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CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

SUPPLEMENTAL ANNOUNCEMENT CONNECTED TRANSACTION FORMATION OF LIMITED PARTNERSHIP

Reference is made to the announcement of China Huirong Financial Holdings Limited (the “**Company**”) dated 13 May 2022 (the “**Announcement**”) in relation to the proposed formation of the Limited Partnership (as defined in the Announcement). Unless otherwise stated, capitalised terms used herein shall bear the same meanings as defined in the Announcement.

In addition to the information disclosed in the Announcement, the Company would like to provide the Shareholders and potential investors with additional information of the Investment Fund and the Fund Partner below.

THE INVESTMENT FUND

Additional information on the Investment Fund proposed to be set up by the Limited Partnership and the Fund Partner are set out below:

Investment objective : The Investment Fund shall invest in equities of growing and mature enterprises in the advanced manufacturing-related fields, with the objective of bringing reasonable investment returns to investors while promoting scientific and technological innovation. The Investment Fund shall primarily focus on identifying investment opportunities which are in line with the PRC’s national innovation-driven development and the direction of industrial transformation and upgrade.

The Investment Fund shall primarily invest in the Yangtze River Delta region of the PRC.

Term : The term of the Investment Fund shall be seven years from the date the Investment Fund has obtained the business licence from the relevant PRC authority, which may be further extended by the unanimous consent of all the partners of the Investment Fund.

The first three years of the term of the Investment Fund shall be designated as the investment period (the “**Investment Period**”), with the following two years after the expiry of the Investment Period designated as the management period of the Investment Fund (the “**Management Period**”). The final two years of the term, or if such term shall be further extended, the remaining period of the term after the expiry of the Management Period, shall be designated as the exit period of the Investment Fund (the “**Exit Period**”).

Management fee : The Fund Partner shall be entitled to a management fee at 2% per annum of the total capital commitment of the Investment Fund during the Investment Period and the Management Period, provided that the cumulative management fee to be paid to the Fund Partner during the term of the Investment Fund shall not exceed 10% of the total capital commitment of the Investment Fund.

The management fee shall be payable yearly.

Profit distribution and loss sharing : The balance of the cash income derived from the Investment Fund (after deducting expenses of the Investment Fund as approved by two-thirds of the partners of the Investment Fund) shall be distributed in the following order:

- (i) to the limited partners in accordance with the proportion of paid-up capital contributed by each limited partner at the time of distribution, until the cumulative amount received by each limited partner equals the amount of paid-up capital contributed by the respective limited partners;
- (ii) to the general partners in accordance with the proportion of paid-up capital contributed by each general partner at the time of distribution, until the cumulative amount received by each general partner equals the amount of paid-up capital contributed by the respective general partners;

- (iii) to all partners in accordance with the proportion of paid-up capital contributed by each partner at the time of distribution, until the amount received by each partner represents an average net investment return (calculated by the amount of paid-up capital contributed from the date of actual contribution to the date of distribution) of 8% per annum; and
- (iv) the remaining balance shall be distributed as follows:
 - (a) 80% to all partners in accordance with the proportion of their paid-up capital contribution; and
 - (b) 20% to the Fund Partner and the Limited Partnership equally.

Investment committee : An investment committee will be established to consider and approve investment decisions. The investment committee shall comprise of five members, among which the Limited Partnership may nominate one member.

Investment restrictions : The Investment Fund will be subject to the following investment restrictions and shall not:

- (i) invest in secondary market stocks, futures, securities investment funds, corporate bonds rated below AAA, trust products, non-principal-protected wealth management products, insurance plans and other financial derivatives;
- (ii) engage in guarantee, mortgage, entrusted loan, real estate transactions (including purchase of self-occupied real estate) and other related businesses;
- (iii) expend on sponsorships or donations;
- (iv) directly or indirectly accept public deposits, or provide loans or lend money to any third party;
- (v) engage in any investment with unlimited liability;
- (vi) issue trust products or pooled financial products to raise funds; or
- (vii) engage in any other business that is prohibited by the PRC laws and regulations.

THE FUND PARTNER

The Fund Partner was founded in June 2020 and is principally engaged in private equity fund management. It is a private equity fund manager registered with the Asset Management Association of China with registration number P1071480, targeting companies in the growth and mature stages of the business cycle. It is led by a management team with years of experience in equity investment and fund raising, and as at the date of this announcement, is managing six funds with a focus on the industries of advanced manufacturing, advanced material and medical health.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Fund Partner is ultimately owned by Mr. Chang Yubao, an Independent Third Party. Mr. Chang Yubao served as the vice president of Suzhou International Development Venture Capital Holding Co.,Ltd.* (蘇州國發創業投資控股有限公司), a state-owned professional equity investment institution in Suzhou, and the general manager of Suzhou International Development Equity Investment Fund Management Co., Ltd.* (蘇州國發股權投資基金管理有限公司), and has considerable experience in equity investment and fund management.

* *For identification purpose only*

By Order of the Board
China Huirong Financial Holdings Limited
WU Min
Chairman

Hong Kong, 19 May 2022

As at the date of this announcement, the executive Directors are Mr. Wu Min and Mr. Zhang Changsong, the non-executive Directors are Mr. Zhuo You, Mr. Zhang Cheng, Mr. Ling Xiaoming and Ms. Zhang Shu and the independent non-executive Directors are Mr. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong.