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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
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL
OF THE TARGET COMPANY AND THE SHAREHOLDER'S LOAN**

On 31 March 2022 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Purchaser conditionally agreed to acquire, and the Company conditionally agreed to sell the Sale Shares and assign the benefit and advantage of the Debt, representing the entire issued share capital of the Target Company and the entire shareholder's loan owed by the Target Company to the Company, respectively, at the Consideration of HK\$100,000 or equivalent in RMB. Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will no longer be consolidated into the Group's financial statements.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal as contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under the Listing Rules.

As of the date of this announcement, the Purchaser is a merchant who owns the entire issued share capital of each of Yong Hua, Capital Grower and Clifton Rise, which are interested in approximately 9.33%, 0.51% and 2.57% of the issued Shares, respectively and the Purchaser is a director of certain subsidiaries of the Company. Therefore, the Purchaser is a substantial Shareholder and a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and the 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 Sale and Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Shareholders on or before 26 April 2022.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the condition precedent. Therefore, the Disposal 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 31 March 2022 (after trading hours), the Company and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which, the Purchaser conditionally agreed to acquire, and the Company conditionally agreed to sell the Sale Shares and assign the benefit and advantage of the Debt, representing the entire issued share capital of the Target Company and the entire shareholder's loan owed by the Target Company to the Company, respectively, at the Consideration of HK\$100,000 or equivalent in RMB.

THE SALE AND PURCHASE AGREEMENT

Date : 31 March 2022

Parties : (i) The Company as the vendor; and
(ii) Mr. Xie Xiaoqing 謝小青, as the Purchaser

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser is interested in approximately 12.41% of the Shares and therefore a substantial Shareholder and he is a director of certain subsidiaries of the Company. Accordingly, the Purchaser is a connected person of the Company.

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

Assets to be disposed of

- (1) The Sale Shares, being the entire issued share capital of the Target Company; and
- (2) the Debt, being the entire shareholder’s loan owed by the Target Company to the Company.

Consideration and Payment Terms

The Consideration shall be HK\$100,000 or equivalent in RMB, which shall be satisfied by the Purchaser to the Company in cash upon the Completion.

The Consideration was determined after arm’s length negotiations between the Company and the Purchaser on an arm’s length basis with reference to, including without limitation, the net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) of approximately HK\$424.7 million as at 31 December 2021 and the assignment of the benefit and advantage of the Debt of approximately HK\$178.2 million as at 31 December 2021.

Condition Precedent

Completion is conditional upon and subject to the passing of the ordinary resolutions by the Independent Shareholders at the EGM to be convened and held to approve the Sales and Purchase Agreement and the transactions contemplated thereunder.

Completion

Completion shall take place within five Business Days after the condition precedent being fulfilled, or otherwise on a date mutually agreed between the Parties.

INFORMATION ON THE TARGET GROUP

The Target Company is a company established in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company. The Target Company is principally engaged in investment holding and the Target Group is principally engaged in the provision of financial leasing services in the Hubei Province of the PRC.

Financial Information of the Target Group

The unaudited consolidated financial information of the Target Group prepared in accordance with the Hong Kong Financial Reporting Standards is as follows:

| | For the year ended 31 March 2020 (unaudited) HK\$'000 | For the year ended 31 March 2021 (unaudited) HK\$'000 | For the nine months ended 31 December 2021 (unaudited) HK\$'000 |
|---------------------------------------------|--------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Net loss before tax and extraordinary items | 57,350 | 102,432 | 602 |
| Net loss after tax and extraordinary items | 57,140 | 102,432 | 602 |

The unaudited total assets and net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 31 December 2021 were approximately HK\$695.0 million and HK\$424.7 million, respectively.

Financial Effect of the Disposal and use of proceeds

Upon Completion, the Target Group will cease to be subsidiaries of the Company and the financial results, assets and liabilities of the Target Group will no longer be consolidated into the Group's financial statements. Immediately before the Disposal, certain assets and liabilities with net asset value were transferred to another subsidiary of the Company, the net liabilities excluding the assets and liabilities to be retained in the Group as at 31 December 2021 is at approximately HK\$424.7 million. Hence, the Group expects to recognize a gain on Disposal of approximately HK\$229.6 million in the financial year ending 31 March 2023, which is arrived at after adding the net liabilities of the Target Group (excluding the assets and liabilities to be retained in the Group) as at 31 December 2021 of approximately HK\$424.7 million and deducting the assignment of the benefit and advantage of the Debt of approximately HK\$178.2 million as at 31 December 2021, the cumulative exchange and statutory reserves recognised in respect of the Target Group of HK\$16.2 million as at 31 December 2021 and the direct expenses in relation to the Disposal of HK\$0.8 million from the Consideration of HK\$100,000.

The estimated gain on Disposal of approximately HK\$229.6 million is arising from the transaction with an owner in their capacity as owner of the Company and hence the Disposal is treated as an equity transaction. Hence, the estimated gain on Disposal will be treated as deemed capital contribution from a Shareholder and recognised under "other reserves" in the consolidated statement of changes in equity.

The actual gain on the Disposal to be recorded by the Company is subject to audit and may be different from the estimated amount.

The proceeds from the Disposal are expected to be used as general working capital of the Group.

INFORMATION OF THE COMPANY

The Company is an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 3963). The Group is principally engaged in the (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 the PRC.

INFORMATION OF THE PURCHASER

As of the date of this announcement, the Purchaser is a merchant who owns the entire issued share capital in each of Yong Hua, Capital Grower and Clifton Rise, which are interested of approximately 9.33%, 0.51% and 2.57% of the issued Shares, respectively and the Purchaser is a director of certain subsidiaries of the Company. Therefore, the Purchaser is a substantial Shareholder and a connected person of the Company.

Pursuant to the order dated 13 March 2019 issued by The High Court of Hong Kong, to the effect that, amongst others, Solomon Glory Limited, as lender, do recover against Yong Hua the sum of HK\$150,467,304.72 (the “Liability”). The 38,503,380 Shares held by Yong Hua charged to secure the Liability shall be sold subject to certain conditions to recover the Liability. As of the date of this announcement, the said charged Shares of Yong Hua have not been sold.

DEVELOPMENT PLAN OF THE GROUP'S PRINCIPAL BUSINESS – FINANCE LEASE

The Group focuses on the finance lease business since its establishment in 2008 and will continue to focus on the development of the finance lease business. The Disposal does not annotate that the Group shall shift its focus to other businesses. Rather, it is part of overall strategy to strengthen our ecosystem of an all-rounded enhancement of our Group's finance lease business to enhance its profitability and sustainability of the Group in the near future.

The reform of the finance lease business is mainly comprised of the following steps:

1) Enhancement in credit assessment, investigation and debt collection of the customers of finance lease

The Group conducts its debt collection services, due diligence and credit investigation services in Hong Kong, the PRC and Singapore through the acquisition of 51% of the interest of Alpha & Leader Risks and Assets Management Company Limited (“Alpha & Leader”) in 2021. Debt collection services are provided to clients with past due commercial accounts receivables ranging from 3 – 12 months. This is a non-litigation service that enables creditors to recover their past due accounts receivables through mediation and dispute resolution, rather than going through the lengthy process of litigation resulting in further commitments on legal costs and risk of non-recoverable debts. Credit investigation services are performed through established networks, databases and credit assessment system using big data analytics which in-turn generate and provide credit reports, credit scoring results and recommendations to clients prior to the entering into potential business transactions. The Group’s extensive experience in credit assessment and investigation assists the Group in performing due diligence reviews on potential leasing customers, thereby maximizing returns on leasing business returns and minimizing credit risks. The Group can also utilise its expertise in debt collection service to monitor and enhance its recoverability of the past due receivables.

2) Establishment of the operating lease business to expand network of finance lease

Finance lease and operating lease both fall under the same umbrella of leasing services, sharing many common traits in terms of a common deal sourcing network and common team execution, which involve credit review, approval process and post-lending monitoring.

Since establishment, the Group has been operating primarily in the Hubei Province of the PRC and due to the outbreak of COVID-19 pandemic in Wuhan and the Hubei Provinces, cities had been locked down for months since late January 2020, the Group was therefore forced to suspend its operation in Wuhan. The Group has experienced diminishing revenue and operations, together with the on-going COVID-19 pandemic in PRC and its impact on economies, the management of the Group considers that diversification in business strategies as well as the Group's business risks are the keys to turn around its financial performance and create value for its Shareholders. Hence, in April 2021, Wenzhou Jinzhonghui Automobile Leasing Services Co., Ltd ("Wenzhou Jinzhonghui") was 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 and the recent acquisition of the operating lease business is a natural strategic step for the Group to diversify its sources of income generated from leasing services and to diversify its business risks through more liquid assets with generally smaller loan amounts, which in turns enabling the Group to achieve synergy and benefit from the common economies of scale to achieve organic growth.

In addition, the established operating lease locations enable additional channels and a more broader network for deal sourcing for the Group to efficiently diversify and expand its finance lease business outside of Hubei Province.

3) Improving the financial position and liquidity of the Group to obtain additional financing for development of the lease business

The Disposal improves the financial position of the Group from net liabilities to net assets. For details, please refer to paragraph headed "Reason for and Benefits of the Disposal" in this announcement. The acquisition of Alpha & Leader and acquisition of the operating lease business both enhanced the profitability and cash flow of the Group, the Board considers that the Group is having an improved the ability to obtain additional funding for development of its lease business.

The Board believes that the Group's business will improve as and when the general economic environment in the PRC and the global COVID-19 pandemic gradually improves. The acquisition of Alpha & Leader and operating lease business further facilitates the development of the finance lease business in the near future, thereby further strengthens the Group's ecosystem and allowing the Group to benefit from the shared economies of scale from the acquisitions.

REASON FOR AND BENEFITS OF THE DISPOSAL

Improving the financial position and liquidity of the Group

As the Target Group recorded a net loss after tax of HK\$57.1 million, HK\$102.4 million and HK\$602,000 respectively, for the two years ended 31 March 2021 and for the nine months ended 31 December 2021, due to the global political, economic tensions and the outbreak of the novel coronavirus (“COVID-19”), the Disposal of certain non-performing and less profitable portions of the finance lease portfolio together with its liabilities of which after the Completion is expected to enhance the financial position and the liquidity of the Group. Through the Disposal, the finance cost of the Group will decrease significantly. As the revenue generated by the leasing assets of the Target Group is approximately 15% of the total revenue of the Group for the six-month ended 30 September 2021, the Disposal is expected to have minimal impact on the Group’s operations. After the Disposal, both the liquidity and the financial position of the Group will be improved and the net current liabilities position will turnaround into a net current asset position. As such, the Group will be able to leverage on its resources to expand its finance lease business with higher profitability.

The Directors are of the view that the Sale and Purchase Agreement is entered into and the Consideration is determined on normal commercial terms or better, on arm’s length basis with terms which are fair and reasonable, and in the interest of the Company and the Shareholders as a whole. 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 Disposal and the transactions contemplated thereunder. Save for the aforesaid, no other Directors had abstained from voting on the said Board resolutions.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 25% but less than 75%, the Disposal as contemplated under the Sale and Purchase Agreement constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders’ approval requirements under the Listing Rules.

As of the date of this announcement, the Purchaser is a merchant who owns the entire issued share capital of each of Yong Hua, Capital Grower and Clifton Rise, which are interested in approximately 9.33%, 0.51% and 2.57% of the issued Shares, respectively and the Purchaser is a director of certain subsidiaries of the Company. Therefore, the Purchaser is a substantial Shareholder and a connected person of the Company. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and the 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 Sale and Purchase Agreement and the transactions contemplated thereunder, and to advise the Independent Shareholders as to whether the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are on normal commercial terms or better, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve, among other matters, the Sale and Purchase Agreement and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Disposal, the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM, will be despatched to the Shareholders on or before 26 April 2022.

GENERAL

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction of the condition precedent. Therefore, the Disposal 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.

DEFINITIONS

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

| | |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Board” | the board of Directors |
| “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 |
| “Capital Grower” | Capital Grower Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Purchaser |
| “Clifton Rise” | Clifton Rise International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Purchaser |
| “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 Disposal |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |

| | |
|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Consideration” | the consideration for the Sale Shares, being the cash sum of HK\$100,000 or equivalent in Renminbi, being the consideration payable by the Purchaser to the Vendor for the purchase of the Sale Shares and the assignment of the benefit and advantage of the Debt |
| “Debt” | the amount of indebtedness from the Target Company to the Company as at the date of the Sale and Purchaser Agreement in the sum of HK\$177,925,850.34, representing the interest-free advances made by the Company to the Target Company |
| “Director(s)” | the director(s) of the Company |
| “Disposal | the disposal of the Sale Shares and the Debt by the Company to the Purchase pursuant to the Sale and Purchase Agreement, at the Consideration of HK\$100,000 or equivalent in RMB, which will be satisfied upon the Completion |
| “EGM” | an extraordinary general meeting of the Shareholders scheduled to be held for the purpose of considering, and if thought fit, approving, among other things, the Disposal |
| “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 |
| “Independent Shareholders” | the Shareholders who, under the Listing Rules, are not required to abstain from voting for the resolutions approving the Disposal and the transactions contemplated thereunder |
| “Independent Third Party(ies)” | third party(ies) which is/are independent of the Company and its connected person(s) |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Parties” | collectively, the Company and the Purchaser, and individually, a “Party” |
| “PRC” | the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Purchaser” | Mr. Xie Xiaoqing 謝小青 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |

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| “Rongzhong HK” | Rongzhong International Finance Lease Holdings Limited (融眾國際融資租賃集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company immediately before the Completion |
| “Rongzhong PRC” | Rongzhong International Financial Leasing Co., Ltd.* (融眾國際融資租賃有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company immediately before the Completion |
| “Sale and Purchase Agreement” | the agreement for sale and purchase dated 31 March 2022 entered into between the Purchaser and the Company in relation to the Disposal |
| “Sale Shares” | 104,422 shares of the Target Company, representing 100% of the total issued share capital of the Target Company |
| “Share(s)” | ordinary share(s) in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Target Company” | Rongzhong Capital Holdings Limited* (融眾資本集團有限公司), a company incorporated in British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company immediately before the Completion |
| “Target Group” | Target Company, Rongzhong HK and Rongzhong PRC |
| “Yong Hua” | Yong Hua International Limited, a company incorporated in the British Virgin Islands with limited liability and wholly owned by the Purchaser |
| “%” | per cent. |

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

Hong Kong, 31 March 2022

As at the date of this announcement, the executive Director is Ms. Wong Emilie Hoi Yan; the non-executive Directors 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 are Mr. Lie Chi Wing, Mr. Ng Wing Chung Vincent and Mr. Yu Yang.

* for identification purposes only