

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION

Reference is made to the announcement of Huarong International Financial Holdings Limited (the “**Company**”, together with its subsidiaries collectively the “**Group**”) dated 17 December 2021 (the “**Announcement**”) in relation to a discloseable transaction of the disposal of Target Companies. Capitalised terms used herein shall have the same meaning as those defined in the Announcement unless otherwise specified. The Board wishes to provide the Shareholders and potential investors of the Company with the following additional information of the Disposal.

ADDITIONAL INFORMATION OF THE TARGET COMPANIES

Each of the Target Companies is incorporated as special purpose vehicle for the Group’s investments in SOL-HRIF Fund and the senior notes issued by MUL (the “**Senior Notes**”). The source of funding of the aforesaid investments were provided by the Company and its wholly-owned subsidiary (namely, Huarong Investment Stock Corporation Limited) (“**HRIV**”). Save for directly holding interests in SOL-HRIF Fund and the Senior Notes, the Target Companies have not carried out any business or have any material assets and liabilities.

As at 30 June 2021, the unaudited net liabilities of Triple Ocean and Jade Coronet is approximately HK\$53,016 and HK\$72,709,558, respectively. The unaudited net asset of True Elegant is approximately HK\$15,347,372 as at 30 June 2021.

THE CONSIDERATION

The Company would like to clarify that it inadvertently included the aggregated net asset value of the Target Companies of approximately US\$37,210,000 (equivalent to approximately HK\$288,749,600) mentioned in the Valuation Reports (the “**Appraised Value**”) as one of the basis for determining the Consideration in the Announcement. The Valuation Reports were prepared for the purpose of satisfying the Company’s internal policy and relevant requirements under applicable PRC laws as the Company is a central SOE (as defined below). Under the relevant PRC laws, the transfer of any asset by a state-owned enterprise of the PRC (“**SOE**”) is subject to the SOE having first obtained a valuation in respect of such asset as appraised by a qualified valuer. The Consideration of

US\$41,919,100 (equivalent to approximately HK\$325,292,216) was determined after arm's length negotiation between the Company and the Purchaser on normal commercial terms with reference to (i) the total investment costs of US\$49,700,000 (equivalent to approximately HK\$385,672,000) in SOL-HRIF Fund and the Senior Notes; and (ii) the unaudited adjusted net asset value of the Target Companies as at 30 June 2021 of HK\$350,593,505 (the "**Adjusted NAV**").

The detailed calculation of the Adjusted NAV is set out below, which reflects the value of the intercompany debts of approximately HK\$405,673,000 as disclosed in the Announcement:

As at 30 June 2021	Tripe Ocean	True Elegant	Jade Coronet	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Unaudited net asset/(liability)	(53,016)	15,347,372	(72,709,558)	—
Unaudited amount of the loans from the Company and/or HRIV (as lenders) to the Target Companies (as borrowers) in relation to the investments in SOL-HRIF Fund and the Senior Notes	53,793	147,151,126	258,468,447	405,673,366
Adjusted NAV	776	164,833,840*	185,758,889	350,593,505

*Note**: The Adjusted NAV of True Elegant also takes into account of its deferred taxation liability of approximately HK\$2,335,342.

The assets of Triple Ocean and True Elegant were their investment interests in SOL-HRIF Fund, and the unaudited net assets value of such investment interests as at 30 June 2021 were US\$21,231,000 (equivalent to approximately HK\$164,752,560). The assets of Jade Coronet as at 30 June 2021 were the Senior Notes in the principal amount of US\$30,000,000 (equivalent to approximately HK\$232,800,000) and the accounts receivable due from guarantor of the Senior Notes of approximately US\$3,130,000 (equivalent to approximately HK\$24,288,800) (the "**Accounts Receivable**"). However, given the low recoverability of the Senior Notes as the notes have already matured without full repayment, the unaudited net book value of the Senior Notes as at 30 June 2021 was HK\$161,493,478, representing the fair value of the Senior Notes after a provision for impairment of the Senior Notes which was made by Jade Coronet in accordance with the relevant accounting standards. Subject to the final audit, the Company expects to recognize a net loss of approximately HK\$25,000,000 (being the difference between the Consideration and the Adjusted NAV), which is mainly due to the write-off of the Accounts Receivable.

The Company is of the view that the Consideration is fair and reasonable as the following factors have also been taken into account by the Company for determination of the Consideration: the slow growth prospect of SOL-HRIF Fund; the low recoverability of the Senior Notes and the Accounts Receivable; and the Consideration is similar to the sum of the unaudited net assets value of the investment interests in SOL-HRIF Fund and the unaudited net book value of the Senior Notes as at 30 June 2021.

DEFERRAL PAYMENT ARRANGEMENT

The Company had been considering the disposal of the Target Companies and/or their underlying real properties assets located in the United States since January 2021 due to substantial uncertainties arising from the COVID-19 global pandemic and the political and economic relationships between China and the United States.

Prior to entering into the Agreement, the Company actively reached out potential purchasers, among which the Purchaser agreed to acquire the Target Companies all together with the highest consideration. During the negotiation of the Agreement, the Deferred Payment arrangement was reached by the Company and the Purchaser as a compromise to facilitate the Disposal.

The Purchaser is a direct wholly-owned subsidiary of China Orient Asset Management Co., Ltd. 中國東方資產管理股份有限公司 (“COAMC”) incorporated in Hong Kong. COAMC is a central stated-owned financial enterprise jointly founded by MOF and the National Council for Social Security Fund and controlled by MOF. The Purchaser is also the direct controlling shareholder of China Orient Asset Management (International) Holding Limited 中國東方資產管理(國際)控股有限公司, which is COAMC’s primary overseas platform with core businesses in special opportunities investment and asset management.

Given that the (a) the difficulty faced by the Company in finding suitable purchaser(s) to acquire the Target Companies all together; (b) the Deferred Payment arrangement was a necessary commercial term to facilitate the Disposal; (c) such deferred payment terms are not uncommon in M&A transactions; and (d) the background of the Purchaser and COAMC, the Company considered that the Deferred Payment arrangement is a normal commercial term, fair and reasonable and in the interest of the Company and its Shareholders as a whole and the Purchaser will honour its payment obligation under the Agreement.

By order of the Board
Huarong International Financial Holdings Limited
Xu Xiaowu
Chairman

Hong Kong, 31 January 2022

As at the date of this announcement, the Board comprises Mr. Xu Xiaowu and Mr. Wang Junlai as executive Directors, Ms. Wang Qi as non-executive Director, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. as independent non-executive Directors.

** For the purpose of this announcement, the translations between US dollars and Hong Kong dollars are made at the rate of HK\$7.76 to US\$1.00*