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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 TRANSACTION
DISPOSAL OF UNDERLYING ASSETS

THE DISPOSAL

The Board is pleased to announce that, on 5 May 2020, the Vendor, an indirect wholly-owned subsidiary of the Company, and the Purchaser entered into the Assets Disposal Agreement pursuant to which, among other things, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the Underlying Assets at the Consideration of RMB16,000,000 (equivalent to approximately HK\$17.8 million).

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

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ASSETS DISPOSAL AGREEMENT

Date:

5 May 2020

Parties:

Vendor: Rongzhong International Financial Leasing Co., Ltd (融眾國際融資租賃有限公司), a limited liability company incorporated in the PRC and an indirect wholly-own subsidiary of the Company

Purchaser: 廣東福灣盛達投資管理有限公司

Having taken into account the confirmation given by the Purchaser, as at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

Underlying Assets to be disposed of:

The Underlying Assets represents the rights and interests of the Vendor pursuant to the underlying Finance Leases as at the Record Date including, among other things, the rights and benefits derived or may be derived from the underlying Finance Leases, all of the account receivables due or not yet due accrued from the underlying Finance Leases, the proceeds from recovery, sale or otherwise disposal of the underlying Finance Leases, and the right to request, sue, recover or receive payments in relation to the underlying Finance Leases.

The carrying values of the Underlying Assets, being the book values of lease receivables less any allowance for impairment and deposits from finance lease customers, were approximately RMB31.3 million (equivalent to approximately HK\$34.8 million) as at 31 March 2019 and approximately RMB16.3 million (equivalent to approximately HK\$18.1 million) as at the Record Date.

Consideration:

The Consideration payable by the Purchaser to the Vendor for the Disposal of the Underlying Assets shall be RMB16,000,000 (equivalent to approximately HK\$17.8 million). The First Payment of the Consideration of RMB1,000,000 (equivalent to approximately HK\$1.1 million) shall be paid within 50 days from the signing date of the Assets Disposal Agreement and date on which the Company has fully complied with the relevant Listing Rules requirements (including announcement and shareholders' approval requirements). The Second Payment of the Consideration of RMB15,000,000 (equivalent to approximately HK\$16.7 million) shall be paid within 180 days from the signing date of the Assets Disposal Agreement and date on which the Company has fully complied with the relevant Listing Rules requirements (including announcement and shareholders' approval requirements).

Upon the First Payment of the Consideration, the Company will cease to have any rights or interest in the Underlying Assets. The Purchaser will acquire all the rights and interest, and will assume all risks, in relation to the Underlying Assets.

The Vendor and the Purchaser agreed that all taxes and expenses in relation to the Disposal shall be borne by the Purchaser. Other costs and expenses arising from the negotiation, signing and performance of the Assets Disposal Agreement by the Vendor and the Purchaser, including but not limited to any audit fees, legal service fees and other professional costs shall be borne by the Vendor and the Purchaser respectively.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser after having taken into account the factors of (1) the expected return rate on the Underlying Assets, (2) the expected timing of collection on the Underlying Assets and (3) the expected costs associated with collection efforts on the Underlying Assets. The Consideration for the Disposal represents a discount of:

- (a) approximately RMB0.3 million (equivalent to approximately HK\$0.3 million) to the carrying value of the Underlying Assets, being the book value of lease receivables less any allowance for impairment and deposits from finance lease customers, in each case as at the Record Date;
- (b) approximately RMB15.3 million (equivalent to approximately HK\$17.0 million) to the carrying value of the Underlying Assets, being the book value of lease receivables less any allowance for impairment and deposits from finance lease customers, in each case as at 31 March 2019; and
- (c) approximately RMB32.0 million (equivalent to approximately HK\$35.6 million) to the outstanding aggregate amount of principals, less any deposits from finance lease customers, in relation to the Underlying Assets after taking into consideration the associated credit risks relating to the Underlying Assets.

FINANCIAL INFORMATION ON THE UNDERLYING ASSETS

The net profits/losses (both before and after taxation) attributable to the Underlying Assets for the two years ended 31 March 2018 and 2019, which were prepared in accordance with Hong Kong Financial Reporting Standards, were as follows:

	Year ended 31 March 2018 (HK\$: million)	Year ended 31 March 2019 (HK\$: million)
Net (loss)/profit before taxation	(17.5)	5.0
Net (loss)/profit after taxation	(19.2)	4.2

FINANCIAL IMPACT AND USE OF PROCEEDS FROM THE DISPOSAL

Immediately upon the First Payment of the Consideration, the Vendor will cease to have rights and interests in the Underlying Assets. Prior to the Disposal and subsequent to 31 March 2019, the book value of the lease receivables in the Underlying Assets (less any allowance for impairment and deposits from finance lease customers), being approximately RMB31.3 million (equivalent to approximately HK\$34.8 million) as at 31 March 2019, has been written down to RMB16.3 million (equivalent to approximately HK\$18.1 million) as at the Record Date based on the Board's latest assessment of the value of such lease receivables. As a result of the Disposal, it is anticipated that upon completion of the Disposal, the Group would record a further reduction in the value of the lease receivables in the Underlying Assets by a further RMB0.3 million (equivalent to approximately HK\$0.3 million), which represents the difference between the net proceeds from this Disposal and the unaudited carrying value of the Underlying Assets as at the Record Date. The proceeds received from the Disposal will be applied as general working capital.

INFORMATION OF THE COMPANY AND THE VENDOR

The Company together with its subsidiaries is engaged in the provision of financial leasing services in Hubei Province in the PRC, with the longest operating history amongst Hubei-based financial leasing companies.

The Vendor, an indirect wholly-owned subsidiary of the Company, is a limited liability company incorporated in the PRC on 5 May 2008. The Vendor mainly engages in financial leasing business in Hubei Province in the PRC.

INFORMATION OF THE PURCHASER

The Purchaser is 廣東福灣盛達投資管理有限公司, which was incorporated in the PRC on 24 November 2005. The Purchaser is mainly engaged in self-funded investments, provision of management and consulting services in respect of corporate finance, investment, management and asset management and (within the permitted business scope) investment in non-performing assets of financial institutions and other special opportunity investments.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in provision of financial leasing services in the PRC. Based on the unaudited consolidated financial statements of the Company, as at 30 September 2019, finance lease receivables of approximately HK\$910.0 million was past due. The Group remains committed to place strong emphasis on the recovery of past due finance lease receivables.

After the Disposal, the Group can replenish liquidity and strengthen the Group's working capital position and enable the Group to capture any potential business opportunities to diversify its business risk.

In view of the above, the Directors consider that the terms of the Assets Disposal Agreement are on normal commercial terms and are fair and reasonable and the Disposal is in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

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

“Assets Disposal Agreement”	the assets disposal agreement dated 5 May 2020 entered into by the Vendor and the Purchaser in relation to the Disposal of the Underlying Assets
“Board”	the board of Directors of the Company
“Company”	China Rongzhong Financial Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability and listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the sum of RMB16,000,000, being the aggregate consideration for the Disposal of the Underlying Assets under the Assets Disposal Agreement
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Underlying Assets pursuant to the Assets Disposal Agreement
“Finance Leases”	the 7 finance leases, which were past due as at the signing date of the Assets Disposal Agreement, entered into by the Vendor (as lessor) and the relevant lessees
“First Payment”	the sum of RMB1,000,000, being part of the Consideration for the Disposal of the Underlying Assets under the Assets Disposal Agreement
“Group”	the Company and its subsidiaries
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best knowledge of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of and not connected with the Company and the connected person(s) of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	廣東福灣盛達投資管理有限公司, a company incorporated in the PRC
“Record Date”	date of the Assets Disposal Agreement
“Second Payment”	the sum of RMB15,000,000, being part of the Consideration for the Disposal of the Underlying Assets under the Assets Disposal Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Underlying Assets”	the rights and interests of the Vendor pursuant to the underlying Finance Leases as at the Record Date
“Vendor”	Rongzhong International Financial Leasing Co., Ltd (融眾國際融資租賃有限公司), a limited liability company incorporated in the PRC and an indirect wholly-own subsidiary of the Company

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: RMB0.90

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
Wong Emilie Hoi Yan
Executive Director

Hong Kong, 5 May 2020

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.