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If you have sold or transferred all your shares in **Huarong International Financial Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee, or to the bank, stock broker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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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)

**MAJOR TRANSACTION
PROPOSED EXERCISE OF PUT OPTION BY A SUBSIDIARY**

Unless the context otherwise requires, capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 14 of this circular.

The Company has obtained written Shareholders' approval for the Proposed Exercise of Put Option pursuant to Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be held to approve the Proposed Exercise of Put Option pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

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DEFINITIONS

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

“Board”	the board of Directors
“Business Days”	any day on which a bank located in Hong Kong opens for normal business operation (excluding Saturdays or Sundays or public holidays and any day a tropical cyclone warning signal no.8 or above is hoisted or black rainstorm warning is issued during 9 a.m. to 5 p.m.
“China Huarong”	China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), a joint stock limited liability company incorporated in the PRC, the issued overseas listed foreign shares of which are listed on the Stock Exchange (stock code: 2799), and a controlling shareholder of the Company
“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 issued shares of which are listed on the Stock Exchange (stock code: 993)
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Default Notice”	the written notice to be served by the Grantee on the Grantor after the occurrence of an Event of Default in accordance with the Put Option Deed, in order to require the Grantor to purchase the Put Option Shares at the Default Put Option Price, which shall specify (among others) time for completion of the sale and purchase of the Put Option Shares and the Default Put Option Price
“Director(s)”	the director(s) of the Company
“Event of Default”	the events of default specified in the Put Option Deed, including (among others): breach or non-performance of any obligation contained in the Put Option Deed by the Grantor or the Guarantor and if it can be remedied, the Grantor and the Guarantor failed to remedy it within 10 Business Days from the day that the Grantee serves notice or when the Grantor or the Guarantor becomes aware that it is unable to fulfil its obligations

DEFINITIONS

“First Put Option Period”	9 December 2020 to 15 December 2020 (both dates inclusive)
“Fourth Put Option Period”	9 December 2021 to 15 December 2021 (both dates inclusive)
“Grantee” or “Subscriber”	Beyond Steady Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company
“Grantor”	Joywise Holdings Limited 樂昇控股有限公司, a company incorporated in the British Virgin Islands, and a controlling shareholder of Sunshine 100
“Group”	the Company and its subsidiaries
“Guarantor”	Yi Xiaodi, the sole shareholder of the Grantor
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	1 December 2021, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“Other Put Option Periods”	other put option period agreed by the Grantee
“PRC”	the People’s Republic of China and, for the purposes of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Put Option”	the option under the Put Option Deed exercisable by the Grantee within the Put Option Periods to request the Grantor to purchase the Put Option Shares at the relevant Put Option Price

DEFINITIONS

“Put Option Deed”	the put option deed dated 5 September 2018 (as amended by the Supplement Deed) entered into between the Grantor, the Subscriber and the Guarantor, pursuant to which, among others, (i) the Grantor agreed to grant, and the Grantee agreed to accept, a right of the Grantee to sell to the Grantor at least 164,538,500 shares and no more than 235,055,000 shares out of the Put Option Shares during the Put Option Periods at the relevant Put Option Price; and (ii) the Guarantor guaranteed the Grantor’s punctual performance of its obligations under the Put Option Deed
“Put Option Notice”	the written notice to be served by the Grantee to the Grantor in accordance with the Put Option Deed, in order to require the Grantor to purchase the Put Option Shares which shall specify (among others) timing for completion of the sale and purchase of the Put Option Shares and the relevant Put Option Price
“Put Option Periods”	collectively, the First Put Option Period, the Second Put Option Period, the Third Put Option Period, the Fourth Put Option Period, the Default Option Period and Other Put Option Periods
“Put Option Price”	has the meaning as specified in the section headed “Put Option” in this circular
“Put Option Shares”	the Subscription Shares and any shares resulting or arising from any share split, share subdivision, share consolidation, share dividend, share reclassification or other similar event on or after the date of the Put Option Deed in respect of the Subscription Shares. As of the Latest Practicable Date, no such adjustment has been made to the Subscription Shares and thus the Put Option Shares shall equate to the Subscription Shares
“RMB”	Renminbi, the lawful currency of the PRC
“Second Put Option Period”	(if the Grantor issues written request in accordance with the Put Option Deed and the Grantees provides written consent) 10 December 2019 to 16 December 2019 (both dates inclusive)
“Shareholders”	holders of the shares of the Company

DEFINITIONS

“Shares”	ordinary share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the subscription agreement dated 18 December 2017 entered into between the Subscriber and Sunshine 100 in relation to the subscription for the Subscription Shares
“Subscription Shares”	235,055,000 shares in Sunshine 100 subscribed by the Grantee pursuant to the Subscription Agreement and held by the Grantee, representing approximately 9.2% of the issued share capital of Sunshine 100 as of the Latest Practicable Date
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Sunshine 100”	Sunshine 100 China Holdings Ltd (陽光100中國控股有限公司), a company incorporated in the Cayman Islands, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2608)
“Supplemental Deed”	the supplemental deed to the Put Option Deed dated 17 December 2020 entered into by the Grantor, the Grantee and the Guarantor which added and/or supplemented terms related to (among others) Third and Fourth Put Option Period and Default Put Option Price
“Third Put Option Period”	9 June 2021 to 15 June 2021 (both dates inclusive)
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. XU Xiaowu (*Chairman*)

Mr. WANG Junlai (*Chief Executive Officer*)

Non-executive Director:

Ms. WANG Qi

Independent non-executive Directors:

Mr. HUNG Ka Hai Clement

Mr. MA Lishan

Mr. GUAN Huanfei

Dr. LAM Lee G.

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Head Office and Principal place
of Business:*

Unit A, 16/F & Unit A, 17/F

Two Pacific Place

88 Queensway

Hong Kong

3 December 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
PROPOSED EXERCISE OF PUT OPTION BY A SUBSIDIARY**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 27 October 2021 (the “**Announcement**”) in relation to, among others, the Proposed Exercise of Put Option.

The purpose of this circular is to provide you with, among other things, further information regarding the Proposed Exercise of Put Option and other information as required under the Listing Rules.

2. THE PUT OPTION

On 5 September 2018, the Subscriber, as Grantee, entered into the Put Option Deed with the Grantor and Guarantor in relation to the Subscription Shares. On 17 December 2020, the Grantee further entered into the Supplemental Deed with the Grantor and the Guarantor.

LETTER FROM THE BOARD

As of the Latest Practicable Date, the Grantee holds 235,055,000 shares of Sunshine 100 and the Grantee proposes to exercise the Put Option to require the Grantor to purchase all 235,055,000 shares according to the terms of the Put Option Deed.

The principal terms of the Put Option Deed (as amended and supplemented by the Supplemental Deed) are set out as below:

- Parties : (1) the Grantor;
- (2) the Subscriber as Grantee; and
- (3) the Guarantor.
- Put option : The Grantor unconditionally and irrevocably granted to the Grantee the Put Option exercisable at any time during the Put Option Periods by notice in writing to the Grantor to require the Grantor to purchase, at the Grantee's full discretion, at least 164,538,500 shares and no more than 235,055,000 shares out of the Subscription Shares from the Grantee at the respective Put Option Price.
- Consideration for entry into the Put Option Deed : HK\$1
- Consideration for entry into the Supplemental Deed : The Grantee agreed not to exercise the Put Option within the Put Option Periods under the original Put Option Deed, while the Grantor shall pay an extension fee for extending the timeframe for the Grantee to exercise the Put Option by including the Third Put Option Period and Fourth Put Option Period.
- Extension fee : The extension fee payable by the Grantor has a range of HK\$89,133,500 to HK\$112,639,000, to be adjusted based on whether Sunshine 100 distributed any dividends to the Grantee on or before 18 December 2020.
- Put Option Periods : (1) The First Put Option Period;
(note: expired as of the date of the Announcement)
- (2) The Second Put Option Period;
(note: expired as of the date of the Announcement)
- (3) The Third Put Option Period;
(note: expired as of the date of the Announcement)

LETTER FROM THE BOARD

- (4) The Fourth Put Option Period;
- (5) If an Event of Default occurs, 180 days after service of a Default Notice (“**Default Option Period**”); and
- (6) Other Put Option Periods.

- Put Option Price : (1) HK\$3.751 for each Put Option Share in the First Put Option Period
- (2) HK\$3.534 for each Put Option Share in the Second Put Option Period
- (3) HK\$3.440 for each Put Option Share in the Third Put Option Period
- (4) HK\$3.600 for each Put Option Share in the Fourth Put Option Period

If the Put Option is exercised in the Fourth Put Option Period, the total consideration will be calculated based on the below formula:

$$A \times (3.600 - C)$$

Where:

“A” = Put Option Shares under the relevant exercise

“C” = the cumulated cash dividends or other distributions per share distributed by Sunshine 100 from 18 December 2020 to the date the Grantee exercises the Put Option (but excluding the interim dividend of HK\$10.00 cents per share for the six months ended 30 June 2020 as announced on 27 October 2020).

Note: For the purpose of this circular, it is assumed that no dividend or other distribution will be distributed by Sunshine 100 up to the date the Put Option is exercised. On the above basis, the Put Option Price will be HK\$846,198,000.

LETTER FROM THE BOARD

- (5) If an Event of Default occurs, the price (“**Default Put Option Price**”) calculated based on the below formula:

$$A \times \left\{ \text{HK\$}3.10 \times \left[1 + 21\% + \left(10.5\% \times \frac{N}{365} \right) \right] - C \right\}$$

Where:

“A” = Put Option Shares under the relevant exercise

“N” = the number of days between 18 December 2020 to the date specified on the Default Notice (both dates inclusive)

“C” = the cumulated cash dividends and other distributions per Share distributed by Sunshine 100 from 1 December 2020 to the date that the Grantee exercises the Put Option. As of the Latest Practicable Date, no cash dividends or distributions were made by Sunshine 100.

Notes: For the purpose of this circular, it is assumed that (i) the Default Notice will be served no later than 15 December 2021 after approval from the Shareholders and “N” equals to “363” days; and (ii) no dividend or other distributions will be distributed by Sunshine 100 up to the date the Put Option is exercised. On the above basis, the Default Put Option Price will be HK\$957,782,472.

- (6) If the Put Option is exercised in Other Put Option Periods, the Put Option Price agreed by shareholders of the Grantee through written consent.

LETTER FROM THE BOARD

- Default interest : If the Grantor or Guarantor fails to pay the total price upon exercise of the Put Option, the Grantor or the Guarantor shall pay an additional default interest calculated at the daily rate of 0.05% on the overdue payment to the Grantee.
- Guarantee : If the Grantor fails to perform its obligations under the Put Option Deed, the Guarantor will, perform, discharge or fulfil that obligation as if it were the primary and principal obligor. The Grantor and the Guarantor have joint liability under the Put Option Deed.

3. PROPOSED EXERCISE OF PUT OPTION

According to the Supplemental Deed, among others, in the event that Sunshine 100 distributes no dividends to the Grantee on or before 18 December 2020, the Grantor shall pay HK\$112,639,000 to the Grantee in cash as an extension fee on or before 18 December 2020 (“**Payment Obligation**”) for extending the timeframe for the Grantee to exercise the Put Option by including the Third Put Option Period and Fourth Put Option Period. In accordance with the Put Option Deed, the Guarantor shall have joint liability for the Payment Obligation.

As disclosed in the Announcement, despite repeated efforts of the Grantee in recovering the relevant proceeds pursuant to the Payment Obligation, the Grantor and Guarantor have failed to fully perform such obligation. Such failure (and continued failure) constitutes an Event of Default under the Put Option Deed. Meanwhile, in light of the continuous depressed share price of Sunshine 100 and unfavourable market conditions related to real estate industry in the PRC, the Grantee proposes to exercise the Put Option according to the terms of the Put Option Deed and the Supplemental Deed to protect its interest.

As such, the Grantee proposes to serve a Default Notice on or before 15 December 2021 on the Grantor and the Guarantor to require the Grantor to purchase the Put Option Shares at the Default Put Option Price (the “**Default Mechanism**”). In the event that there are any obstacles to exercise the Put Option through the Default Mechanism or where necessary, the Grantee will exercise the Put Option by serving a Put Option Notice on the Grantor and the Guarantor in the Fourth Put Option Period (together with the proposed exercise of the Put Option through the Default Mechanism, the “**Proposed Exercise of Put Option**”).

A Board meeting was convened on 27 October 2021 to consider, among others, whether or not to approve the Proposed Exercise of Put Option. The Board announced that it was approved accordingly in the Announcement. The Company has obtained written shareholders’ approval from Shareholders to approve the Proposed Exercise of Put Option.

It is intended that the Grantor (or the Guarantor) shall pay to the Grantee of the applicable Put Option Price by electronic funds transfer within 3 Business Days from the date of receipt of the Default Notice or the Put Option Notice (as the case may be) according to the terms therein

LETTER FROM THE BOARD

and the Grantee shall then complete the transfer of the Put Option Shares. Assuming the Grantor (or the Guarantor) is able to fulfill its obligation, completion of the sale and purchase of the Put Option Shares between the Grantee and the Grantor is expected to take place on or before 31 December 2021.

Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

4. INFORMATION ABOUT THE PARTIES

(a) The Group and the Grantee

The Group is principally engaged in the brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services.

The Grantee is an investment holding company and an indirectly wholly owned subsidiary of the Company.

(b) The Grantor, the Guarantor and Sunshine 100

The Grantor is a limited liability company incorporated in the British Virgin Islands and is a controlling shareholder of Sunshine 100. To the best information and knowledge of the Company, the Grantor is an investment holding company.

The Guarantor is the sole shareholder of the Grantor who is also the chairman, an executive director and a controlling shareholder of Sunshine 100.

Sunshine 100 is an investment company. Its group is principally engaged in the sale of properties, property development, property investment, and other property development related services in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Grantor, the Guarantor, and the ultimate beneficial owner of the each of them is a third party independent of the Company and its connected persons.

LETTER FROM THE BOARD

Set out below is a summary of the audited financial information of Sunshine 100 for the two years ended 31 December 2020 and the unaudited financial information of Sunshine 100 for the six months ended 30 June 2021:

	For the six months ended 30 June 2021²	For the year ended 31 December 2020¹	For the year ended 31 December 2019¹
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
	(unaudited)	(audited)	(audited)
Revenue	3,395	5,760	8,289
Net (loss)/profits before tax	(112)	1,831	4,018
Net (loss)/profits after tax	(278)	1,284	3,215

	As at 30 June 2021²	As at 31 December 2020¹	As at 31 December 2019¹
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(approx.)</i>	<i>(approx.)</i>	<i>(approx.)</i>
	(unaudited)	(audited)	(audited)
Net assets	11,802	12,170	11,748

Notes:

- (1) Prepared in accordance with International Financial Reporting Standards
- (2) Prepared in accordance with International Accounting Standard

As of the Latest Practicable Date, the number of issued ordinary shares of Sunshine 100 is 2,550,811,477 shares and the average closing price per share for 20 consecutive trading days immediately preceding the Latest Practicable Date is approximately HK\$0.39825.

5. REASONS AND BENEFITS FOR THE EXERCISE OF PUT OPTION

Since the Grantor and the Guarantor have failed to honor its Payment Obligation despite repeated demand from the Company or the Grantee, an Event of Default has occurred and the Grantee intends to protect the interests of the Group as a whole through the Proposed Exercise of Put Option.

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Further, in light of the continuous depressed share price of Sunshine 100, coupled with the recent instability and volatility in the real estate industry in the PRC, the Grantee and the Company are of the view that sale of all or substantial part of the Subscriptions Shares to third parties will prove to be difficult. In addition, as the Put Option Price (including the Default Put Option Price) is significantly higher than the prevailing market price of the share of Sunshine 100, the Grantee and the Company will obtain a more favorable price for the sale of the Subscription Shares by exercising the Put Option. In the event that there are any obstacles to exercise the Put Option through the Default Mechanism or where necessary, the Grantee will exercise the Put Option by serving a Put Option Notice on the Grantor and the Guarantor in the Fourth Put Option Period.

In light of the above, the Directors (including all independent non-executive Directors) consider that the Proposed Exercise of Put Option is fair and reasonable and in the best interest of the Company and its shareholders as a whole.

6. FINANCIAL EFFECTS OF THE EXERCISE OF PUT OPTION

Upon the completion of the sale of the Put Option Shares, the Company and the Grantee will cease to have any interest in Sunshine 100. Assuming that the Grantor or the Guarantor fulfils the obligations in full and all Put Option Shares are successfully sold, the estimated gain by the Company on the completion of the Proposed Exercise of Put Option amounts to approximately HK\$101,016,822, which is calculated based on the Default Put Option Price of HK\$957,782,472 pursuant to the Default Mechanism after deducting the fair value of the Put Option Shares under the Default Mechanism of approximately HK\$567,648,000 (as valued by an independent valuer) and the fair value of the Put Option Shares of approximately HK\$289,117,650. On a similar basis, if all Put Option Shares are sold during the Fourth Put Option Period at HK\$3.600 per share, the estimated loss by the Company is approximately HK\$10,567,650. In light of the continued failure by the Grantor and the Guarantor to fully perform the Payment Obligation, the Grantee has been seeking legal advice as to (among others) its rights under the Put Option Deed. In the Announcement, the Company took a conservative view that the Default Put Option Price and Put Option Price in the Fourth Put Option Period were disclosed on the basis that the extension fee received under the Supplemental Deed shall be deducted from the applicable Put Option Price. Upon further legal advice and analysis, the Company considered that the Grantee is not required to deduct the extension fee received under the Supplemental Deed from the applicable Put Option Price. As of the Latest Practicable Date, an amount of HK\$15,600,000 was received by the Grantee as extension fee. The estimated gain and estimated loss from the Proposed Exercise of Put Option are adjusted accordingly in this circular.

On the bases set out above, if all Put Option Shares are sold pursuant to the Default Mechanism or during the Fourth Put Option Period, it is expected that (i) the Company's asset will increase by approximately HK\$101,016,822 while there will be no effect on liabilities (under the Default Mechanism) or (ii) the Company's asset will decrease by approximately HK\$10,567,650 while there will be no effect on liabilities (during the Fourth Put Option Period).

LETTER FROM THE BOARD

Pursuant to the Put Option Deed, the Grantor shall bear all costs related to the execution of transactions pursuant to the Put Option Deed and all relevant levies and duties. The final amounts of the gain or loss (if any) arising from the sale of the Put Option Shares pursuant to the exercise of the Put Option will be subject to auditing by the auditors of the Company.

7. INTENDED APPLICATION OF THE SALE PROCEEDS

Assuming the Grantor or the Guarantor fulfils its obligations in full and all Put Option Shares are successfully sold for the Default Put Option Price or the Put Option Price during the Fourth Put Option Period (as the case may be), the net proceeds payable to the Grantee are expected to be approximately HK\$957,782,472 or HK\$846,198,000, respectively. The Directors expect that such net proceeds will be used for general working capital of the Group. In the event that only partial Put Option Shares are successfully sold to the Grantor or the Guarantor, the net proceeds to be received by the Group will be reduced accordingly.

8. LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Proposed Exercise of Put Option is more than 25% but less than 75%, the Proposed Exercise of Put Option constitutes a major transaction for the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Proposed Exercise of Put Option and none of the Shareholders is required to abstain from voting in favour of the resolution approving the Proposed Exercise of Put Option. Accordingly, pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting for approving the Proposed Exercise of Put Option.

The Company has obtained a written shareholders' approval from Camellia Pacific Investment Holding Limited and Right Select International Limited (佳擇國際有限公司), holding 1,830,117,664 and 2,611,438,440 shares of the Company, respectively (in aggregate representing approximately 51% of the total issued shares of the Company as of the Latest Practicable Date) for the approval of the Proposed Exercise of Put Option. Accordingly, the Company is exempted from convening a general meeting to approve the proposed exercise of the Put Option. Each of Camellia Pacific Investment Holding Limited and Right Select International Limited is a wholly-owned subsidiary of China Huarong International Holdings Limited, the intermediate controlling shareholder of the Company. To the best information and knowledge of the Company and having made all reasonable enquiries, the Company confirms that each of Camellia Pacific Investment Holding Limited and Right Select International Limited controls the voting rights in respect of their Shares of the Company.

As none of the Directors has a material interest in the Proposed Exercise of Put Option, no Director has abstained from voting on the relevant board resolutions.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Directors (including all of the independent non-executive Directors) consider that the terms of the Proposed Exercise of Put Option are (i) fair and reasonable; (ii) on normal commercial terms; and (iii) in the interests of the Company and the Shareholders as a whole. Accordingly, although, as explained above, no general meeting of the Company will be convened for the purpose of approving the Proposed Exercise of Put Option, if a general meeting were to be convened, the Directors (including the independent non-executive Directors) would recommend the Shareholders to vote in favor of the Proposed Exercise of Put Option at such general meeting. The above recommendation is for the Shareholders' reference only.

10. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Shareholders and potential investors of the Company shall exercise caution when dealing in the securities of the Company as the completion of the Proposed Exercise of Put Option could only take place if the Grantor (or the Guarantor) will honour their obligations under the Put Option Deed.

Yours faithfully,
For and on behalf of the Board
Huarong International Financial Holdings Limited
Xu Xiaowu
Chairman

1. FINANCIAL SUMMARY OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2020 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2021 are accessible via the following hyperlinks:

- The annual report of the Company for the year ended 31 December 2018 published on 29 April 2019 (pages 88 to 226):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltn201904293008.pdf>
- The annual report of the Company for the year ended 31 December 2019 published on 28 April 2020 (pages 92 to 228):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801902.pdf>
- The annual report of the Company for the year ended 31 December 2020 published on 14 September 2021 (pages 106 to 251):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0914/2021091400530.pdf>
- The interim report of the Company for the six months ended 30 June 2021 published on 14 September 2021 (pages 13 to 61):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0914/2021091400606.pdf>

2. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and the banking and other facilities (including but not limited to the internally generated cash flows, existing cash and bank balances and external borrowings) available to the Group, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS

As at the close of business on 31 October 2021, being the latest practicable date for ascertaining information for inclusion in this statement of indebtedness, the Group had the following indebtedness:

	<i>Notes</i>	<i>HK\$'million</i>
Current		
Bank borrowings – secured and unguaranteed	(a)	130
Bank borrowings – unsecured and unguaranteed	(b)	2,399
Other borrowings – unsecured and unguaranteed	(c), (d), (e)	1,300
Lease liabilities	(h)	58
		<u>3,887</u>
Non-current		
Other borrowings – unsecured and unguaranteed	(f), (g)	5,912
Lease liabilities	(h)	39
		<u>5,951</u>
Total indebtedness		<u><u>9,838</u></u>

Notes to statement of indebtedness of the Group as at 31 October 2021

The Group had bank borrowings as follows:

- (a) Bank borrowings of approximately HK\$130 million were interest-bearing, secured by time deposits and unguaranteed; and
- (b) Bank borrowings of approximately HK\$2,399 million were interest-bearing, unsecured and unguaranteed.

The Group has other borrowings as following:

- (c) Unsecured and unguaranteed borrowings of approximately HK\$476 million from a fellow subsidiary were interest-bearing;
- (d) Unsecured and unguaranteed borrowings of approximately HK\$352 million from an immediate holding company, Right Select International Limited, were interest-bearing;

- (e) Unsecured and unguaranteed borrowings of approximately HK\$472 million from an intermediate holding company were interest-bearing;
- (f) Unsecured and unguaranteed borrowings of approximately HK\$1,677 million from an immediate holding company, Right Select International Limited, were interest-bearing;
- (g) Unsecured and unguaranteed borrowings of approximately HK\$4,235 million from an intermediate holding company were interest-bearing;
- (h) The balance represented lease liabilities of approximately HK\$97 million arising from lease contracts for plant, property and equipment and were secured by the rental deposits paid and not guaranteed; and

Save as disclosed above and apart from normal trade and other payables in the ordinary course of business, as at the close of business on 31 October 2021, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, lease liabilities, guarantees or other material contingent liabilities.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. PROSPECT OF THE GROUP

The Group is engaged in various securities business, corporate finance and asset management and direct investment business. Since November 2020, Huarong Investment Stock Corporation Limited became a wholly-owned subsidiary of the Company and the business of Huarong Investment Stock Corporation Limited and its subsidiaries, which comprises direct investments in stock, bonds, funds, derivatives and other financial products, financial services and others including but not limited to finance leasing and money lending, have been consolidated into those of the Group.

In the second half of 2021, despite that the global economy will be on a trend of recovery in general, the pandemic worldwide is evolving while the external environment is dominated by factors of instability and uncertainty, resulting in imbalances in economic recovery. In view of the manifold pressures currently at force, the Group will closely monitor global developments and overcome any difficulties to seize strategic opportunities.

In connection with asset management and direct investment, the Group will continue to pivot on the principal business of China Huarong with a focus on distressed assets and relief for corporations. In the meantime, the Group will leverage its advantage of financial license and synergetic business to further expand and develop new fund products, actively exploring innovative cross-border businesses in relation to non-performing assets while enhancing its clientele with strong effort to gradually expand the scale of its asset management business and increase management fee income. In the securities business, the Group will make a major effort to enhance business research and market development, striving to make breakthroughs in margin financing for new share subscription, online customer acquisition via mobile APP, structured finance and wealth management in a bid to enrich its business and product portfolio while improving the quality of customer service. In the corporate finance business, the market for US dollar bonds issued by Chinese companies has seen stable growth in recent years, with expanding bases of investors and issuers. With the future implementation of the southbound leg of Bond Connect, the Group believes the market size will grow further. The Group will seize the market opportunity to extend the positive momentum for business development and continue to provide premium professional financing services to more customers. Meanwhile, the Group will also actively advance and steadily develop the sponsorship and M&A businesses in full implementation of its five-year development plan for 2021–2025 and the “investment + investment bank” and “license + principal business” development strategy.

The Group will also accelerate the disposal of risk assets and continue our efforts in risk resolution and downsizing.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

2. INTERESTS OF DIRECTORS**(a) Interests in Shares, underlying Shares and debentures of the Company and its associated corporations**

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any such Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Interests in assets

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

(c) Interests in contracts or arrangements

As at the Latest Practicable Date, no contracts or arrangements were subsisting in which any Director was materially interested and which was significant in relation to the business of the Group.

(d) Interests in competing business

As at the Latest Practicable Date, in so far as the Directors were aware of, none of the Directors and their respective associates (as defined in the Listing Rules) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(e) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at the Latest Practicable Date, so far as was known by or otherwise notified to the Directors and chief executives of the Company, the persons (other than the Directors and chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held (Long position)	Approximate percentage of shareholding
China Huarong ^(Note 1)	Interests in controlled corporation	4,441,556,104	51.00%
China Huarong ^(Notes 2 and 3)	Interests in controlled corporation (security interest)	2,144,097,429	24.62%
China Huarong International Holdings Limited (“ CHIH ”) ^(Notes 1 and 3)	Interests in controlled corporation	4,441,556,104	51.00%
	Interests in controlled corporation (security interest)	135,000,000	1.55%
Right Select International Limited (“ Right Select ”) ^(Note 1)	Beneficial owner	2,611,438,440	29.98%

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held (Long position)	Approximate percentage of shareholding
Camellia Pacific Investment Holding Limited (“ Camellia Pacific ”) ^(Note 1)	Beneficial owner	1,830,117,664	21.01%
Shinning Rhythm Limited ^(Note 2)	Security interest	2,009,097,429	23.07%
China Huarong Overseas Investment Holdings Co., Limited ^(Note 2)	Interests in controlled corporation (security interest)	2,009,097,429	23.07%
Huarong Huaqiao Asset Management Co., Ltd. ^(Note 2)	Interests in controlled corporation (security interest)	2,009,097,429	23.07%
Huarong Zhiyuan Investment & Management Co., Ltd. (“ Huarong Zhiyuan ”) ^(Note 2)	Interests in controlled corporation	2,009,097,429	23.07%
Hero Link Enterprises Limited ^(Note 4)	Beneficial owner	129,000,000	1.48%
China Tian Yuan International Finance Limited ^(Note 4)	Beneficial owner	646,220,529	7.42%
	Interests in controlled corporation	129,000,000	1.48%
China Tian Yuan Finance Group (Holdings) Limited ^(Note 4)	Interests in controlled corporation	775,220,529	8.90%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. ^(Note 5)	Interests in controlled corporation	996,517,500	11.44%
Tian Yuan Manganese Limited ^(Note 5)	Interests in controlled corporation	996,517,500	11.44%
China Tian Yuan Manganese Finance (Holdings) Limited ^(Note 5)	Interests in controlled corporation	996,517,500	11.44%
China Tian Yuan Asset Management Limited (“ Tian Yuan Asset Management ”) ^(Note 5)	Beneficial owner	996,517,500	11.44%

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held (Long position)	Approximate percentage of shareholding
Mr. Jia Tianjiang <i>(Notes 4 and 5)</i>	Interests in controlled corporation	1,771,738,029	20.34%
Ms. Dong Jufeng <i>(Notes 4 and 5)</i>	Interests of spouse	1,771,738,029	20.34%

Notes:

- (1) 1,830,117,664 Shares are beneficially owned by Camellia Pacific and 2,611,438,440 Shares are beneficially owned by Right Select. Both Camellia Pacific and Right Select are wholly owned by CHIH. CHIH is owned as to 84.84% by China Huarong and 15.16% by Huarong Zhiyuan. Huarong Zhiyuan is wholly owned by China Huarong. China Huarong is beneficially owned as to 57.02% by the MOF of the PRC Government and is deemed to be owned as to 4.39% by the Ministry of Finance (“MOF”) of the PRC Government through controlled corporation. Therefore, each of China Huarong and CHIH is deemed or taken to be interested in all the Shares beneficially owned by Camellia Pacific and Right Select by virtue of the SFO.
- (2) 129,000,000 Shares held by Hero Link Enterprises Limited, 646,220,529 Shares held by China Tian Yuan International Finance Limited and 996,517,500 Shares held by China Tian Yuan Asset Management Limited are pledged to Shinning Rhythm Limited, while 237,359,400 Shares held by Power Tiger Investments Limited are pledged to Tian Yuan Investment Holding Co., Limited which in turn has assigned such security interest to Shinning Rhythm Limited. Shinning Rhythm Limited is a wholly-owned subsidiary of China Huarong Overseas Investment Holdings Co., Limited, which is in turn a wholly-owned subsidiary of Huarong Huaqiao Asset Management Co., Ltd. Huarong Huaqiao Asset Management Co., Ltd. is owned as to 91% by Huarong Zhiyuan. Huarong Zhiyuan is a wholly-owned subsidiary of China Huarong. Accordingly, each of China Huarong Overseas Investment Holdings Co., Limited, Huarong Huaqiao Asset Management Co., Ltd., Huarong Zhiyuan and China Huarong is deemed to be interested in the security interest in the 2,009,097,429 underlying Shares held by Shinning Rhythm Limited by virtue of the SFO.
- (3) Fresh Idea Ventures Limited holds direct security interest in 135,000,000 underlying Shares and is a wholly-owned subsidiary of Linewear Assets Limited. Linewear Assets Limited is a wholly-owned subsidiary of the Company, which in turn is owned as to 51% collectively by Camellia Pacific and Right Select. Accordingly, each of CHIH and China Huarong is deemed to be interested in the security interest in the 135,000,000 underlying Shares held by Fresh Idea Ventures Limited by virtue of the SFO.
- (4) China Tian Yuan Finance Group (Holdings) Limited is deemed or taken to be interested in (i) 129,000,000 Shares held by Hero Link Enterprises Limited which is held as to 82% by China Tian Yuan International Finance Limited; and (ii) 646,220,529 Shares held by China Tian Yuan International Finance Limited. China Tian Yuan International Finance Limited is a wholly-owned subsidiary of China Tian Yuan Finance Group (Holdings) Limited, which in turn is wholly-owned by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan International Finance Limited, China Tian Yuan Finance Group (Holdings) Limited, Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 775,220,529 Shares beneficially held by Hero Link Enterprises Limited and China Tian Yuan International Finance Limited by virtue of the SFO.

- (5) 996,517,500 Shares are held by China Tian Yuan Asset Management Limited, which is a wholly-owned subsidiary of China Tian Yuan Manganese Finance (Holdings) Limited, which is in turn a wholly-owned subsidiary of Tian Yuan Manganese Limited, which is in turn a wholly-owned subsidiary of Ningxia Tianyuan Manganese Industry Group Co., Ltd. Ningxia Tianyuan Manganese Industry Group Co., Ltd. is owned as to 99.96% by Mr. Jia Tianjiang. Accordingly, each of China Tian Yuan Manganese Finance (Holdings) Limited, Tian Yuan Manganese Limited, Ningxia Tianyuan Manganese Industry Group Co., Ltd., Mr. Jia Tianjiang and his spouse Ms. Dong Jufeng is deemed to be interested in the 996,517,500 Shares beneficially held by China Tian Yuan Asset Management Limited.

Saved as disclosed above, as at the Latest Practicable Date, no other persons (other than a Director or chief executive of the Company) who had any interest or short position in any Shares or underlying Shares of the Company which would be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO or which have been notified to the Company and the Stock Exchange.

4. COMMON DIRECTORS

Except for (a) Mr. Xu Xiaowu and Mr. Wang Junlai, who are executive directors of both the Company and CHIH, and (b) Ms. Wang Qi, who is a non-executive Director and holds senior management position in CHIH, as at the Latest Practicable Date, none of the Directors was a director or an employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

5. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, none of the members of the Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

On top of the Put Option Deed (as amended by the Supplemental Deed), the terms of which are set out in this circular, the following contracts, not being contracts entered in the ordinary course of business carried on or intended to be carried on by the Group, had been entered into by members of the Group within the two years before the date of this circular up to and including the Latest Practicable Date which were or may be material:

- (a) the bought and sold note and instrument of transfer dated 23 March 2020 executed by Beyond Steady Limited (an indirect wholly-owned subsidiary of the Company) (“**Beyond Steady**”) and King Wealth Asia Limited in respect of the sale and transfer of 98,500,000 issued ordinary shares of China Sandi Holdings Limited (a company listed on the Stock Exchange with stock code: 910) (“**China Sandi**”) by Beyond Steady to King Wealth Asia Limited at a consideration of HK\$30,000,000;

- (b) the bought and sold note and instrument of transfer dated 23 March 2020 executed by Beyond Steady and Optimal Success Incorporated in respect of the sale and transfer of 214,000,000 issued ordinary shares of China Sandi by Beyond Steady to Optimal Success Incorporated at a consideration of HK\$65,285,996.34;
- (c) the supplemental deed to deed of compensation (the “**Supplemental Deed of Compensation**”) dated 16 December 2020 entered into by Joywise Holdings Limited (“**Joywise**”) in favour of Beyond Steady to, among other things, amend and supplement the terms of the deed of compensation dated 18 December 2017 (the “**Deed of Compensation**”). The Deed of Compensation was in relation to the subscription of listed securities in Sunshine 100 by Beyond Steady and entered into by Joywise, a controlling shareholder of Sunshine 100, in favour of Beyond Steady to compensate Beyond Steady in cash where the sale proceeds from disposing of any of the Subscription Shares by Beyond Steady during the compensation period is less than the reference proceeds calculated based on the formula stipulated in the Deed of Compensation (the “**Return Undertaking**”). The Supplemental Deed of Compensation allows Beyond Steady to continue to benefit from the Return Undertaking for an additional six-month period beginning on 18 June 2021 and ending on 17 December 2021, and to amend the formula for the calculation of Reference Proceeds. Under the Deed of Compensation, the original maximum amount of the compensation to be received by Beyond Steady would be approximately HK\$881 million, which has been adjusted and increased to HK\$944 million under the Supplemental Deed of Compensation;
- (d) the written notice served by Beyond Steady to Mr. Cai Chubing on 18 December 2020 in accordance with the put option and undertaking deed dated 18 December 2017 entered into between Mr. Cai Chubing as grantor, Beyond Steady as grantee and Big Wisdom Limited as guarantor, in order to require Mr. Cai Chubing to purchase from Beyond Steady 99,792,000 ordinary shares of Zhuguang Holdings Group Company Limited (a company listed on the Stock Exchange with stock code: 1176) at the put option exercise price of HK\$136,116,288;
- (e) the third supplemental deed (the “**Third Supplemental Deed**”) dated 28 December 2020 entered into by way of deed poll by Superactive Group Company Limited (a company listed on the Stock Exchange with stock code: 176) (“**Superactive**”) in favour of Star Lavish Limited (an indirect wholly-owned subsidiary of the Company) (“**Star Lavish**”), to amend and supplement the conditions of the senior secured bonds (the “**Bonds**”) issued by Superactive pursuant to the subscription agreement dated 29 December 2017 entered into between Superactive and Star Lavish Limited. The principal amount of bonds subscribed under the Subscription Agreement was HK\$300,000,000 and the interest rate was 8% per annum. The issuer subsequently executed the first and the second supplemental deeds in favor of Star Lavish by way of deed poll on 24 December 2019 and 25 May 2020, respectively, to amend and supplement the bond conditions and the maturity date of the Bonds is 28 December

2020. Pursuant to the Third Supplemental Deed, the principal amount was amended to HK\$260,000,000, the interest rate was amended to the rate of 10% per annum, and the final maturity date was extended to 28 June 2022; and

- (f) the trade confirmation dated 28 December 2020 entered into between Power Sky Developments Limited (an indirect wholly-owned subsidiary of the Company) as the seller and Joyful Richness Holdings Limited as the buyer, in relation to the sale by Power Sky Developments Limited of all of its rights, title, interest and benefit under or in connection with the facility agreement dated 28 August 2017 entered into between BOCI Leveraged & Structured Finance Limited as agent, Huge Group Holdings Limited and Huge Auto Investment Holdings Limited as borrowers, Mr. Huang Chusheng and National Holdings Group Company Limited as guarantors, Power Sky Developments Limited as a lender and certain other lenders as well as any ancillary rights (subject to certain carve out specified therein) to Joyful Richness Holdings Limited for a total consideration of HK\$339,323,583.25.

7. GENERAL

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (b) The head office and principal place of business of the Company is located at Unit A, 16/F & Unit A, 17/F, Two Pacific Place, 88 Queensway, Hong Kong.
- (c) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, which is located at 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, which is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The company secretary of the Company is Ms. Luo Xiao Jing, who is a member of both the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.
- (f) This circular is prepared in both English and Chinese. In the event of any inconsistency, the English text shall prevail.

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.hrif.com.hk>) for a period of 14 days from the date of this circular:

- (a) the Put Option Deed;
- (b) the Supplemental Deed; and
- (c) this circular.