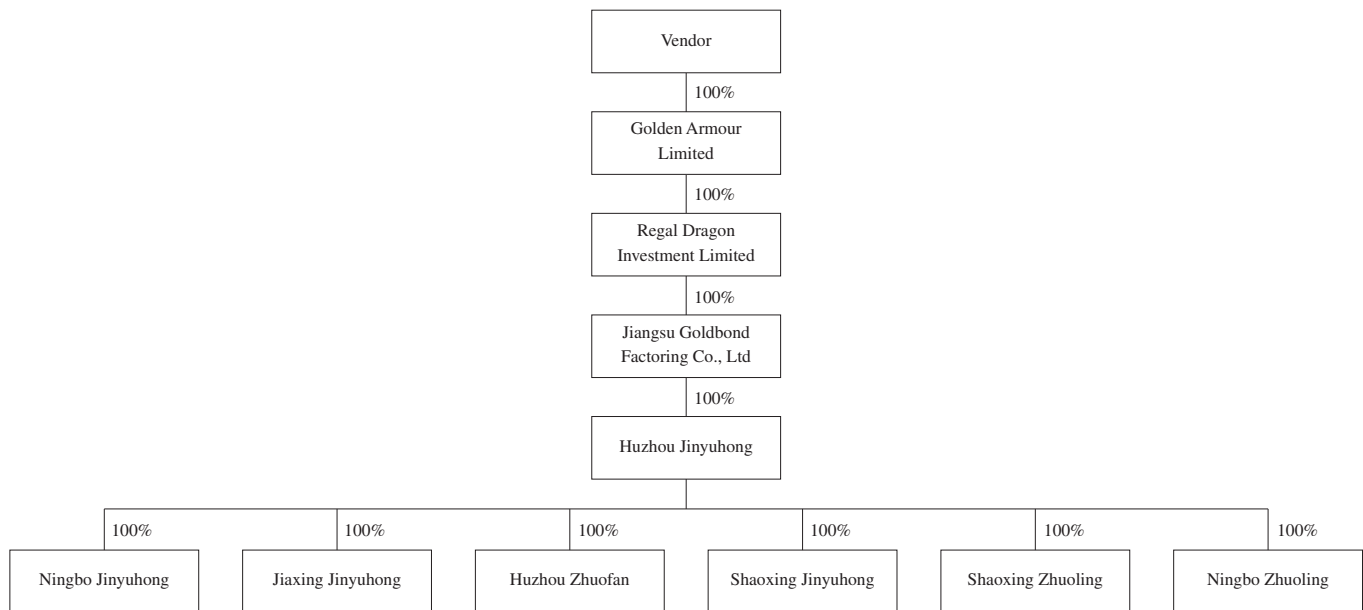
Principal businesses of the PRC Subsidiaries

The PRC Subsidiaries operating lease business is mainly conducted through Huzhou Jinyuhong. The PRC Subsidiaries established its first business of car operating lease in Huzhou, the PRC in March 2020, and in view of the strong momentum of such business, the PRC Subsidiaries have subsequently set up and expanded their operating lease business into new strategic locations in the PRC, including two locations in Ningbo in May 2020, two locations in Shaoxing in May 2020, one location in Jiaxing in September 2020, and an additional new location also in Huzhou in October 2020.

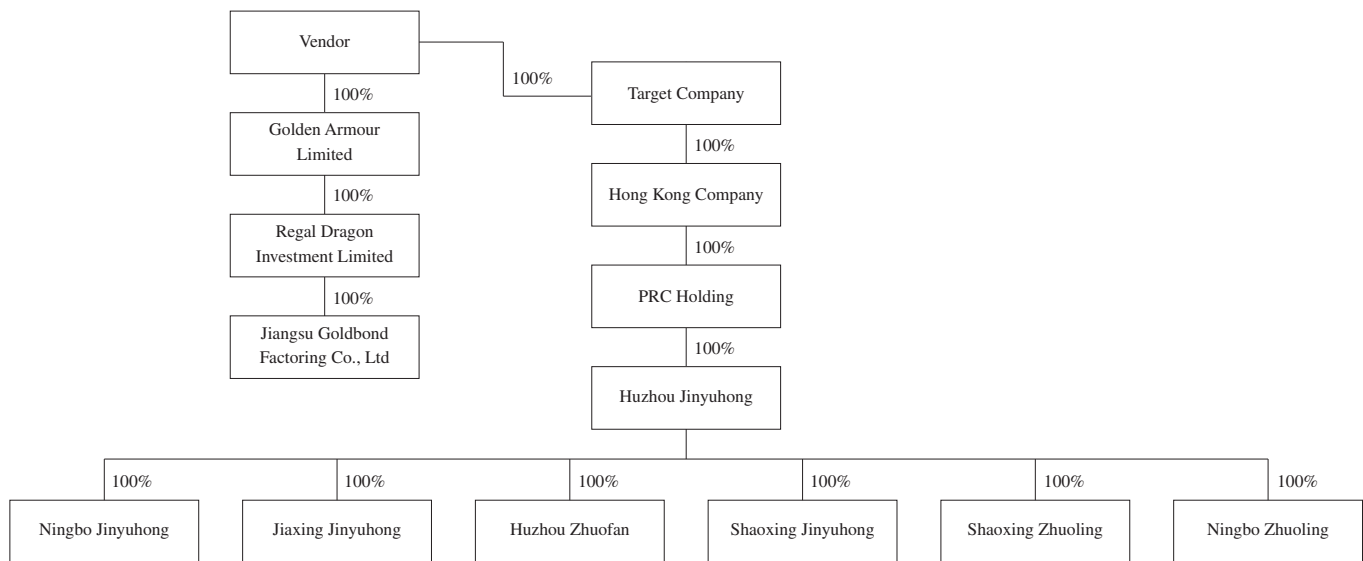
In respect of the car operating lease business, the PRC Subsidiaries (being the lessors) delivers vehicles to the end users (being the lessees) who will in return make periodic lease payments to the PRC Subsidiaries.

Set out below are the shareholding structures of (i) the PRC Subsidiaries as at the date of execution of the Agreement for Sale and Purchase; (ii) the Target Group upon completion of the Target Restructuring and immediately before Completion; and (iii) the Target Group immediately after Completion:

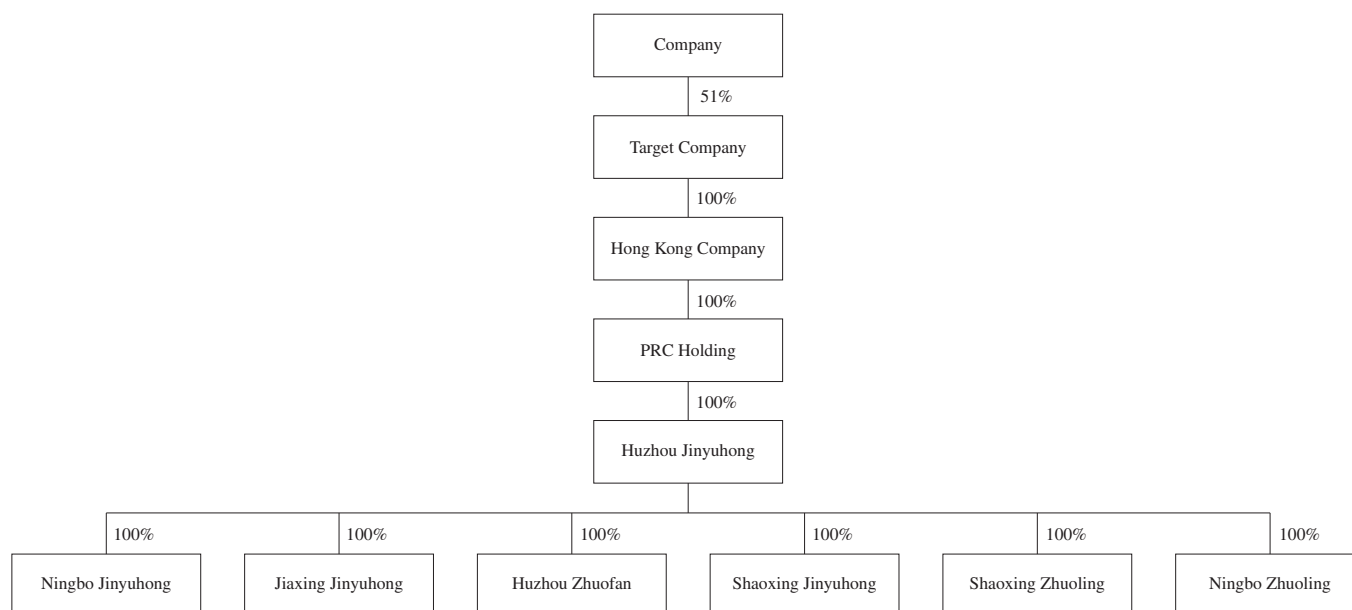
(i) the PRC Subsidiaries as at the date of execution of the Agreement for Sale and Purchase



(ii) the Target Group upon completion of the Target Restructuring and immediately before Completion



(iii) the Target Group immediately after Completion



Financial Information

Immediately upon completion of the Target Restructuring, the Target Company will indirectly hold the PRC Subsidiaries, and the PRC Subsidiaries will be accounted as subsidiaries of the Target Company and the financial results of the PRC Subsidiaries shall be consolidated into the accounts of the Target Company.

The Target Group is regarded as a continuing entity resulting from the Target Restructuring since the insertion of Target Company, Hong Kong Company and PRC Holding at the top of PRC Subsidiaries has not resulted in any change in economic substance and does not involve business combination. Set out below is the combined unaudited financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards as if the insertion of Target Company, Hong Kong Company and PRC Holding has been completed at the beginning of the relevant periods.

| | For the period since the incorporation date (23 December 2019) to 31 March 2020 ^(Note) HK\$ | For the year ended 31 March 2021 HK\$ | For the six months ended 30 September 2021 HK\$ |
|---|--|--|---|
| Net Profit/(Loss) before taxation and extraordinary items | (1,562) | 1,318,902 | 3,293,762 |
| Net Profit/(Loss) after taxation and extraordinary items | (1,562) | 1,304,733 | 3,275,630 |

Note: The unaudited financial information of the PRC Subsidiaries for the period since the incorporation date (23 December 2019) to 31 March 2020 only includes Huzhou Jinyuhong.

According to the unaudited financial information of the PRC Subsidiaries, the net asset value of the PRC Subsidiaries as of 30 September 2021 was approximately HK\$9,883,000.

Upon Completion, each of the PRC Subsidiaries will become a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the consolidated financial statements of the Group.

FUTURE FULLY EXEMPT CONNECTED TRANSACTION

Pursuant to the Loan Agreement dated 1 July 2020 and entered into between Shanghai Nanlang (a subsidiary of the Vendor) and Huzhou Jinyuhong, Shanghai Nanlang agreed to provide an unsecured loan facility up to RMB40,000,000 (equivalent to approximately HK\$47,619,000) to Huzhou Jinyuhong. The interest rate of the loan facility under the Loan Agreement is 4.5% per annum. As at the date of the announcement, the amount owed by Huzhou Jinyuhong to Shanghai Nanlang was approximately RMB25,370,000 (equivalent to approximately HK\$30,202,000). Upon Completion, Huzhou Jinyuhong will become a subsidiary of the Company and Shanghai Nanlang will become a connected person of the Company. Thus, the transactions contemplated under the Loan Agreement will constitute a connected transaction of the Company under the Listing Rules.

As the financial assistance under the Loan Agreement is provided by a connected person of the Company on normal commercial terms or better without security over the assets of the Group, it is a fully exempt connected transaction under Rule 14A.90 of the Listing Rules and is not subject to shareholders' approval, annual review and all disclosure requirements.

GENERAL MANDATE TO ISSUE THE CONVERSION SHARES

The Conversion Shares will be allotted and issued under the General Mandate. The General Mandate entitles the Directors to allot, issue and deal with 82,501,800 Shares, being 20% of the number of issued Shares of the Company at the date of the AGM and up to and including the date of this announcement. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate and the entire unutilised portion of 82,501,800 Shares is available for the issue of Conversion Shares.

As a maximum of 24,750,000 new Shares will be issued upon conversion of the Convertible Bonds (subject to adjustment), the General Mandate is sufficient for the allotment and issue of the Conversion Shares and the allotment and issue of the Conversion Shares is not subject to approval of the Shareholders. The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below are the shareholding structures of the Company (i) as at the date of this announcement; (ii) immediately after the transfer of the Fourth Tranche Transfer Shares; and (iii) immediately after the transfer of the Fourth Tranche Transfer Shares and the allotment and issue of the Conversion Shares upon the exercise of the conversion rights under the Convertible Bonds in full (assuming that the Conversion Price is HK\$0.154 per Conversion Share and there is no issue or repurchase of Shares from the date of this announcement other than the Conversion Shares):

| | As at the date of this announcement | | Immediately after the transfer of the Fourth Tranche Transfer Shares and the allotment (Note 4) | | Immediately after the transfer of the Fourth Tranche Transfer Shares and the allotment and issue of the Conversion Shares upon the exercise of the Convertible Bonds in full | |
|--|--|---------------------------|--|---------------------------|--|---------------------------|
| | Number of Shares | Approximate % (Note 5) | Number of Shares | Approximate % (Note 5) | Number of Shares | Approximate % (Note 5) |
| | Silver Creation | 43,752,347 | 10.61 | 43,752,347 | 10.61 | 43,752,347 |
| Mr. Xie Xiaoqing | | | | | | |
| – interested by Solomon Glory ^(Note 1) | 38,503,380 | 9.33 | – | – | – | – |
| – held by controlled corporation | 12,704,220 | 3.08 | 12,704,220 | 3.08 | 12,704,220 | 2.91 |
| Alpha Focus International Limited | 21,901,142 | 5.31 | 48,326,011 | 11.72 | 48,326,011 | 11.05 |
| Mr. Rozario Bobby Roberto | 1,627,508 | 0.39 | 3,591,182 | 0.87 | 3,591,182 | 0.82 |
| Ever Art Investment Limited | 2,750,806 | 0.67 | 6,069,796 | 1.47 | 6,069,796 | 1.39 |
| Forever Management Limited | 5,632,452 | 1.37 | 12,428,299 | 3.01 | 12,428,299 | 2.84 |
| Subtotal | 126,871,855 | 30.76 | 126,871,855 | 30.76 | 126,871,855 | 29.02 |
| Perfect Honour ^(Note 2) | 143,805,903 | 34.86 | 143,805,903 | 34.86 | 143,805,903 | 32.89 |
| Vendor | – | – | – | – | 24,750,000 | 5.66 |
| Ms. Michelle Wong, Ms. Jacqueline Wong and their associates ^(Note 3) | 20,234,242 | 4.91 | 20,234,242 | 4.91 | 20,234,242 | 4.63 |
| Other public Shareholders | 121,597,000 | 29.48 | 121,597,000 | 29.48 | 121,597,000 | 27.81 |
| Total | <u>412,509,000</u> | <u>100.00</u> | <u>412,509,000</u> | <u>100.00</u> | <u>437,259,000</u> | <u>100.00</u> |

Notes:

- Solomon Glory, which is a wholly-owned subsidiary of the Vendor, as lender, enforced its rights under the security of a loan agreement pursuant to which Yong Hua International Limited has charged, inter alia, its assets including but not limited to the 38,503,380 Shares held by it by way of floating charge, which was crystallised into a fixed charge. An order was subsequently issued by the High Court of Hong Kong to the effect that, among others, these charged Shares shall not be sold at a price of more than 10% discount to the average closing prices of the Shares as quoted on the Stock Exchange for the previous 10 consecutive trading days prior to the date of such sale. Although Solomon Glory has no voting right over the 38,503,380 Shares, as advised by the legal adviser of Vendor, Solomon Glory has the right to enforce the transfer of the 38,503,380 Shares in accordance with the terms and conditions under the aforesaid court order.
- The 143,805,903 Shares are held by Perfect Honour, which is a wholly-owned subsidiary of Vendor, the Shares of which are held as to approximately 30.99% by Allied Luck Trading Limited, a company wholly-owned by Allied Luck Trust, and as to approximately 26.06% by Ace Solomon Investments Limited, a company wholly-owned by Aceyork Trust. Ms. Michelle Wong and Ms. Jacqueline Wong are the beneficiaries of Allied Luck Trust and Aceyork Trust.

3. Among the 20,234,242 Shares, 10,127,176 Shares are held by Legend Crown International Limited and 10,107,066 Shares are held by Plenty Boom Investments Limited, respectively, of which the entire issued share capital of each of Legend Crown International Limited and Plenty Boom Investments Limited are held by discretionary trust whose trustee is Ace York Investment Management Limited, a company owned as to 50% by Ms. Jacqueline Wong and 50% by Ms. Michelle Wong, respectively.
4. On 26 June 2020, the Company, Alpha Focus International Limited, Mr. Rozario Bobby Roberto, Ever Art Investment Limited and Forever Management Limited entered into the sale and purchase agreement (as supplemented by the first supplemental agreement dated 29 March 2021 and the second supplemental agreement dated 29 June 2021) in relation to the acquisition of 51% of issued share of Alpha & Leader Risks and Assets Management Company Limited. The completion of the acquisition of Alpha & Leader Risks and Assets Management Company Limited took place on 25 August 2021. The consideration of HK\$32,640,000 shall be settled by (1) the transfer or procurement of transfer of existing Shares held by Shareholders namely (i) Silver Creation in the amount of 31,911,908 Shares; and (ii) Solomon Glory in the amount of 38,503,380 Shares; and (2) cash in the amount of HK\$3,831,256, at the agreed proportion by four tranches, details are disclosed in the circular of the Company dated 30 June 2021.
5. Certain percentage figures included in the above table have been subject to rounding adjustments. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures preceding them.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Diversification of the Group's business with regular revenue

Since late 2019, the global political, economic tensions and the outbreak of the novel coronavirus ("COVID-19") had caused unprecedented disruptions and catastrophes on a global scale to the Group. Since establishment, the Group has been operating primarily in the Hubei Province of the PRC and due to the outbreak of COVID-19 in Wuhan and the Hubei Province where cities have been in months of lock down since late January 2020, the Group had been forced to suspend its operation in Wuhan.

The Group has experienced diminishing revenue and operations and the on-going pandemic in PRC and its impact on economies, the management of the Group considers that a diversified business strategy instead of organic growth is a key to enhance the operations of the Group, diversify the Group's business risks, turn around its financial performance and create value for the Shareholders. Hence, in April 2021, Wenzhou Jinzhonghui has been established in the PRC, which is principally engaged in the provision of automobile operating lease services in Wenzhou, the PRC. The formation of Wenzhou Jinzhonghui is a strategic step for the Group diversify its sources of income generated from leasing services and create synergy across multiple operations.

In addition, the Board has been actively looking for acquiring businesses which create synergy to the Group and provide sustainable sources of revenue to the Group, such as the PRC Subsidiaries. The revenue generated from the PRC Subsidiaries for the period since the incorporation date (23 December 2019) to 31 March 2020, the year ended 31 March 2021 and for the six months ended 30 September 2021 were approximately HK\$ Nil, HK\$6.9 million and HK\$9.1 million respectively, showing a significant growth of the revenue and the business operation of the PRC Subsidiaries.

The automobile operating lease series fall in the same category of leasing businesses with the current finance lease business of the Group. The Group can use its existing resource like bank and other facilities, management team to further develop both leasing businesses. Compared with finance lease, the collaterals of automobile operating lease are more liquid and loan sizes are smaller, and therefore the business risk of the Group can be diversified.

The Acquisition is considered as a direct and imminent way to enhance the Group's level of operations upon Completion, the results of the Target Group would be consolidated into the results of the Group. After Completion, the Target Group is expected to continue to bring readily available revenue to the Enlarged Group in the future.

Having considered the above-mentioned benefits to the Group, the Board (excluding those Directors who have abstained from voting) believes that the terms of the Agreement for Sale and Purchase and the Acquisition are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Group is principally engaged in the provision of (i) provision of financial leasing services, including sales and leaseback leasing and direct financial leasing in Hubei Province, the PRC, (ii) provision of debt collection services and credit investigation services in the PRC, Hong Kong and Singapore and (iii) provision of automobile operating lease services in Wenzhou, the PRC.

INFORMATION OF THE VENDOR

The Vendor is an investment holding company and a company incorporated in Hong Kong with limited liability. The listing of the shares of the Vendor on the Stock Exchange has been withdrawn with effect from 2 August 2021.

The principal activities of Vendor and its subsidiaries are (i) provision of property technology services in the PRC; and (ii) the provision of financial services business including financing and finance lease services, factoring services and car operating lease services in the PRC.

As at the date of this announcement, two discretionary trusts in aggregate hold approximately 57.04% of the issued share capital of the Vendor. The trustees of these trusts were Mr. Wong Yu Lung and Mrs. Wong Fang Pik Chun and the beneficiaries of these trusts were Ms. Michelle Wong and Ms. Jacqueline Wong and their children.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) in respect of the transactions are 25% or more but less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor owns the entire issued share capital of Perfect Honour which is interested in approximately 34.86% of the issued Shares of the Company. Therefore, the Vendor is a controlling shareholder and a connected person of the Company. Therefore, the Acquisition also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to consider the terms of the Agreement for Sale and Purchase and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Agreement for Sale and Purchase and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Giraffe Capital Limited has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

The EGM will be convened and held for the Independent Shareholders to, among other things, consider and, if thought fit, (i) approve the Agreement for Sale and Purchase and the transactions contemplated thereunder; and (ii) the issue of the Convertible Bonds and the issue and allotment of the Conversion Shares arising from the conversion of the Convertible Bonds and the transactions contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Jacqueline Wong and Ms. Michelle Wong, who are each (i) interested in approximately 39.77% of the issued share capital of the Company; and (ii) beneficially own approximately 57.05% equity interest of the Vendor, and Mr. David Wong, a non-executive Director and a director and the chief executive officer of the Vendor, they are considered to have material interests in the Acquisition and therefore they have abstained from voting on the Board resolutions approving the Acquisition and the transactions contemplated thereunder. The independent non-executive Directors will express their view after considering the advice from independent financial adviser and they have abstained from voting on the Board resolutions approving the Acquisition and the transactions contemplated thereunder. Save for the aforesaid, no other Directors have abstained from voting on the said Board resolutions.

A circular containing, among other things, (i) details of the Agreement for Sale and Purchase and the transactions contemplated thereunder; (ii) the letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the transactions; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions; (iv) other information as required under the Listing Rules; and (v) a notice convening the EGM is expected to be despatched to the Shareholders on or before 16 November 2021.

As Completion is subject to fulfilment or waiver (as the case may be) of the conditions to the Agreement for Sale and Purchase, the Acquisition may or may not proceed. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition” the acquisition of the Sale Share by the Company from the Vendor pursuant to the Agreement for Sale and Purchase, at the Consideration, which will be satisfied by (i) the issue of the Convertible Bonds; and (ii) the issue of the Loan Note

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| “AGM” | the annual general meeting of the Company held on 1 September 2021 |
| “Agreement for Sale and Purchase” | the agreement for sale and purchase dated 26 October 2021 entered into among the Company and the Vendor in relation to the Acquisition |
| “Articles” | the memorandum and articles of association of the Target Company as amended from time to time and then in force |
| “Board” | the board of Directors of the Company |
| “Bondholder(s)” | holder(s) of the Convertible Bonds |
| “Business Day” | a day (other than a Saturday or Sunday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours |
| “Company” | China Rongzhong Financial Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability and registered as a non - Hong Kong Company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) whose issued Shares are listed on the Stock Exchange |
| “Completion” | completion of the Acquisition |
| “Completion Date” | means the date falling within seven Business Days after the all of the conditions precedent have been fulfilled or waived either by the Company and the Vendor |
| “Consideration” | the consideration for the Sale Shares, being HK\$17,000,000 |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Conversion Share(s)” | the new Shares to be allotted and issued by the Company upon exercise of the conversion rights under the Convertible Bonds from time to time |
| “Convertible Bonds” | the convertible bonds in aggregate principal amount of HK\$3,811,500 to be issued by the Company to the Vendor and/or its designated nominee(s) as part of the consideration for the purchase of the Sale Shares |
| “Director(s)” | the director(s) of the Company |

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| “EGM” | the extraordinary general meeting of the Company to be convened and held for the Independent Shareholders to, among other things, consider and, if though fit, approve the Acquisition, Agreement for Sale and Purchase and the transactions contemplated thereunder |
| “Enlarged Group” | collectively, the Group and the Target Group upon Completion |
| “Fourth Tranche Transfer Shares” | the fourth tranche transfer Shares in the amount of 6,591,471 which are existing Shares to be procured to transfer by Solomon Glory, for the settlement of the acquisition of 51% of issued share of capital Alpha & Leader Risks and Assets Management Company Limited on 26 June 2020, details are set out in the circular dated 30 June 2021 |
| “General Mandate” | the general mandate granted by the Shareholders of the Company at the AGM to the Directors to allot, issue and deal with a maximum of 82,501,800 Shares, being 20% of the issued capital of the Company as at the date of the AGM |
| “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 |
| “Hong Kong Company” | Harvest Well Limited, a company incorporated in Hong Kong on 17 September 2021 with limited liability and will, following completion of the Target Restructuring, be directly wholly-owned by the Company and directly hold the PRC Holding |
| “Huzhou Jinyuhong” | 湖州金寓宏汽車租賃服務有限公司 (Huzhou Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 23 December 2019 with limited liability |
| “Huzhou Zhuofan” | 湖州卓凡汽車租賃服務有限公司 (Huzhou Zhuofan Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 30 September 2020 with limited liability |
| “Independent Board Committee” | the independent committee of the Board comprising all the independent non-executive Directors to be formed for the purpose of giving recommendations to the Independent Shareholders in respect of the Acquisition |
| “Independent Third Party(ies)” | third party(ies) which is/are independent of the Company and its connected person(s) |
| “Independent Shareholders” | the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the Acquisition and the transactions contemplated thereunder |

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| “Jiaxing Jinyuhong” | 嘉興金寓宏汽車租賃服務有限公司 (Jiaxing Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 9 September 2020 with limited liability |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Note” | the loan note in aggregate principal amount of HK\$13,188,500 to be issued by the Company to the Vendor and/or its designated nominee(s) as part of the Consideration |
| “Loan Agreement” | the loan agreement dated 1 July 2020 entered into among Huzhou Jinyuhong and Shanghai Nanlang in relation to a loan facility |
| “Long Stop Date” | 30 June 2022 |
| “Ms. Jacqueline Wong” | means Ms. Wong Jacqueline Yue Yee, a non-executive Director and a controlling shareholder of the Company |
| “Ms. Michelle Wong” | means Ms. Wong Michelle Yatyee, a non-executive Director, a controlling shareholder of the Company, and a director of the Vendor |
| “Mr. David Wong” | means Mr. Wong Ming Bun David, a non-executive Director, and a director of the Vendor |
| “Ningbo Jinyuhong” | 寧波金寓宏汽車租賃服務有限公司 (Ningbo Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 27 May 2020 with limited liability |
| “Ningbo Zhuoling” | 寧波卓領汽車租賃服務有限公司 (Ningbo Zhuoling Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 23 March 2021 with limited liability |
| “Parties” | means, collectively, the Vendor and the Company, and individually, a “Party” |
| “Perfect Honour” | Perfect Honour Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor and a controlling shareholder interested in 143,805,903 Shares, representing approximately 34.86% of the issued share capital of the Company as at the date of this announcement |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, unless the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |

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| “PRC Holding” | a wholly-owned foreign enterprise to be established in the PRC by the Vendor for the purpose of holding the equity interests in the PRC Subsidiaries, upon completion of the Target Restructuring |
| “PRC Subsidiaries” | means Huzhou Jinyuhong, and its subsidiaries, comprising Ningbo Jinyuhong, Jiaxing Jinyuhong, Huzhou Zhuofan, Shaoxing Jinyuhong, Shaoxing Zhuoling and Ningbo Zhuoling, the companies established under the laws of PRC and will, following completion of the Target Restructuring, be directly wholly-owned by the PRC Holding |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Sale Shares” | 51 shares, representing 51% of the total issued share capital of the Target Company |
| “Shanghai Nanlang” | 上海南朗融資租賃有限公司(Shanghai Nanlang Finance Lease Co., Ltd.*), a company established under the laws of PRC and an indirectly owned subsidiary of the Vendor |
| “Shaoxing Jinyuhong” | 紹興金寓宏汽車租賃服務有限公司 (Shaoxing Jinyuhong Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC on 29 May 2020 with limited liability |
| “Shaoxing Zhuoling” | 紹興卓領汽車服務有限公司(Shaoxing Zhuoling Automobile Services Co., Ltd.*), a company established under the laws of PRC on 26 October 2020 with limited liability |
| “Share(s)” | ordinary share(s) in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Silver Creation” | Silver Creation Investments Limited, a company incorporated in the British Virgin Islands with limited liability and a substantial Shareholder interested in 43,752,347 Shares, representing approximately 10.61% of the issued share capital of the Company as at the date of this announcement |
| “Solomon Glory” | Solomon Glory Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Vendor, being the charge of 38,503,380 Shares (representing approximately 9.33% of the issued share capital of the Company as at the date of this announcement) which pursuant to an order issued on 13 March 2019 by The High Court of The Hong Kong Special Administrative Region, such Shares shall be sold at a price not more than 10% discount to the average closing prices of the Shares as quoted on the Stock Exchange for the previous 10 consecutive trading days prior to the date of sale of such Shares or any of them |

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| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Takeovers Code” | the Code on Takeovers and Mergers of Hong Kong |
| “Target Company” | Ultimate Harvest Global Limited, a company incorporated in the British Virgin Islands on 5 August 2021 with limited liability and a direct wholly-owned subsidiary of the Vendor, which will indirectly wholly own the PRC Subsidiaries being the subject of the Acquisition after the completion of the Target Restructuring |
| “The Target Group” | the Target Company and its subsidiaries from time to time |
| “Target Restructuring” | the restructuring of the Target Group for the purpose of rationalising the structure of the Target Group prior to Completion, comprising (i) incorporating the Target Company which shall be wholly-owned by the Vendor; (ii) incorporating the Hong Kong Company which shall be wholly-owned by the Target Company; (iii) establishing the PRC Holding which shall be wholly-owned by the Hong Kong Company; and (iv) the acquisition of all the PRC Subsidiaries by the PRC Holding |
| “Vendor” | Goldbond Group Holdings Limited, a company incorporated in Hong Kong with limited liability, the controlling shareholder of the Company as at the date of this announcement |
| “Wenzhou Jinzhonghui” | 溫州金眾匯汽車租賃服務有限公司 (Wenzhou Jinzhonghui Automobile Leasing Services Co., Ltd.*), a company established under the laws of PRC and a wholly-owned subsidiary of the Company |
| “%” | per cent. |

By order of the Board
China Rongzhong Financial Holdings Company Limited
Wong Emilie Hoi Yan
Executive Director

Hong Kong, 26 October 2021

As at the date of this announcement, the executive Director of the Company is Ms. Wong Emilie Hoi Yan; the non-executive Directors of the Company are Mr. Chen Shuai, Ms. Wong Jacqueline Yue Yee, Ms. Wong Michelle Yatyee and Mr. Wong Ming Bun David and the independent non-executive Directors of the Company are Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Yu Yang.

* For identification purpose only.

For the purpose of this announcement and for the purpose of illustration, unless otherwise specified, HK\$ amounts have been translated using the exchange rate of HK\$1.00 to RMB 0.84.