

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 content 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)

**POTENTIAL DISCLOSEABLE TRANSACTION
PROPOSED ASSIGNMENT OF THE TARGET CREDITOR'S RIGHTS
BY ZHONGJU (SHENZHEN)
BY WAY OF PUBLIC LISTING-FOR-SALES**

POTENTIAL ASSIGNMENT

The Board announces that Zhongju (Shenzhen), an indirect wholly-owned subsidiary of the Company and as the assignor, has published the Listing Announcement on the website of GFATC on 19 September 2022 to commence the official process for the assignment of the Target Creditor's Rights by way of listing-for-sales through internet bidding. The Transaction Base Price of the Potential Assignment is approximately RMB143,589,494.

The Company is a PRC state-owned listed financial asset management company. In accordance with applicable PRC laws and regulations, the assignment of the Target Creditor's Rights by Zhongju (Shenzhen) constitutes a disposal of state-owned assets, which is required to be publicly conducted at GFATC. In accordance with the rules of GFATC, upon confirmation of the identity of the Final Assignee, Zhongju (Shenzhen) shall enter into an agreement for the assignment of the Target Creditor's Rights with the Final Assignee.

LISTING RULES IMPLICATIONS

Based on the Transaction Base Price, the Company expects the highest applicable ratio set out in Rule 14.07 of the Listing Rules in respect of the Potential Assignment to be more than 5% but less than 25%, the Potential Assignment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will make further disclosure as and when appropriate based on the final transaction price of the Potential Assignment in compliance with relevant provisions of the Listing Rules.

As at the date of this announcement, the Potential Assignment has not been finalised, the identity of the Final Assignee is still uncertain, and a binding agreement for the assignment of the Target Creditor’s Rights in respect of the Potential Assignment has yet to be entered into. Even if the relevant agreement is entered into, the Potential Assignment may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

I. SUMMARY

The board (the “**Board**”) of directors (the “**Directors**”) of Huarong International Financial Holdings Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) announces that Zhong Ju (Shenzhen) Financial Leasing Company Limited* (中聚（深圳）融資租賃有限公司) (“**Zhongju (Shenzhen)**”), an indirect wholly-owned subsidiary of the Company and as the assignor, has published an announcement (the “**Listing Announcement**”) on the website of Guangdong Financial Assets Trading Centre Company Limited* (廣東金融資產交易中心股份有限公司) (“**GFATC**”) on 19 September 2022 to commence the official process for the assignment (the “**Potential Assignment**”) of the Target Creditor’s Rights (as defined below) by way of listing-for-sales through internet bidding.

The Company is a People’s Republic of China (“**PRC**”) state-owned listed financial asset management company. In accordance with the requirements under applicable PRC laws and regulations in relation to the disposal of state-owned assets, the assignment of the Target Creditor’s Rights (as defined below) by Zhongju (Shenzhen), as a subsidiary controlled by the Company, constitutes a disposal of state-owned assets, which is required to be publicly conducted at GFATC. In accordance with the rules of GFATC, upon confirmation of the identity of the final assignee under the Potential Assignment (the “**Final Assignee**”), Zhongju (Shenzhen) shall enter into an agreement for the assignment of the Target Creditor’s Rights (as defined below) with the Final Assignee.

II. POTENTIAL ASSIGNMENT BY WAY OF LISTING-FOR-SALES

The listing-for-sales procedure for the Potential Assignment

Zhongju (Shenzhen) has commenced the procedure of internet bidding by way of public listing-for-sales in respect of the Potential Assignment in accordance with the provisions of applicable PRC laws and relevant regulations and rules of the GFATC. The listing period will commence from 19 September 2022 and end on 23 September 2022 (the “**Listing Period**”). During the Listing Period, any eligible entity may express its intention to acquire the Target Creditor’s Rights (as defined below) by paying RMB15,000,000 as the deposit in order to register itself as an interested and eligible assignee.

If only one interested and eligible assignee makes the payment of RMB15,000,000 as the deposit during the Listing Period in accordance with the requirements as set out for the listing-for-sales, GFATC shall facilitate the entering into of an agreement for the aforesaid assignment. In the event of two or more interested and eligible assignees make the payment of RMB15,000,000 as the deposit during the Listing Period in accordance with the requirements as set out for the listing-for-sales, the Final Assignee shall be the bidder who submitted the highest bidding price for the consideration of the Target Creditor's Rights (as defined below) as determined through the relevant price-bidding procedure of GFATC.

Following the completion of the price-bidding procedure (if any), GFATC will notify Zhongju (Shenzhen) of the identity of the Final Assignee. Zhongju (Shenzhen) shall enter into an agreement for the assignment of the Target Creditor's Rights (as defined below) with the Final Assignee in respect of the Potential Assignment following the confirmation of the identity of the Final Assignee.

As at the date of this announcement, both the identity of the Final Assignee and the principal terms of the agreement for the assignment of the Target Creditor's Rights (as defined below) (including but not limited to the final amount of consideration, payment arrangements and timeframe for delivery and transfer) have yet to be confirmed. As at the date of this announcement, neither the Company nor Zhongju (Shenzhen) has entered into any definitive contract with any other parties in respect of the Potential Assignment.

Assets proposed for assignment under the Potential Assignment

The assets proposed for assignment by Zhongju (Shenzhen) (as the assignor) under the Potential Assignment (the "**Target Creditor's Rights**") include:

(1) Creditor's Rights owed by Pingshan Lake

- (i) the primary creditor's rights owed by Zhangye Pingshan Lake Wind Power Company Limited* (張掖市平山湖風力發電有限公司) ("**Pingshan Lake**") to Zhongju (Shenzhen) amounted to approximately RMB62,786,287 as at 31 March 2022 pursuant to the first instance judgement of Shenzhen Intermediate People's Court of Guangdong Province (廣州市深圳市中級人民法院) ("**Shenzhen Intermediate Court**") made in favour of Zhongju (Shenzhen) (as the claimant) dated 6 December 2021 for the dispute relating to the underlying agreements entered into between Pingshan Lake as lessee and Zhongju (Shenzhen) as lessor in relation to the arrangement of the sale and leaseback of the wind turbine generators (the "**Pingshan Lake Finance Lease**") which have been overdue, comprising the principal lease amount of approximately RMB50 million, the interest amount of approximately RMB3,685,418, the liquidated damages of approximately RMB8,942,547 and other expenses and fees in the amount of approximately RMB158,323 (the "**Pingshan Lake Primary Creditor's Rights**"); and

- (ii) certain rights to guarantees, securities and pledges (such as the equity pledge of the entire equity interest of Pingshan Lake) relating to the Pingshan Lake Primary Creditor's Rights (the "**Pingshan Lake Guarantee Rights**", together with Pingshan Lake Primary Creditor's Rights, the "**Pingshan Lake Creditor's Rights**").

(2) *Creditor's Rights owed by Lhasa Fengdian*

- (i) the primary creditor's rights owed by Lhasa Fengdian Photovoltaic Power Generation Company Limited* (拉薩市鋒電光伏發電有限公司) ("**Lhasa Fengdian**") to Zhongju (Shenzhen) amounted to approximately RMB155,186,431 as at 31 March 2022 pursuant to the first instance judgment of Shenzhen Intermediate Court made in favour of Zhongju (Shenzhen) (as the claimant) dated 6 December 2021 for the dispute relating to the underlying agreements entered into between Lhasa Fengdian as lessee and Zhongju (Shenzhen) as lessor in relation to the arrangement of the sale and leaseback of the photovoltaic power station equipment (the "**Lhasa Finance Lease**") which have been overdue, comprising the principal lease amount of approximately RMB120 million, the interest amount of approximately RMB12,789,259, the liquidated damages of approximately RMB22,158,299 and other expenses and fees in the amount of approximately RMB238,873 (the "**Lhasa Primary Creditor's Rights**"); and
- (ii) certain rights to guarantees, securities and pledges (such as the equity pledge of the entire equity interest of Lhasa Fengdian) relating to the Lhasa Primary Creditor's Rights (the "**Lhasa Guarantee Rights**", together with Lhasa Primary Creditor's Rights, the "**Lhasa Creditor's Rights**");

(3) *Creditor's Rights owed by Lihua Energy*

- (i) the primary creditor's rights owed by Lihua Energy Storage and Transportation Company Limited* (利華能源儲運股份有限公司) ("**Lihua Energy**") to Zhongju (Shenzhen) amounted to approximately RMB7,741,902 as at 31 March 2022 pursuant to the arbitral award of Shenzhen Court of International Arbitration (深圳國際仲裁院) made in favour of Zhongju (Shenzhen) (as the applicant) dated 8 November 2018 for the dispute relating to the underlying agreements entered into between Lihua Energy as lessee and Zhongju (Shenzhen) as lessor in relation to the arrangement of the sale and leaseback business of the logistics vehicles and storage tanks (the "**Lihua Finance Lease**") which have been overdue, comprising the principal and interest amount of approximately RMB3,406,954, the liquidated damages of approximately RMB1,584,234 and other expenses and fees in the amount of approximately RMB2,750,715, as well as the right of repossession of the 154 vehicles used for transporting dangerous chemical which are leased assets under the Lihua Finance Lease (the "**Lihua Primary Creditor's Rights**"); and

- (ii) certain rights to guarantees, securities and pledges (such as the equity pledge of the 15% equity interest of Lihua Energy) relating to the Lihua Primary Creditor's Rights (the "**Lihua Guarantee Rights**", together with Lihua Primary Creditor's Rights, the "**Lihua Creditor's Rights**").

Basis for determining the consideration of the Potential Assignment

The transaction base price ("**Transaction Base Price**") of the Potential Assignment is approximately RMB143,589,494 which has been determined based on the total unaudited net book value of the Target Primary Creditor's Rights (as defined below) as at 31 March 2022.

As at 31 March 2022, the total unaudited net book value of the Pingshan Lake Primary Creditor's Rights, the Lhasa Primary Creditor's Rights and the Lihua Primary Creditor's Rights (collectively, the "**Target Primary Creditor's Rights**") was approximately RMB143,589,494, amongst which the unaudited net book value of the Pingshan Lake Primary Creditor's Rights, the Lhasa Primary Creditor's Rights and the Lihua Primary Creditor's Rights amounted to approximately RMB46,235,136, RMB97,354,358 and nil, respectively.

The final consideration for the Potential Assignment will depend on the highest bidding price offered by the Final Assignee, which is expected to be not lower than the Transaction Base Price. However, in the event that the aforesaid internet bidding is not successful, the Board may consider adopting other plan and options which are in the best interest of the Company and its shareholders as a whole.

III. INFORMATION OF THE PARTIES

The Group is principally engaged in the brokerage and dealing of securities, margin financing, loan financing, financial advisory, direct investments, investment holding, provision of advising on corporate finance services and provision of management and consultancy services. Zhongju (Shenzhen) is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Zhongju (Shenzhen) is principally engaged in the provision of financial leasing business in the PRC.

Pingshan Lake is a company established in the PRC with limited liability and is principally engaged in the operation of wind power stations in the PRC. As at the date of this announcement, the ultimate beneficial owners of Pingshan Lake are Zhao Bin and Liu Jun, who are the businessmen and indirectly hold 60% and 40% equity interest in Pingshan Lake, respectively.

Lhasa Fengdian is a company established in the PRC with limited liability and is principally engaged in the business of operating the photovoltaic power station. As at the date of this announcement, the ultimate beneficial owner of Lhasa Fengdian is Zheng Dayong, who is a businessman.

Lihua Energy is a company established in the PRC with limited liability and is principally engaged in the natural gas development and on-board storage and transportation, including compressed natural gas, liquefied natural gas, coal gas, coal bed methane, etc. As at the date of this announcement, the ultimate beneficial owner and the largest shareholder of Lihua Energy is Sun Hezhong, who is a businessman.

To the Directors' knowledge, information and belief having made all reasonable enquiries, Pingshan Lake, Lhasa Fengdian, Lihua Energy and their respective ultimate beneficial owners (including Zhao Bin, Liu Jun, Zheng Dayong and Sun Hezhong) are third parties independent of the Company and its connected persons.

IV. FINANCIAL EFFECT OF THE POTENTIAL ASSIGNMENT AND USE OF PROCEEDS

It is proposed that proceeds generated from the Potential Assignment, if materialised, will be applied to replenish the Group's general working capital.

As at the date of this announcement, the final consideration for the Potential Assignment has yet to be confirmed and no agreement for the assignment of the Target Creditor's Rights has been entered into. The Company will make further disclosure on the financial effect of the Potential Assignment in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") when the final consideration for the Potential Assignment is confirmed.

V. REASONS FOR AND BENEFITS OF CONDUCTING THE POTENTIAL ASSIGNMENT

The Potential Assignment is aimed at disposing of the Group's non-performing energy assets. While the Company has obtained judgment or arbitral awards against the debtors, namely Pingshan Lake, Lhasa Fengdian and Lihua Energy (collectively, the "**Debtors**"), the Board considers that the process of recovering the Target Creditor's Rights against the Debtors will be unpredictable, time-consuming and difficult. Further, the distressed circumstances of the Debtors are likely to aggravate, in which event would further increase the Company's disposal difficulty and prolong the disposal cycle of the Company's investment in their projects. In addition, Potential Assignment of the Target Creditor's Rights as a package will be more appealing to the potential assignees than the assignment of the Target Creditor's Rights on standalone basis.

Having considered the circumstances above and against the backdrop of the recent favourable national policies for the energy assets implemented by the PRC government, the Group intends to take advantage of this opportunity and dispose of the Group's distressed energy assets package with an aim to secure a better valuation. Furthermore, the assignment of the Target Creditor's Rights, if successful, will allow the Company to have access to new funds, optimise the allocation of resources and facilitate the realization of its development strategy of adopting a more cautious approach in business operation in light of the current economic environment. The Potential Assignment will, upon its completion, generate additional cash inflow for the Group and bring a beneficial impact on the Group's working capital and liquidity.

In light of the above, the Directors are of the view that the Potential Assignment will be conducted on normal commercial terms, is fair and reasonable and in the interests of the Company and its shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

Based on the Transaction Base Price, the Company expects the highest applicable ratio set out in Rule 14.07 of the Listing Rules in respect of the Potential Assignment to be more than 5% but less than 25%, the Potential Assignment constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company will make further disclosure as and when appropriate based on the final transaction price of the Potential Assignment in compliance with relevant provisions of the Listing Rules.

As at the date of this announcement, the Potential Assignment has not been finalised, the identity of the Final Assignee is still uncertain, and a binding agreement for the assignment of the Target Creditor's Rights in respect of the Potential Assignment has yet to be entered into. Even if the relevant agreement is entered into, the Potential Assignment may or may not be completed. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Huarong International Financial Holdings Limited
Zhang Xing
Chairman

Hong Kong, 19 September 2022

As at the date of this announcement, the Board comprises Mr. Zhang Xing as non-executive director, Mr. Chen Qinghua and Mr. Lu Xinzheng as executive directors, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. as independent non-executive directors.

* For identification purposes only