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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)

DISCLOSEABLE TRANSACTIONS
RESTRUCTURING OF FINANCE LEASE ARRANGEMENT

Reference is made to the announcement (the “Announcement”) of China Rongzhong Financial Holdings Company Limited (the “Company”, and together with its subsidiaries, the “Group”) dated 22 February 2016 in respect of the entering into the Finance Lease Supplemental Agreement II dated 20 February 2016. Unless otherwise defined, the capitalized terms used herein shall have the same meaning as those defined in the Announcement.

BACKGROUND INFORMATION

On 25 February 2013, Rongzhong PRC entered into the Finance Lease Agreement with the Lessee pursuant to which Rongzhong PRC agreed to purchase the Equipment from the Lessee at a contract amount of approximately RMB200.0 million (equivalent to approximately HK\$224.7 million) and to lease the Equipment back to the Lessee for a term of thirty-six (36) months. On 16 March 2015, Rongzhong PRC entered into the Finance Lease Supplemental Agreement I with the Lessee pursuant to which Rongzhong PRC agreed to change certain repayment plan under the Finance Lease Agreement. On 20 February 2016, Rongzhong PRC entered into the Finance Lease Supplemental Agreement II with the Lessee pursuant to which Rongzhong PRC agreed to extend the lease term under the Finance Lease Agreement for twelve (12) months (from 36 months to 48 months).

THE THREE PARTIES AGREEMENT

On 8 December 2016, Rongzhong PRC entered into the Three Parties Agreement with the Lessee and the New Lessee, pursuant to which, amongst other things, each of Rongzhong PRC, the Lessee and the New Lessee agreed that, the rights and obligations (including the right to lease the Equipment, the title and ownership of the Equipment, the right to recover the Equipment and the obligation of lease payment) under each of the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II are transferred from the Lessee to the New Lessee with effect from 1 January 2016. In addition, the Lessee agreed to provide guarantee to Rongzhong PRC for the satisfaction of any and all of the liabilities of the New Lessee under each of the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II.

THE FINANCE LEASE AGREEMENT 2016

Pursuant to the Three Parties Agreement, on 8 December 2016, Rongzhong PRC and the New Lessee entered into the Finance Lease Agreement 2016 pursuant to which Rongzhong PRC agreed to purchase the Equipment from the New Lessee at a contract amount of approximately RMB200.0 million (equivalent to approximately HK\$224.7 million) and to lease the Equipment back to the New Lessee for a term of one hundred and twenty (120) months with a total future lease payment of approximately RMB239.7 million (equivalent to approximately HK\$269.3 million), inclusive of interest, for such lease period. The book value of the Equipment as of April 2016 is approximately RMB201.0 million (equivalent to approximately HK\$225.8 million). The agreed security deposit is approximately RMB70.0 million (equivalent to approximately HK\$78.7 million).

THE GUARANTEE AGREEMENTS

On 8 December 2016, Rongzhong PRC and each of the Corporate Guarantor I, Corporate Guarantor II, Corporate Guarantor III, Corporate Guarantor IV (collectively, the “Corporate Guarantors”) and the Lessee entered into the Corporate Guarantee Agreement I, the Corporate Guarantee Agreement II, the Corporate Guarantee Agreement III, the Corporate Guarantee Agreement IV and the Corporate Guarantee Agreement V (collectively, the “Corporate Guarantee Agreements”), respectively, to secure due payment of the lease payments by the New Lessee to Rongzhong PRC. Furthermore, on 8 December 2016, Rongzhong PRC and the Beneficial Owner entered into the Beneficial Owner Guarantee Agreement to secure due payment of the lease payments by the New Lessee to Rongzhong PRC.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Transaction Documents is more than 5% but all of them are less than 25%, the transactions contemplated under the Transaction Documents constitute discloseable transactions of the Company and are therefore subject to the announcement requirement in Chapter 14 of the Listing Rules.

BACKGROUND INFORMATION

On 25 February 2013, Rongzhong PRC entered into the Finance Lease Agreement with the Lessee pursuant to which Rongzhong PRC agreed to purchase the Equipment from the Lessee at a contract amount of approximately RMB200.0 million (equivalent to approximately HK\$224.7 million) and to lease the Equipment back to the Lessee for a term of thirty-six (36) months. On 16 March 2015, Rongzhong PRC entered into the Finance Lease Supplemental Agreement I with the Lessee pursuant to which Rongzhong PRC agreed to change certain repayment plan under the Finance Lease Agreement. On 20 February 2016, Rongzhong PRC entered into the Finance Lease Supplemental Agreement II with the Lessee pursuant to which Rongzhong PRC agreed to extend the lease term under the Finance Lease Agreement for twelve (12) months (from 36 months to 48 months).

THE THREE PARTIES AGREEMENT

On 8 December 2016, Rongzhong PRC entered into the Three Parties Agreement with the Lessee and the New Lessee, pursuant to which, amongst other things, each of Rongzhong PRC, the Lessee and the New Lessee agreed that the rights and obligations (including the right to lease the Equipment, the title and ownership of the Equipment, the right to recover the Equipment and the obligation of lease payment) under each of the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II are transferred from the Lessee to the New Lessee with effect from 1 January 2016. In addition, the Lessee agreed to provide guarantee to Rongzhong PRC for the satisfaction of any and all of the liabilities of the New Lessee under each of the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II. The material terms of the Three Parties Agreement have been summarized as follows:

Date of contract:

8 December 2016

Parties:

Rongzhong PRC, the Lessee and the New Lessee

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Lessee and the New Lessee and their ultimate beneficial owners are Independent Third Parties.

Principal terms:

The rights and obligations (including the right to lease the Equipment, the title and ownership of the Equipment, the right to recover the Equipment and the obligation of lease payment) under each of the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II are transferred from the Lessee to the New Lessee with effect from 1 January 2016.

The Lessee agreed to provide guarantee to Rongzhong PRC for the satisfaction of any and all of the liabilities of the New Lessee under each of the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II.

Rongzhong PRC and the New Lessee agreed that:

The amended lease period commences from 1 June 2016 to 31 May 2026.

The net amount of the finance lease receivable is approximately RMB130.0 million (equivalent to approximately HK\$146.1 million).

Other changes to the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II shall be evidenced by the entering into the Finance Lease Agreement 2016 between Rongzhong PRC and the New Lessee.

The outstanding lease payment of approximately RMB2.6 million (equivalent to approximately HK\$2.9 million) for the period from 1 January 2016 to 31 May 2016 (the “Outstanding Lease Payment”) is to be payable by the New Lessee to Rongzhong PRC.

Upon the satisfaction of any and all obligations under the Finance Lease Agreement 2016 by the New Lessee, Rongzhong PRC will urge the Lessee to cooperate unconditionally in the transfer of title and ownership of the Equipment from the Lessee to the New Lessee. Should tax liabilities arise in relation to the lease payment under the sale-and-lease-back arrangement, such tax liabilities shall be borne by Rongzhong PRC.

THE FINANCE LEASE AGREEMENT 2016

Pursuant to the Three Parties Agreement, on 8 December 2016, Rongzhong PRC and the New Lessee entered into the Finance Lease Agreement 2016 pursuant to which Rongzhong PRC agreed to purchase the Equipment from the New Lessee at a contract amount of approximately RMB200.0 million (equivalent to approximately HK\$224.7 million) and to lease the Equipment back to the New Lessee for a term of one hundred and twenty (120) months with a total future lease payment of approximately RMB239.7 million (equivalent to approximately HK\$269.3 million), inclusive of interest, for such lease period. The book value of the Equipment as of April 2016 is approximately RMB201.0 million (equivalent to approximately HK\$225.8 million). The agreed security deposit is approximately RMB70.0 million (equivalent to approximately HK\$78.7 million) and such amount shall be excluded in the calculation of the lease payments. In accordance with the relevant accounting standards, the amount of finance lease receivable recognized by the Company on the inception date will be approximately RMB130.0 million (equivalent to approximately HK\$146.1 million). The material terms of the Finance Lease Agreement 2016 have been summarized as follows:

Date of contract:

8 December 2016

Parties:

Lessor: Rongzhong PRC

Lessee: New Lessee

Lease payments:

The aggregate lease payments payable in ten annual payments on the 31st day of May starting in the year 2017 by the New Lessee to Rongzhong PRC over the lease period is approximately RMB239.7 million (equivalent to approximately HK\$269.3 million), which includes a total interest of approximately RMB39.7 million (equivalent to approximately HK\$44.6 million), calculated at the PBOC Rate of compatible maturity period. In accordance with the relevant accounting standards, the amount of finance lease receivable recognized by Rongzhong PRC on the inception date will be approximately RMB130.0 million (equivalent to approximately HK\$146.1 million).

Security deposit:

The security deposit of approximately RMB70.0 million (equivalent to approximately HK\$78.7 million) will be offset against part of the contract amount. The security deposit bears no interest and will be applied to make up part of the total future lease payments during the lease period.

Equipment ownership:

During the lease period, the ownership of the Equipment will be vested in Rongzhong PRC. Subject to the New Lessee having duly and fully performed all of its obligations under the Finance Lease Agreement 2016, Rongzhong PRC will transfer the ownership of the Equipment back to the New Lessee at nil consideration upon the expiry of Finance Lease Agreement 2016.

THE CORPORATE GUARANTEE AGREEMENTS

On 8 December 2016 Rongzhong PRC, the New Lessee and each of the Corporate Guarantor I, Corporate Guarantor II, Corporate Guarantor III, Corporate Guarantor IV and the Lessee entered into the Corporate Guarantee Agreement I, the Corporate Guarantee Agreement II, the Corporate Guarantee Agreement III, the Corporate Guarantee Agreement IV and Corporate Guarantee Agreement V, respectively, to secure due payment of the lease payments by the New Lessee to Rongzhong PRC. The material terms of the Corporate Guarantee Agreements have been summarized below (unless otherwise specified, the terms of the Corporate Guarantee Agreements are identical):

Date of contracts:

8 December 2016

Parties:

Lessor: Rongzhong PRC

Lessee: New Lessee

Guarantor: each of the Corporate Guarantor I, Corporate Guarantor II, Corporate Guarantor III, Corporate Guarantor IV and the Lessee

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, each of the Corporate Guarantors and their respective ultimate beneficial owners are Independent Third Parties.

Guarantee period

Expires two (2) years upon the expiration of the Finance Lease Agreement 2016.

Scope of guarantee

Each of the Corporate Guarantors and the Lessee agreed in each of the Corporate Guarantee Agreements, respectively, to undertake guarantee, on a joint and several basis, to satisfy any and all of the liabilities of the New Lessee under the Finance Lease Agreement 2016.

Further protective covenants

Each of Corporate Guarantor I, Corporate Guarantor II, Corporate Guarantor III, Corporate Guarantor IV and the Lessee further agreed in each of the Corporate Guarantee Agreements, respectively, to give certain protective covenants in favour of Rongzhong PRC, including an obligation to obtain the prior written consent of Rongzhong PRC if it intends to transfer up to 50% or above of its total assets, an obligation to inform Rongzhong PRC 30 days in advance and obtain written consent from Rongzhong PRC in case of merger, reorganisation or other major changes in its shareholdings structure and an obligation to obtain written consent from Rongzhong PRC if it intends to provide guarantee to any third party with its cumulative guarantee liabilities in excess of 70% of its net asset value as shown in its latest financial statements.

THE BENEFICIAL OWNER GUARANTEE AGREEMENT

On 8 December 2016, Rongzhong PRC and the Beneficial Owner entered into the Beneficial Owner Guarantee Agreement, to secure due payment of the lease payments by the New Lessee to Rongzhong PRC under the Finance Lease Agreement 2016. The material terms of the Beneficial Owner Guarantee Agreement have been summarized as follows:

Date of contract:

8 December 2016

Parties:

Lessor: Rongzhong PRC

Guarantor: Beneficial Owner

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Beneficial Owner is an Independent Third Party.

Guarantee period

Expires two (2) years upon the expiration of the Finance Lease Agreement 2016.

Scope of guarantee

The Beneficial Owner agreed in the Beneficial Owner Guarantee Agreement to undertake personal guarantee, on a joint and several basis, to satisfy any and all of the liabilities of the New Lessee under the Finance Lease Agreement 2016.

REASONS FOR, AND BENEFITS OF, THE TRANSACTIONS

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial leasing services.

Each of the Lessee, the Corporate Guarantor I, Corporate Guarantor II and Corporate Guarantor III is principally engaged in the business of manufacturing of special steel, mold and special steel production equipment.

Each of the New Lessee and the Corporate Guarantor IV is principally engaged in the business of the various equipment production for sintering room, coal injection workshop, cast iron workshop, steam power generation and nitrogen stations and other facilities of mining, smelting, casting, forging, and spare parts manufacturing.

The terms of the Three Parties Agreement, the Finance Lease Agreement 2016, each of the Corporate Guarantee Agreements and the Beneficial Owner Guarantee Agreement were determined after arm's length negotiation between the relevant parties and Rongzhong PRC respectively.

As at the date of this announcement, the Outstanding Lease Payment had been paid to Rongzhong PRC by the New Lessee. Having regard to alternative collection avenues available in relation to the Restructured Amount, the financial circumstances of the Lessee and the overall economic environment, the Directors consider that the terms of the Transaction Documents are fair and reasonable and are in the best interest of the Company and its Shareholders as a whole.

LISTING RULE IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the Transaction Documents is more than 5% but all of them are less than 25%, the transactions contemplated under the Transaction Documents constitute discloseable transactions of the Company and are therefore subject to the announcement requirement in Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Beneficial Owner”	an individual holding approximately 81.69% interest of the Lessee and, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
“Beneficial Owner Guarantee Agreement”	the guarantee agreement entered into between Rongzhong PRC and the Beneficial Owner on 8 December 2016 pursuant to which the Beneficial Owner agreed to provide certain guarantees to Rongzhong PRC

“Corporate Guarantee Agreement I”	the guarantee agreement entered into between Rongzhong PRC, the New Lessee and the Corporate Guarantor I on 8 December 2016 pursuant to which the Corporate Guarantor I agreed to provide certain guarantees to Rongzhong PRC
“Corporate Guarantee Agreement II”	the guarantee agreement entered into between Rongzhong PRC, the New Lessee and the Corporate Guarantor II on 8 December 2016 pursuant to which the Corporate Guarantor II agreed to provide certain guarantees to Rongzhong PRC
“Corporate Guarantee Agreement III”	the guarantee agreement entered into between Rongzhong PRC, the New Lessee and the Corporate Guarantor III on 8 December 2016 pursuant to which the Corporate Guarantor III agreed to provide certain guarantees to Rongzhong PRC
“Corporate Guarantee Agreement IV”	the guarantee agreement entered into between Rongzhong PRC, the New Lessee and the Corporate Guarantor IV on 8 December 2016 pursuant to which the Corporate Guarantor IV agreed to provide certain guarantees to Rongzhong PRC
“Corporate Guarantee Agreement V”	the guarantee agreement entered into between Rongzhong PRC, the New Lessee and the Lessee on 8 December 2016 pursuant to which the Lessee agreed to provide certain guarantees to Rongzhong PRC
“Corporate Guarantor I”	a limited liability company established in the PRC with principal business in manufacturing of special steel, mold and special steel production equipment, owned as to approximately 95.29% by the Beneficial Owner and, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
“Corporate Guarantor II”	a branch office of the Lessee established in the PRC with principal business in manufacturing of special steel, mold and special steel production equipment and, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
“Corporate Guarantor III”	a limited liability company established in the PRC with principal business in manufacturing of special steel, mold and special steel production equipment, wholly owned as to 100.00% by the Lessee and, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party

“Corporate Guarantor IV”	a limited liability company established in the PRC with principal business in production of various equipment for sintering room, coal injection workshop, cast iron workshop, steam power generation and nitrogen stations, and other facilities of mining, smelting, casting, forging, and spare parts manufacturing, holding approximately 85.71% interest of the New Lessee and, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
“Finance Lease Agreement 2016”	the finance lease agreement entered into between Rongzhong PRC and the New Lessee on 8 December 2016, pursuant to which Rongzhong PRC agreed to purchase the Equipment from the New Lessee and then lease it back to the New Lessee
“Independent Third Party(ies)”	any person(s) or company(ies) who are not connected persons (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Lessee”	a limited liability company established in the PRC with principal business in manufacturing of special steel, mold and special steel production equipment, owned as to approximately 81.69% by the Beneficial Owner and, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Lessee”	a limited liability company established in the PRC with principal business in production of various equipment for sintering room, coal injection workshop, cast iron workshop, steam power generation and nitrogen stations, and other facilities of mining, smelting, casting, forging, and spare parts manufacturing, owned as to approximately 85.71% by Corporate Guarantor IV and, to the best of the Directors’ knowledge, information and belief after having made all reasonable enquiries, an Independent Third Party
“Three Parties Agreement”	the agreement entered into between Rongzhong PRC, the Lessee and the New Lessee on 8 December 2016 pursuant to which, amongst other things, each of Rongzhong PRC, the Lessee and the New Lessee agreed that the rights and obligations under each of the Finance Lease Agreement, the Finance Lease Supplemental Agreement I and the Finance Lease Supplemental Agreement II are transferred from the Lessee to the New Lessee with effect from 1 January 2016

“Transaction Documents” the Three Parties Agreement, the Finance Lease Agreement 2016, the Corporate Guarantee Agreements and the Beneficial Owner Guarantee Agreement

Unless otherwise defined, for the purpose of this announcement and for the purpose of illustration only, HK\$ amounts have been translated using the following exchange rate:

HK\$1: RMB0.89

Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

By order of the Board
China Rongzhong Financial Holdings Company Limited
Xie Xiaoqing
Chairman

Hong Kong, 8 December 2016

As at the date of this announcement, the executive Directors of the Company are Mr. Xie Xiaoqing and Mr. Yao Feng; the non-executive Directors of the Company are Mr. Ding Chung Keung Vincent, Ms. Wong Jacqueline Yue Yee and Mr. Sun Changyu and the independent non-executive Directors of the Company are Mr. Nie Yong, Mr. Duan Chang Feng, and Ms. Zou Lin.