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華融國際金融控股有限公司

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

DISCLOSEABLE TRANSACTION

On 26 January 2017, Huarong Tianhai, a wholly-owned subsidiary of the Company, entered into the Master Financing Agreement and the Partnership Agreement in respect of the Investment in the Fund. Pursuant to the Partnership Agreement, each of Qingdao Yong Xin Yuan (as general partner), Huarong Tianhai (as preferential limited partner) and Qingdao Hua Zhi Yun (as deferred limited partner) has agreed to invest RMB2 million, RMB600 million and RMB1,398 million (equivalent to approximately HKD2 million, HKD680 million and HKD1,580 million respectively) into the Fund respectively.

The Investment into the Fund is to finance part of the consideration for the acquisition of the Land and the Project Company through YXH Property.

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Investment exceed(s) 5% but are less than 25%, the Investment therefore constitutes a discloseable transaction for the Company, which is subject to the reporting and announcement requirements under the Listing Rules.

BACKGROUND

On 26 January 2017, Huarong Tianhai entered into the Master Financing Agreement and the Partnership Agreement, with a view to provide financing towards YXH Property's payment obligations in relation to the acquisition of the Project Company and the Land.

After a public bidding process, on 30 November 2015, YXH Property entered into (i) a property transfer agreement (《產權交易合同》) with Shanghai World Expo in respect of the acquisition of the entire equity interest in the Project Company and Shanghai World Expo's shareholder's loan (in the amount of approximately RMB462.5 million) to the Project Company for an aggregate consideration of approximately RMB671.3 million and (ii) a contract for assignment of the right to the use of state-owned construction land (《國有建設用地使用權出讓合同》) (the "Land Rights Assignment Contract") with Shanghai Land Bureau in respect of acquisition of use rights of the Land for a consideration of RMB3,802 million. As at the date of this announcement, YXH Property has made payment of approximately RMB570 million for the acquisition of the Project Company and approximately RMB760 million for the acquisition of the Land, and an aggregate of

approximately RMB4,500 million (including outstanding consideration and default fee on late payment) remains payable by YXH Property to complete the acquisition of the Project Company and the Land. YXH Property is required to pay the outstanding amount in two tranches, as to approximately RMB1,800 million before March 2017 and as to approximately RMB2,700 million within the five working days before the final payment due date to be confirmed by the Shanghai Land Bureau respectively.

Following the investment by Huarong Tianhai, Qingdao Hua Zhi Yun and Qingdao Yong Xin Yuan into the Fund, the Fund will inject approximately RMB1,800 million to YXH Property for YXH Property to fulfill the first tranche of its outstanding payment obligation and complete its acquisition of the Project Company.

The Fund will procure financing from third parties for YXH Property to fulfill the second tranche of its outstanding payment obligation to complete the acquisition of the Land.

Please refer to the section headed “Information on YXH Property, the Project Company and the Land” for further information on YXH Property, the Project Company and the Land.

INVESTMENT IN THE FUND

On 26 January 2017, Huarong Tianhai, a wholly-owned subsidiary of the Company, entered into the Master Financing Agreement and the Partnership Agreement in respect of investment in the Fund.

Master Financing Agreement

Set out below are the principal terms of the Master Financing Agreement:

Parties

- (1) Huarong Tianhai a wholly-owned subsidiary of the Company and a company incorporated in the PRC with limited liability. It is principally engaged in the business of professional investment and investment management.
- (2) Qingdao Yong Xin Yuan a company incorporated in the PRC with limited liability. Its principal businesses include property development and operation. Mr. Li and Ms. Liu respectively hold 95% and 5% of its equity interest.
- (3) Qingdao Hua Zhi Yun a company incorporated in the PRC with limited liability. Its principal businesses include property management, provision of parking services, housing maintenance, property leasing, housekeeping services, conference services (excluding provision of accommodation) and the production and publication of advertisement in the PRC. Mr. Li and Ms. Liu respectively hold 60% and 40% of its equity interest.

- (4) Yong Xin Hua Holdings a company incorporated in the PRC with limited liability. Its principal businesses include project investment and sales of building materials. Gansu Huanghai, Gansu Yong Xin, Ms. Liu and Mr. Li respectively hold 65%, 33%, 1.9% and 0.1% of its equity interest.
- (5) Gansu Huanghai a company incorporated in the PRC with limited liability. Its principal businesses include sale of electronic products, general machinery and special equipment, installation of electrical equipment, construction of fire-fighting facilities and the production and installation of steel structural components. Mr. Li and Ms. Liu respectively hold 70% and 30% of its equity interest.
- (6) Gansu Yong Xin a company incorporated in the PRC with limited liability. Its principal businesses include installation of electrical equipment and sale of general machinery and special equipment. Mr. Li and Ms. Liu respectively hold 87.5% and 12.5% of its equity interest.
- (7) YXH Property a company incorporated in the PRC with limited liability. Its principal business is property development. Yong Xin Hua Holdings and Gansu Yong Xin respectively hold 75% and 25% of its equity interest.
- (8) Mr. Li a shareholder of Qingdao Yong Xin Yuan, Qingdao Hua Zhi Yun, Yong Xin Hua Holdings, Gansu Huanghai and Gansu Yong Xin.
- (9) Ms. Liu a shareholder of Qingdao Yong Xin Yuan, Qingdao Hua Zhi Yun, Yong Xin Hua Holdings, Gansu Huanghai and Gansu Yong Xin.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, all the parties to the Master Financing Agreement (except for Huarong Tianhai) are Independent Third Parties.

Investment in the Fund

Each of Qingdao Yong Xin Yuan (as general partner), Huarong Tianhai (as preferential limited partner) and Qingdao Hua Zhi Yun (as deferred limited partner) has agreed to invest RMB2 million, RMB600 million and RMB1,398 million (equivalent to approximately HKD2 million, HKD680 million and HKD1,580 million respectively) into the Fund respectively.

After signing of the Master Financing Agreement and the Partnership Agreement, the Fund will acquire 74% of the equity interest of YXH Property from Yong Xin Hua Holdings and 25% of the equity interest of YXH Property from Gansu Yong Xin for a consideration of RMB740 and RMB250 respectively. Upon completion of such acquisition, YXH Property will be owned as to 99% by the Fund and 1% by Yong Xin Hua Holdings respectively.

Huarong Tianhai's payment of its RMB600 million investment will be conditional upon, among other things:

- (1) the filing at the relevant government authority in respect of Huarong Tianhai becoming a preferential limited partner of the Fund having been completed;
- (2) the two share charges, the corporate guarantee and the personal guarantee referred to in the paragraph headed "*Distribution to Huarong Tianhai*" having been executed and submitted to the relevant government authority for approval;
- (3) the property transfer agreement entered into between YXH Property and Shanghai World Expo in respect of the equity interest in the Project Company and the Land Rights Assignment Contract entered into between YXH Property and Shanghai Land Bureau in respect of the Land remaining legally enforceable and there being no risk of such agreements being terminated and no material modification to their terms;
- (4) 99% equity interest in YXH Property having been transferred to the Fund;
- (5) the company seals and finance seals of each of Qingdao Yong Xin Yuan and the Fund having been delivered for Huarong Tianhai's keeping;
- (6) Qingdao Hua Zhi Yun having paid up RMB800 million of its capital commitment in the Fund;
- (7) Qingdao Hua Zhi Yun having deposited not less than RMB21 million into the escrow account in the name of Huarong Tianhai to secure the payment of interest on the loan to be given by the Fund to YXH Property;
- (8) the partners of the Fund having entered into the Conditional Repayable Returns Agreement; and
- (9) YXH Property having entered into an engagement agreement with a consultancy company for provision of fund-raising services.

Following the injection of RMB600 million by Huarong Tianhai and RMB1,200 million by Qingdao Hua Zhi Yun into the Fund:

- (1) the registered capital of YXH Property will be increased to RMB600 million and the Fund and Yong Xin Hua Holdings will make a capital contribution of RMB594 million and RMB6 million into YXH Property respectively;
- (2) the Fund will provide a loan in the principal amount of RMB1,206 million to YXH Property at a rate of 6% per annum, payable quarterly in arrears. The principal amount of such loan is to be repaid as to 50% within 36 months from establishment of the Fund, and the balance within 60 months from establishment of the Fund. Qingdao Hua Zhi Yun will deposit not less than RMB21 million into an escrow account in the name of Huarong Tianhai, and Huarong Tianhai may transfer the relevant amount in such account to the Fund should YXH Property defaults on interest payment; and

- (3) YXH Property will use the total amount of capital injected to fulfill the first tranche of its payment obligation of RMB1,800 million in order to complete its acquisition of equity interest in the Project Company.

If the Fund is unable to raise the second tranche financing of RMB2,700 million (i) within five working days before the final payment due date to be confirmed by the Shanghai Land Bureau or (ii) within six months after the date of the Master Financing Agreement (whichever is earlier) resulting in YXH Property failing to complete the acquisition of the Land, Qingdao Hua Zhi Yun will be required to transfer 86.3% of its interest in the Fund to Huarong Tianhai at nil consideration, upon which transfer such interest will be converted into preferential interest in the Fund.

Distribution to Huarong Tianhai

Please see the paragraph headed “Distribution and liquidation preference” under the section headed “Partnership Agreement” below for further details of the distribution arrangement under the Partnership Agreement. If Huarong Tianhai as preferential limited partner is not able to receive any part of the distribution to which it is entitled under the Partnership Agreement, Qingdao Hua Zhi Yun as deferred limited partner will be responsible for making up the difference.

Qingdao Hua Zhi Yun’s obligation to make up the difference to Huarong Tianhai is secured by the following:

- (1) each of the Fund (as owner of 99% equity interest in YXH Property) and Yong Xin Hua Holdings (as owner of 1% equity interest in YXH Property) will charge their respective equity interest in YXH Property in favour of Huarong Tianhai or a third party designated by Huarong Tianhai;
- (2) YXH Property will charge its entire equity interest in the Project Company in favour of Huarong Tianhai or a third party designated by Huarong Tianhai. Such charge will be discharged upon the agreement by all partners to the Fund after confirmation of the financing plan in respect of the fulfilment of YXH Property’s second tranche payment obligations;
- (3) Yong Xin Hua Holdings will give an unlimited joint and several liability corporate guarantee in favour of Huarong Tianhai; and
- (4) Mr. Li and Ms. Liu will each give an unlimited joint and several liability personal guarantee in favour of Huarong Tianhai.

Early Redemption

Subject to the prior written consent of Huarong Tianhai, Qingdao Hua Zhi Yun may acquire Huarong Tianhai’s interest in the Fund before expiry of the term of the Fund, at the price to be stipulated in the Conditional Repayable Returns Agreement.

Fund Management

The Fund will appoint a fund management company to be established by Huarong Tianhai as fund manager. After obtaining financing for YXH Property's second tranche payment obligation of approximately RMB2,700 million, the Fund will pay an annual management fee at the rate of 1% on Huarong Tianhai's capital commitment and the second tranche financing to the fund manager.

The Master Financing Agreement provides for the right to appoint directors and veto rights in favour of Huarong Tianhai to facilitate investment risk management.

Partnership Agreement

On 26 January 2017, Huarong Tianhai, Qingdao Hua Zhi Yun and Qingdao Yong Xin Yuan entered into the Partnership Agreement in respect of, among other things, the investment in and operation of the Fund.

Set out below are the principal terms of the Partnership Agreement:

Partners and capital commitment

Category	Partner	Capital Commitment
General partner	Qingdao Yong Xin Yuan	RMB2 million
Preferential limited partner	Huarong Tianhai	RMB600 million
Deferred limited partner	Qingdao Hua Zhi Yun	RMB1,398 million

Huarong Tianhai will pay up its commitment of RMB600 million after Qingdao Hua Zhi Yun has paid up RMB800 million of its commitment into the Fund. Subsequently, Qingdao Hua Zhi Yun will then inject its commitment of approximately RMB400 million by 1 March 2017.

Purpose of the Fund

The scope of business of the Fund includes investment management and provision of investment consultation (excluding securities, insurance, fund and financial business). The Fund can only invest in the Project, unless unanimously agreed otherwise by all partners.

Term of the Fund

The Fund will subsist for three years commencing from the date on which Huarong Tianhai completes its investment, extendable by two years upon agreement by all partners to the Fund.

Investment Committee of the Fund

The investment committee of the Fund comprises five members, two are nominated by Huarong Tianhai and three are jointly nominated by Qingdao Yong Xin Yuan and Qingdao Hua Zhi Yun. Decisions on material matters (including, among other things, the change or alteration to the Project, the financing of the Project Company, change of key members of

the management of the Project Company, conflict of interest, distribution and approval of the Project Company's annual audited accounts) require unanimous consent of its members and decisions on other matters require agreement by at least four of its members.

Distribution and liquidation preference

The Fund will make a quarterly distribution to Huarong Tianhai as preferential limited partner at the rate of 6% per annum on Huarong Tianhai's paid up capital commitment, calculated on the basis of a 360-day year.

Upon liquidation of the Fund, assets of the Fund will be distributed in the following order:

- (1) firstly, to Huarong Tianhai as preferential limited partner up to an amount equal to its capital commitment;
- (2) secondly, to Huarong Tianhai as preferential limited partner up to an amount equal to the accrued but unpaid distribution on its capital commitment;
- (3) thirdly, distribution in accordance with the Conditional Repayable Returns Agreement, the terms of which agreement is to be agreed between the partners;
- (4) fourthly, to Qingdao Hua Zhi Yun as deferred limited partner up to an amount equal to its capital commitment;
- (5) fifthly, to Qingdao Hua Zhi Yun as deferred limited partner up to an amount equal to the difference made up by Qingdao Hua Zhi Yun to Huarong Tianhai (if any);
- (6) sixthly, if at the date of distribution the annualised profits of the Fund is:
 - (i) less than 10%, to Qingdao Hua Zhi Yun and Huarong Tianhai at a ratio of 80%:20%;
 - (ii) 10% or more but less than 20%, 20% of the amount available for distribution to Qingdao Yong Xin Yuan as general partner and the remaining amount to Qingdao Hua Zhi Yun and Huarong Tianhai at a ratio of 80%:20%;
 - (iii) 20% or more, 30% of the amount available for distribution to Qingdao Yong Xin Yuan as general partner and the remaining amount to Qingdao Hua Zhi Yun and Huarong Tianhai at a ratio of 80%:20%

(the 80%:20% ratio in (i) to (iii) above will be adjusted to 60%:40% if Qingdao Yong Xin Yuan fails to pay up its RMB400 million commitment by 1 March 2017 (or such other date as Huarong Tianhai may agree in writing)).

Exit Arrangement

A partner (other than Qingdao Yong Xin Yuan as general partner) may cease to be a partner of the Fund under any one of the following circumstances:

- (1) the occurrence of events triggering exit as stipulated in the Partnership Agreement;

- (2) unanimous agreement by all partners to the Fund;
- (3) other partner(s) to the Fund materially breach their respective obligations under the Partnership Agreement; or
- (4) the Fund suffered an accumulated loss of over 50% of the total amount of capital commitment into the Fund.

A limited partner that intends to exit needs to give 30 days prior notice to other partners.

INFORMATION ON YXH PROPERTY, THE PROJECT COMPANY AND THE LAND

According to the audited financial statements of YXH Property for the years ended 31 December 2014 and 31 December 2015 prepared under the generally accepted accounting principles of the PRC, the net asset value of YXH Property as at 31 December 2015 was approximately RMB34,400 and YXH Property records profits before tax of approximately RMB33 and loss after tax of approximately RMB34,000 for each of the years ended 31 December 2014 and 2015.

The Project Company was incorporated in the PRC with limited liability and its principal businesses include but are not limited to hotel investment and management, investment management, property development and operation, and property management. According to the valuation report dated 28 July 2015 prepared by Shanghai Cai Rui Asset Valuation Company Limited* (上海財瑞資產評估有限公司), the valuation of net asset value of the Project Company as at 30 April 2015 was approximately RMB202 million. According to the audited financial statements of the Project Company for the years ended 31 December 2014 and 31 December 2015 prepared under the generally accepted accounting principles of the PRC, the profits before and after tax of the Project Company for both years were nil, as the Project Company has not commenced any commercial operation.

The Land is situated on the riverbank of Huangpu River, Shanghai, between Nanpu Bridge and Lupu Bridge, with a gross floor area of 319,446 square metres (comprising on the ground area of 191,598 square metres and underground area of 127,848 square metres). It is expected that the Land will be developed into several hotels with ancillary commercial facilities.

INFORMATION ON THE GROUP

The Group is principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment and provision of management and consultancy services.

REASONS FOR AND BENEFITS OF THE INVESTMENT

It is noted that the Land is located in the Shanghai Pudong World Expo Park (上海浦東世博園區), a prime location in Shanghai. Having considered the potential of the development of the Project and the terms of the Investment, the Directors are of the view that the Investment will provide steady return to the Group. In view of the above, the Directors consider that the

terms of the Master Financing Agreement and the Partnership Agreement are normal commercial terms and fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Investment exceed(s) 5% but are less than 25%, the Investment therefore constitute a discloseable transaction for the Company, which is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

“Board”	the board of Directors
“Company”	Huarong International Financial Holdings Limited (華融國際金融控股有限公司), a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 993)
“Conditional Repayable Returns Agreement”	a conditional repayable returns agreement to be agreed and entered into between, among others, Huarong Tianhai and Qingdao Hua Zhi Yun, whereby Huarong Tianhai will have a right to require Qingdao Hua Zhi Yun to acquire all its interest in the Fund upon occurrence of certain events, at a price to be set out in such agreement
“Director(s)”	the director(s) of the Company
“Fund”	青島永新華瑞文化產業投資中心(有限合夥) (Qingdao Yong Xin Hua Rui Cultural Industry Investment Centre*), a limited partnership established in the PRC
“Gansu Huanghai”	甘肅黃海電子機電設備工程有限公司 (Gansu Huanghai Electromechanical Equipment Engineering Company Limited*) a company incorporated in the PRC with limited liability and Mr. Li and Ms. Liu respectively hold 70% and 30% of its share capital
“Gansu Yong Xin”	甘肅永新建築安裝工程有限公司 (Gansu Yong Xin Construction Installation Engineering Company Limited*) a company incorporated in the PRC with limited liability and Mr. Li and Ms. Liu respectively hold 87.5% and 12.5% of its share capital
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Huarong Tianhai”	華融天海(上海)投資管理有限公司 (Huarong Tianhai (Shanghai) Investment Management Company Limited*) is a wholly-owned subsidiary of the Company and a company incorporated in the PRC with limited liability
“Independent Third Party”	to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiry, third party independent of the Company and its connected persons as defined under the Listing Rules
“Investment”	the investment of RMB600 million by Huarong Tianhai into the Fund
“Land”	a piece of land situated on the riverbank of Huangpu River, Shanghai, between Nanpu Bridge and Lupu Bridge
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Financing Agreement”	a master financing agreement dated 26 January 2017 (and a supplemental agreement in relation thereto dated 26 January 2017), entered into between, among others, Huarong Tianhai, Qingdao Hua Zhi Yun, Qingdao Yong Xin Yuan and YXH Property in respect of the provision of financing towards YXH Property’s payment obligations in relation to the acquisition of the Project Company and the Land
“Mr. Li”	李永軍先生 (Mr. Li Yongjun*), a shareholder of Qingdao Yong Xin Yuan, Qingdao Hua Zhi Yun, Yong Xin Hua Holdings, Gansu Huanghai and Gansu Yong Xin
“Ms. Liu”	劉新軍女士 (Ms. Liu Xinjun*), a shareholder of Qingdao Yong Xin Yuan, Qingdao Hua Zhi Yun, Yong Xin Hua Holdings, Gansu Huanghai and Gansu Yong Xin
“Partnership Agreement”	a Qingdao Yong Xin Hua Rui Cultural Industry Investment Centre (limited partnership) partnership agreement dated 26 January 2017 entered into between Huarong Tianhai, Qingdao Hua Zhi Yun and Qingdao Yong Xin Yuan in respect of the investment in the Fund
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Project”	hotel development on the Land

“Project Company”	上海世博國際酒店投資管理有限公司 (Shanghai World Expo International Hotel Investment and Management Company Limited*), a company incorporated in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Qingdao Hua Zhi Yun”	青島華之韻物業服務有限公司 (Qingdao Hua Zhi Yun Property Services Company Limited*), a company incorporated in the PRC with limited liability
“Qingdao Yong Xin Yuan”	青島永新源置業有限公司 (Qingdao Yong Xin Yuan Property Company Limited*), a company incorporated in the PRC with limited liability
“Shanghai Land Bureau”	上海市規劃和國土資源管理局 (Shanghai Municipal Planning and Land Resources Management Bureau*)
“Shanghai World Expo”	上海世博發展(集團)有限公司 (Shanghai World Expo Development (Group) Company Limited*), a company incorporated in the PRC with limited liability and an Independent Third Party
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yong Xin Hua Holdings”	永新華控股有限公司 (Yong Xin Hua Holdings Company Limited*), a company incorporated in the PRC with limited liability
“YXH Property”	永新華置業有限公司 (Yong Xin Hua Property Company Limited*), a company incorporated in the PRC with limited liability
“%”	per cent.

Unless otherwise specified in this announcement, amounts denominated in Renminbi have been converted, for the purpose of illustration only, into Hong Kong dollars at the rate of RMB100 = HK\$113.08. No representation is made that any amounts in Hong Kong dollars and Renminbi were or could have been or could be converted into each other at such rates or any other exchange rates on the date of this announcement or any other date.

By order of the Board
Huarong International Financial Holdings Limited
Liu Xiaodong
Chairman

Hong Kong, 26 January 2017

As at the date of this announcement, the executive directors of the Company are Mr. Liu Xiaodong, Mr. Huang Rui and Ms. Wang Wei, the non-executive director is Mr. Zeng Jianyong, and the independent non-executive directors are Dr. Wong Tin Yau Kelvin, Mr. Ma Lishan and Mr. Yeung Siu Keung.

** For identification purpose only*