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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)**

**MAJOR TRANSACTION  
DISPOSAL OF 100% EQUITY INTEREST IN A SUBSIDIARY**

**THE DISPOSAL**

The Board hereby announces that on 31 May 2023 (after trading hours), the Company (as the vendor), the Purchaser (as the purchaser) and the Target Company (as the target company) entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% equity interest in the Target Company at a total consideration of RMB800,022,227.32 in cash. Upon completion of the Disposal, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group.

**LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

**EGM AND DESPATCH OF CIRCULAR**

The Disposal will be subject to the approval by Shareholders at the EGM. The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Equity Transfer Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Disposal; (ii) notice of the EGM; and (iii) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 June 2023, as more time is needed for the Company to finalize the contents therein.

**Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed "Equity Transfer Agreement - Conditions precedent" in this announcement, and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.**

## INTRODUCTION

The Board hereby announces that on 31 May 2023 (after trading hours), the Company (as the vendor), the Purchaser (as the purchaser) and the Target Company (as the target company) entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% equity interest in the Target Company at a total consideration of RMB800,022,227.32 in cash.

## EQUITY TRANSFER AGREEMENT

### Date

31 May 2023 (after trading hours)

### Parties

- (1) the Company (as the vendor);
- (2) the Purchaser (as the purchaser); and
- (3) the Target Company (as the target company).

### Subject matter

Pursuant to the terms of the Equity Transfer Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, 100% equity interest in the Target Company.

### Consideration

The consideration for the Disposal is RMB800,022,227.32, which was determined by the parties to the Equity Transfer Agreement after arm's length negotiations, comprising (i) the net assets value of the Target Company as of the Valuation Benchmark Date, being RMB791,222,227.32 (the "**net assets value as of the Valuation Benchmark Date**") and (ii) increased amount of net assets value as of the Valuation Benchmark Date, being RMB8,800,000 (the "**increased amount of net assets value**"). Details of the basis of the consideration for the Disposal are as follows:

- (1) as of 31 May 2023, being the Valuation Benchmark Date, based on the unaudited financial statements of the Target Company, the net assets value of the Target Company is RMB791,222,227.32, comprising amount of other receivables/internal transactions of the Target Company representing approximately 99.88% of the net assets value of the Target Company;

Income and expenses arising from the necessary operations of the Target Company during the period from Valuation Benchmark Date to the date of Completion may have an impact on the net assets value of the Target Company as of the date of Completion, which in turn may have a minor impact on the total consideration for the Disposal. The Purchaser will engage an accounting firm to review the financial statements of the Target Company as of the date of Completion.

- (2) business scope of the Target Company: The Target Company is licensed to perform internet operations, covering small loan business (online), bill discount business (illegal fundraising, absorbing public capital and other financial activities are prohibited), loan acceptance and loan extension by internet information technology. The Purchaser shall pay the increased amount of net assets value as determined upon arm's length negotiations.

The consideration for the Disposal shall be payable by the Purchaser in five tranches in the following manner:

- (1) first tranche payment: RMB4,400,000, being 50.0% of the increased amount of net assets value as of the Valuation Benchmark Date, within one business day upon the fulfillment or waiver of the relevant conditions precedent;
- (2) second tranche payment: RMB3,900,000, being approximately 44.3% of the increased amount of net assets value, within one business day upon the fulfillment or waiver of the relevant conditions precedent;
- (3) third tranche payment: RMB5,000,000, being approximately 0.63% of the net assets value as of the Valuation Benchmark Date, within one business day upon the fulfillment or waiver of the relevant conditions precedent;
- (4) fourth tranche payment: approximately RMB786,222,227.32, being approximately 99.37% of the net assets value as of the Valuation Benchmark Date, being the amount of net assets value less the amount paid in the third tranche payment. As explained in "Consideration (1)", the amount of fourth tranche payment may slightly vary from the aforementioned amount due to the operating income received and expenses incurred by the Target Company during the period from Valuation Benchmark Date to the date of Completion.

- (5) fifth tranche payment: RMB500,000, being 5.7% of the increased amount of net assets value, upon the fulfillment or waiver of the relevant conditions precedent, no later than 31 December 2023 or such later date as may be agreed by the parties.

Please refer to the section below headed “Equity Transfer Agreement- Conditions precedent” for details of the conditions precedent for each tranche payment.

### **Conditions precedent**

The first tranche payment of the consideration for the Disposal is subject to the following conditions precedent:

- (1) the Disposal being approved at the general meeting of the Company and legally valid documents in respect of the resolutions passed at the general meeting of the Company having been issued;
- (2) matters relating to the transfer of equity interest in the Target Company having been approved in writing by the Sichuan Financial Bureau\* (四川省金融局) (if necessary), Chengdu Financial Bureau\* (成都市金融局) and other financial regulatory authorities (if necessary); and
- (3) the Company having issued a letter to the Purchaser confirming that all conditions precedent in respect of the first tranche payment have been satisfied and the Purchaser having confirmed in writing.

The second tranche payment of the consideration for the Disposal is subject to the following conditions precedent:

- (1) the Company and the Target Company having completed the registration or filing procedures for industrial and commercial changes involved in the Disposal, such as changes in directors, supervisors, general managers, legal representatives, names, shareholding and articles of association, and having obtained the replacement business license issued by the State Administration for Market Regulation\* (市場監督管理局) in respect of the aforesaid changes;
- (2) the Company and the Target Company having completed the transfer of documents

or items set out in the list of assets to be transferred as signed and confirmed by the parties; and

- (3) the Company having issued a letter to the Purchaser confirming that all conditions precedent in respect of the second tranche payment have been satisfied and the Purchaser having confirmed in writing.

The third tranche payment of the consideration for the Disposal is subject to the following conditions precedent:

- (1) the Company having transferred accounts payable amounting to not less than RMB5,000,000 to the bank account of the Target Company as specified by the Purchaser; and
- (2) the Company having issued a letter to the Purchaser confirming that all conditions precedent in respect of the third tranche payment have been satisfied and the Purchaser having confirmed in writing.

The fourth tranche payment of the consideration for the Disposal is subject to the following conditions precedent:

- (1) the Purchaser having cooperated in the opening of a joint account in the name of the Target Company and such joint account having been approved by the Company and the Purchaser (the “**Joint Account**”);
- (2) prior to each payment by the Purchaser under the fourth tranche payment of the consideration, the Company having paid an equivalent amount as accounts payable to the Joint Account (for the avoidance of doubt, as the last payment of the accounts payable to the Joint Account shall be adjusted according to the net assets value of the Target Company as at the date of Completion and the amount of cash in the accounts of the Target Company one business day prior to the date of Completion, there is a possibility that the amount of accounts payable by the Company will be less than or equivalent to the fourth tranche payment of the consideration by the Purchaser to the Company);
- (3) the accountant having issued a valuation report in respect of the Completion for the period from the Valuation Benchmark Date to the date of Completion setting out the net assets value of the Target Company as at the date of Completion; and

- (4) the Company having issued a letter to the Purchaser confirming that all conditions precedent in respect of the fourth tranche payment have been satisfied and the Purchaser having confirmed in writing; and
- (5) the Company shall pay the difference among the following three items to the Target Company no later than 29 September 2023: (i) the net assets value of the Target Company as at the date of Completion; (ii) the third tranche payment, being RMB5,000,000; and (iii) the amount of cash in the accounts of the Target Company one business day prior to the date of Completion.

The fifth tranche payment of the consideration for the Disposal is subject to the following conditions precedent:

- (1) the first to fourth tranche payments of the consideration having been made to the Purchaser; and
- (2) the Company having issued a letter to the Purchaser confirming that all conditions precedent in respect of the fifth tranche payment have been satisfied and the Purchaser having confirmed in writing.

Unless otherwise agreed between the Company and the Purchaser, the condition precedents of the first to fourth tranche payments of the consideration shall be satisfied no later than 30 October 2023. The first to fourth tranche payments of the consideration shall be paid no later than 31 October 2023 (inclusive), unless other payment proposals are put forward by the Purchaser.

Unless otherwise proposed by the Purchaser, in the event the conditions precedents fail to be satisfied by the Company, resulting in the Purchaser being unable to complete the first to fourth tranche payments of the Consideration on or before 31 October 2023, the Purchaser shall have the right to terminate the Equity Transfer Agreement and any other related transaction documents (if any). The Company shall return the entire amount of any consideration paid by the Purchaser to the Company and shall be liable for actual and foreseeable losses to the Purchaser.

## **Completion**

The Disposal shall be completed on the date of completion of the relevant matters of the Target

Company in relation to the Equity Transfer Agreement, being the completion of the relevant matters as set out in item (1) of the conditions precedent of the second tranche payment of the Consideration, and the date of replacement of the business license of the Target Company by the State Administration for Market Regulation.

The table below sets out the registered capital and shareholding of the shareholders of the Target Company (i) as at the date of entering into the Equity Transfer Agreement; and (ii) immediately upon completion of the Disposal:

Name of shareholder	As at the date of entering into the Equity Transfer Agreement		Immediately upon completion	
	Registered capital	Shareholding	Registered capital	Shareholding
	(RMB)	(%)	(RMB)	(%)
The Company	700,000,000	100	-	-
The Purchaser	-	-	700,000,000	100
Total	<u>700,000,000</u>	<u>100</u>	<u>700,000,000</u>	<u>100</u>

Upon completion of the Disposal, the Company will cease to hold any equity interest in the Target Company, and the financial results of the Target Company will no longer be consolidated in the consolidated financial statements of the Group.

## INFORMATION ON THE PARTIES

### Information on the Target Company

The Target Company was established in the PRC on 19 May 2009. It mainly engages in small loan business (online), bill discount business (illegal fundraising, absorbing public capital and other financial activities are prohibited), loan acceptance and loan extension by internet information technology. As of the date of this announcement, both of its registered capital and paid-up registered capital amount to RMB700,000,000.

Based on its management accounts prepared in accordance with accounting principles generally accepted in the PRC, the audited net profit/(loss) before taxation and the audited net profit/(loss) after taxation of the Target Company for each of the financial years ended 31 December 2021 and 2022 are as follows:

	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
	RMB'000 (Audited )	RMB'000 (Audited)
Net profit/(loss) before taxation	53,295.81	(482.39)
Net profit/(loss) after taxation	44,607.61	(1,411.29)

As of 31 December 2022, the audited net assets of the Target Company amounted to RMB791,120,969.6.

### **Information on the Company**

The Company is a nationwide inclusive financial service provider approved by the State Administration for Industry and Commerce of China. It is the first national inclusive financial service group listed on the Stock Exchange in China, and it focuses on providing diversified and comprehensive financial services for domestic small, medium and micro enterprises and individuals. The Group continues to maintain a national leading position in terms of business scale, institutional layout, professional team, risk control technology and service standards.

### **Information on the Purchaser**

The Purchaser is a foreign-invested enterprise established in Jiading District, Shanghai in 2019 with a registered capital of RMB1,200,000,000. It is mainly engaged in providing supply chain services such as inspection and identification of goods (including but not limited to apparel, shoes, hats and bags), warehousing, logistics and transportation channels to e-commerce platforms, resident merchants and consumers. As its shareholder, De Jia Wu (HONGKONG) Limited, holds the entire equity interest of the purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Purchaser and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

### **FINANCIAL IMPACT OF THE DISPOSAL AND USE OF PROCEEDS**

Following completion of the Disposal, the Company expects to record a gain of RMB8,800,000 based on the net assets value of the Target Company taking into account its shareholding in the Target Company as at the Valuation Benchmark Date. The gain (after deducting related expenses and costs) will be used by the Group in its business development and general working capital.



## **REASONS AND BENEFITS OF THE DISPOSAL**

The Disposal is beneficial to the Group in further optimizing its business segments, and will facilitate better utilization of the Group's financial resources in other financial services businesses and strengthen the Group's cash position.

The Disposal will not have a significant impact on the operations of the Company.

The Directors consider that the terms of the Equity Transfer Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the Equity Transfer Agreement exceeds 25% but all applicable percentage ratios are less than 75%, the Disposal constitutes a major transaction for the Company and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

## **EGM AND DESPATCH OF CIRCULAR**

The Disposal will be subject to the approval by Shareholders at the EGM. The EGM will be held by the Company for the Shareholders to consider, and if thought fit, pass the resolutions to approve the Equity Transfer Agreement and the transactions contemplated thereunder. A circular containing, among other things, (i) details of the Disposal; (ii) notice of the EGM; and (iii) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 30 June 2023, as more time is needed for the Company to finalize the contents therein.

## DEFINITIONS

*Unless the context requires otherwise, the following terms in this announcement shall have the following meanings:*

“Board” or “Board of Directors”	the board of Directors
“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, the H Shares of which are listed and traded on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Target Company by the Company to the Purchaser pursuant to the Equity Transfer Agreement
“EGM”	an extraordinary general meeting of the Company to be convened and held for the purposes of, among other matters, considering and, if thought fit, approving the Equity Transfer Agreement and the transactions contemplated thereunder
“Equity Transfer Agreement”	the conditional equity transfer agreement dated 31 May 2023 entered into by the Company, the Purchaser and the Target Company in relation to the Disposal
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
"increased amount of net assets value"	has the meaning ascribed to it under the section headed "Equity Transfer Agreement - Consideration"
“Joint Account”	has the meaning ascribed to it under the section headed "Equity Transfer Agreement - Conditions precedent"
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

"net assets value as of the Valuation Benchmark Date"	has the meaning ascribed to it under the section headed "Equity Transfer Agreement - Consideration"
"PRC"	the People's Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan)
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as amended, supplemented or otherwise modified from time to time
"Purchaser"	Duyu (Shanghai) Information Services Co., Ltd.* ( 賭煜 (上海) 信息服務有限公司 ), a foreign-invested enterprise established in Jiading District, Shanghai in 2019
"RMB"	Renminbi, the lawful currency of the PRC. Unless otherwise stated, amounts set out in this announcement are in RMB
"Shareholders"	shareholders of the Company
"Shares"	Domestic Shares and H Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Sichuan Hanhua Micro-credit Co., Ltd.* (四川瀚華小額貸款有限公司), a company established in the PRC and a direct wholly-owned subsidiary of the Company prior to the Disposal
"Valuation Benchmark Date"	31 May 2023
"%"	per cent

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

Chongqing, the PRC, 31 May 2023

*As at the date of this announcement, the executive directors of the Company are Mr. ZHANG Jun, Mr. ZHANG Guoxiang and Mr. CUI Weilan; the non-executive directors of the Company are 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. CAO Ziwei, Mr. LI Wei, Mr. HU Yuntong and Mr. XU Hongcai.*

*\*For identification purpose only*