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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, licensed securities dealer or registered institution in securities 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
SETTLEMENT AGREEMENT IN RELATION TO
FINANCE LEASING ARRANGEMENT**

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 6 to 25 of this circular.

The Company has obtained written Shareholders' approval for the Settlement Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be held to approve the Settlement Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

18 November 2022

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DEFINITIONS

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

“Additional Security Documents”	collectively the security documents entered into between the Lessor and the Additional Security Providers as security from time to time for all sums due and payable to the Lessor under the Credit Framework Agreement, the Agreements and the Settlement Agreement
“Additional Security Providers”	collectively, Shengdi Investment, Shaanxi Lvyuan, Shaanxi Jinyuan Hotel, Tianjin Tangda, Mr. Ma Long, Ms. Ma Jing, Shaanxi Jianyuan Construction and Shaanxi Zhongjiang
“Agreements”	the Finance Lease Agreement(s) and the Purchase Agreement(s)
“Board”	the board of Directors
“BP”	basis point
“Business Day”	a day on which the banks in Hong Kong are generally open for business (excluding statutory holidays of Hong Kong)
“Camellia Pacific”	Camellia Pacific Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability and a controlling shareholder of the Company
“CHIH”	China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong and an intermediate controlling shareholder of the Company
“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)

DEFINITIONS

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Credit Framework Agreement”	a credit framework agreement dated 17 August 2017 and entered into between the Lessor, the Lessee and the Security Providers setting out the finance leasing arrangement between the Lessor and the Lessee and as supplemented by confirmations signed by the Lessor and Lessee on 28 February 2019 and 9 April 2020
“Director(s)”	the director(s) of the Company
“Finance Lease Agreement(s)”	Agreement(s) entered and to be entered into between the Lessor and the Lessee from time to time in relation to the finance leasing arrangement over the Leased Assets
“Group”	the Company and its subsidiaries
“Hanzhong Zhongqing”	漢中中青置業有限公司 (Hanzhong Zhongqing Estate Co., Ltd.*), a company incorporated in the PRC with limited liability
“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
“Huarong Investment”	Huarong Investment Stock Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which were formerly listed on the Stock Exchange and subsequently privatized by the Company with effect from 10 November 2020. The listing of shares of Huarong Investment was withdrawn on 12 November 2020
“Independent Third Party(ies)”	independent third party(ies) which is/are not connected person(s) of the Company and is/are independent of the Company and its connected persons
“Latest Practicable Date”	15 November 2022, being the latest practicable date prior to the bulk printing of this circular for ascertaining certain information contained herein

DEFINITIONS

“Leased Assets”	certain equipment and facilities of the LNG production line
“Lessee”	延安新沃達天然氣有限公司 (Yanan Xinwoda LNG Co., Ltd.*), a company incorporated in the PRC with limited liability
“Lessor”	中聚(深圳)融資租賃有限公司 (Zhongju (Shenzhen) Financial Leasing Co., Ltd.*), a company incorporated in the PRC with limited liability and an indirectly wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as amended, supplemented or otherwise modified from time to time
“LNG”	liquefied natural gas
“Mr. Ma”	Ma Weiqiang (馬維強), a PRC resident and the spouse of Ms. Li
“Ms. Li”	Li Qinqin (李琴琴), a PRC resident and the spouse of Mr. Ma
“Outstanding Sum”	the aggregate outstanding sum owed by the Lessee to the Lessor pursuant to the Credit Framework Agreement as at the Settlement Agreement Reference Date
“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
“Purchase Agreement(s)”	purchase agreement(s) to be entered into between the Lessor and the Lessee from time to time for the purchase of the Leased Assets
“Repayment Schedule”	the time schedule and payment manner in relation to the repayment of the Total Settlement Sum as agreed between the parties under the Settlement Agreement
“Right Select”	Right Select International Limited (佳擇國際有限公司), a company with limited liability incorporated in the British Virgin Islands and a controlling shareholder of the Company

DEFINITIONS

“RMB”	Renminbi, the lawful currency of the PRC
“Security Documents”	collectively the security documents entered into between the Lessor and the Security Providers as security for all sums due and payable to the Lessor under the Credit Framework Agreement and the Agreements
“Security Providers”	collectively, Shengdi Baicheng, Hanzhong Zhongqing, Xian Changwei, Shaanxi Jinyuan, Mr. Ma and Ms. Li
“Settlement Agreement”	A settlement agreement dated 20 September 2022 and entered into between the Lessor, the Lessee, the Security Providers and the Additional Security Providers in relation to the settlement of, among others, the Outstanding Sum
“Settlement Agreement Reference Date”	28 August 2022
“Shaanxi Lvyuan”	陝西綠源天然氣有限公司 (Shaanxi Lvyuan Natural Gas Co., Ltd.*), a company incorporated in the PRC with limited liability
“Shaanxi Jianyuan Construction”	陝西建元建築有限公司 (Shaanxi Jianyuan Construction Co., Ltd.*), a company incorporated in the PRC with limited liability
“Shaanxi Jinyuan”	陝西金源投資控股集團有限公司 (Shaanxi Jinyuan Group Co., Ltd.*), a company incorporated in the PRC with limited liability
“Shaanxi Jinyuan Hotel”	陝西金源酒店投資管理有限公司 (Shaanxi Jinyuan Hotel Investment Management Co., Ltd.*), a company incorporated in the PRC with limited liability
“Shaanxi Zhongjiang”	陝西中江之旅酒店管理有限公司 (Shaanxi Zhongjiang Zhilv Hotel Management Co., Ltd.*), a company incorporated in the PRC with limited liability
“Shareholder(s)”	shareholder(s) of the Company
“Shares”	ordinary share(s) in the share capital of the Company
“Shengdi Baicheng”	聖地佰誠能源股份有限公司 (Shengdi Baicheng Energy Co., Ltd.*), a company incorporated in the PRC with limited liability

DEFINITIONS

“Shengdi Investment”	聖地投資管理控股有限公司 (Shengdi Investment Management Holding Co., Ltd.*), a company incorporated in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Tangda”	天津塘達投資有限公司 (Tianjin Tangda Investment Co., Ltd.*), a company incorporated in the PRC with limited liability
“Total Settlement Sum”	the total settlement sum payable by the Lessee to the Lessor in accordance with the terms of the Settlement Agreement
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Xian Changwei”	西安長韋青海石油長安住宅小區建設有限責任公司 (Xian Changwei Qinghai Petroleum Changan Housing Co., Ltd.*), a company incorporated in the PRC with limited liability
“%”	per cent.

* For identification purposes only

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)

Non-executive Director:

Mr. ZHANG Xing (*Chairman*)

Executive Directors:

Mr. CHEN Qinghua (*Chief Executive Officer*)

Mr. LU Xinzheng

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:

15/F, China Huarong Tower

60 Gloucester Road

Wanchai, Hong Kong

18 November 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
SETTLEMENT AGREEMENT IN RELATION TO
FINANCE LEASING ARRANGEMENT**

1. INTRODUCTION

Reference is made to the announcements of the Company dated 20 September 2022 (the “**Announcement**”) in relation to, among others, the Settlement Agreement.

The purpose of this circular is to provide you with, among other things, (i) further details of the Settlement Agreement; (ii) financial information of the Group; and (iii) other information required to be disclosed under the Listing Rules.

LETTER FROM THE BOARD

2. BACKGROUND

The Board is pleased to announce that on 20 September 2022, the Lessor, the Lessee, the Security Providers and the Additional Security Providers entered into a conditional Settlement Agreement. The entering into of the Settlement Agreement is due to default by the Lessee since March 2021 and to reflect results of negotiation between the parties to restructure the outstanding indebtedness under the Credit Framework Agreement dated 17 August 2017 between the Lessor, the Lessee and the Security Providers. Pursuant to the Credit Framework Agreement, the Lessor agreed to purchase certain equipment and facilities of the LNG production line, being the Leased Assets, from the Lessee up to a total consideration of not more than RMB350,000,000, and following which, the Lessor has agreed to lease back such Leased Assets to the Lessee for a term of 5 years from the date of first purchase of such Leased Assets at an estimated total lease payment of approximately RMB420,000,000.

As at the Settlement Agreement Reference Date, the Outstanding Sum pursuant to the Credit Framework Agreement amounts to an aggregate of approximately RMB304,627,600 which includes the outstanding principal amount of approximately RMB256,996,323, the total accrued interest of approximately RMB30,317,357 and liquidated damages of approximately RMB17,313,920.

Below please find the principal terms of the Credit Framework Agreement:

Date: 17 August 2017

Parties: (1) the Lessor;
(2) the Lessee; and
(3) the Security Providers.

Subject matter: The Lessor agreed to purchase certain equipment and facilities of the LNG production line, being the Leased Assets, from the Lessee and following which, to lease back the Leased Assets to the Lessee after each purchase, subject to the terms and conditions of the Agreements.

LETTER FROM THE BOARD

- Consideration: The consideration payable by the Lessor to the Lessee will be set out in each separate Purchase Agreement for purchase of the Leased Assets, and in any event will not be more than RMB350,000,000 in aggregate. The purchase price shall be paid by the Lessor to the Lessee in full after satisfaction of certain condition precedents, including, amongst others, (i) the Credit Framework Agreement having been signed and becoming unconditional; (ii) the Security Documents having been signed and becoming effective; and (iii) the Agreements having been signed and executed. The value of the Leased Assets is expected to be not less than RMB400,000,000 in aggregate. The Lessor plans to fund the purchase price of the Leased Assets through its internal resources.
- Lease period: 5 years, commencing on the date of the first payment made for the first purchase (i.e. from 29 August 2017 to 28 August 2022).
- Lease payment and other fees: Pursuant to all Finance Lease Agreements, during the lease period, the Lessor is entitled to receive a lease payment, to be paid in quarterly installment throughout the lease period. The lease payment consists of: (a) the principal lease amount, which is equal to the total consideration paid for the Leased Assets under each Purchase Agreement, and in any event, will not be more than RMB350,000,000 in aggregate under all Finance Lease Agreements; and (b) an interest, which is set at 310BP over the one to five year benchmark loan interest rate by the People's Bank of China. Based on the then interest rate of the People's Bank of China, the total interest to be received by the Lessor under all Finance Lease Agreements will be approximately RMB70,000,000.

LETTER FROM THE BOARD

Repayment schedule: According to the original Credit Framework Agreement dated 17 August 2017, the outstanding amount thereunder was to be repaid in twenty installments, in particular the first nineteen installments were payable on the fifth of every December, March, June and September starting from 5 December 2017 and the last installment payable on 28 August 2022. However, due to default in repayment of various installments by the Lessee during the period from 5 March 2019 to 5 March 2020 and pursuant to subsequent negotiations between the Lessor and the Lessee, (i) the Lessee had made repayments in the sum of RMB41,700,000, RMB1,000,000 and RMB5,000,000 on 28 February 2019, 28 June 2019 and 31 December 2019, respectively; and (ii) the Lessor and Lessee entered into confirmations (“**Supplemental Confirmations**”) on 28 February 2019 and 9 April 2020. Pursuant to the Credit Framework Agreement as supplemented by the Supplemental Confirmations, the repayment schedule is last revised as follows:

No.	Repayment date	Amount to be repaid
1.	5 September 2017	RMB228,958.33
2.	5 December 2017	RMB20,357,121.33
3.	5 March 2018	RMB21,327,468.54
4.	5 June 2018	RMB21,327,468.54
5.	5 September 2018	RMB21,327,468.54
6.	5 December 2018	RMB21,327,468.54
7.	5 September 2020	RMB5,155,631.80
8.	5 December 2020	RMB5,099,592.32
9.	5 March 2021	RMB25,043,552.85
10.	5 June 2021	RMB24,754,409.58
11.	5 September 2021	RMB24,353,187.35
12.	5 December 2021	RMB23,909,008.99
13.	5 March 2022	RMB61,329,477.23
14.	5 June 2022	RMB61,329,477.23
15.	28 August 2022	RMB61,250,782.23

Total: RMB398,121,073.40

The Lessee had repaid installments in accordance with the above repayment schedule up to 5 December 2020, and default re-occurred since March 2021.

LETTER FROM THE BOARD

Ownership of the Leased Assets:	The legal title of the Leased Assets shall vest in the Lessor throughout the lease period.
Buyback:	Upon expiry of the lease period (i.e. from 29 August 2017 to 28 August 2022) and subject to the settlement of all rental payment, interest, and amounts due to the Lessor, the Lessor will sell and the Lessee will purchase the Leased Assets at an agreed nominal consideration of RMB300, which shall be paid together with the final installment of the lease payment to the Lessor.
Securities and guarantees:	<p>Obligations of the Lessee under the Credit Framework Agreement and the Agreements are secured and guaranteed by the Security Documents, which are comprised:</p> <ul style="list-style-type: none">(i) the security deposit agreements dated 17 August 2017, 19 September 2017 and 23 October 2017 and entered into between the Lessor and Lessee from time to time in respect of the payment of security deposit in the sum of not more than RMB7,000,000;(ii) the equity pledge agreement dated 17 August 2017 and entered into between Shengdi Baicheng as the chargor and the Lessor as the chargee, pursuant to which Shengdi Baicheng would charge 51% equity interest of Shaanxi Lvyuan (which is valued as RMB400,000,000 as at 31 December 2021) in favour of the Lessor as security for, among others, all sums due and payable to the Lessor under the Credit Framework Agreement and the Agreements;(iii) the immovable property mortgage agreement dated 17 August 2017 and entered into between Hanzhong Zhongqing as the mortgagor and the Lessor as the mortgagee, pursuant to which Hanzhong Zhongqing would charge the 12 properties situated at Nos. D10 to D13 (D10 號至D13號) of Tianhan Garden (天漢園), Hanzhong Century City (漢中世紀城), East Section of Binjiang Road (濱江路東段), Hantai District (漢台區), Hanzhong City (漢中市), Shaanxi Province (陝西省), which shall be used as commodity properties (商品房) (which is valued as RMB56,400,000 as at 31 December 2021), as set out in the agreement in favour of the Lessor as security for, among others, all sums due and payable to the Lessor under the Credit Framework Agreement and the Agreements;

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- (iv) the guarantee dated 17 August 2017 and entered into between the Lessor and Shaanxi Jinyuan guaranteeing, among others, all sums due and payable to the Lessor under the Credit Framework Agreement and the Agreements;
- (v) the guarantee agreement dated 17 August 2017 and entered into between the Lessor and the Shengdi Baicheng guaranteeing, among others, all sums due and payable to the Lessor under Credit Framework Agreement and the Agreements;
- (vi) the guarantee agreement dated 17 August 2017 and entered into between the Lessor and Mr. Ma and Ms. Li guaranteeing, among others, all sums due and payable to the Lessor under Credit Framework Agreement and the Agreements;
- (vii) the equity pledge agreement dated 9 April 2020 and entered into between Shengdi Baicheng as the chargor and the Lessor as the chargee, pursuant to which Shengdi Baicheng would charge 50% equity interest of Lessee (with the relevant portion of registered capital as RMB50,000,000) in favour of the Lessor as security for, among others, all sums due and payable to the Lessor under the Credit Framework Agreement and the Agreements; and
- (viii) the immovable property mortgage agreement dated 9 April 2020 (the “**Shaanxi Jinyuan Mortgage Agreement**”) and entered into among Shaanxi Jinyuan as the mortgagor, the Lessor as the mortgagee and the Lessee (as the principal debtor), pursuant to which Shaanxi Jinyuan would charge the 2 properties (the “**Yan’an Properties**”) situated at Building No. 4 (4號樓), No. 3188 Yingbin Avenue (迎賓大道3188號院), Baota District (寶塔區), Yan’an City (延安市), Shaanxi Province (陝西省), which shall be used as commodity properties, as set out in the agreement in favour of the Lessor as security for, among others, all sums due and payable to the Lessor under the Credit Framework Agreement and the Agreements.

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- Events of default: Each of the following events shall constitute an event of default:
- (i) the Lessee failed to perform its repayment obligations owed to the Lessor under the Credit Framework Agreement;
 - (ii) the Lessee utilises the principal lease amount for purposes other than agreed under the Credit Framework Agreement;
 - (iii) the Lessee creates further encumbrances over all or part of the securities under the Credit Framework Agreement without the consent of the Lessor;
 - (iv) the Lessee failed to fully comply with its obligations under the Credit Framework Agreement or any other relevant agreements entered into with the Lessor; or
 - (v) occurrence of an event which the Lessor reasonably considers might jeopardise the interests of the Lessor under the Credit Framework Agreement or any other relevant agreements entered into with the Lessor, including but not limited to the securities and guarantees provided by the Security Providers become insufficient or there is a significant change in the market conditions or national policies which substantially affects the business of the Lessee.

If any of the above events occurs, the Lessor may:

- (a) declare that all outstanding payment arising directly or indirectly under the Credit Framework Agreement become due and payable. If the Lessee failed to pay to the Lessor all amount due and payable under the Credit Framework Agreement, the Lessor shall have right to request the Lessee to pay a liquidated damages which shall be calculated at a rate of 50% of the then lease rate of the Leased Assets on a daily basis from the due date to the date of actual payment;
- (b) request the Lessor to be responsible for all reasonable costs or expenses incurred in enforcing repayments;

LETTER FROM THE BOARD

- (c) request the Lessee to increase or provide additional securities and guarantees; and
- (d) implement other measures to protect its rights under the Credit Framework Agreement and other relevant ancillary agreements.

The Company considers that to make reference to the value as at 31 December 2021 of 51% equity interest of Shaanxi Lvyuan and the 12 properties under immovable property mortgage agreement dated 17 August 2017 is reasonable as the Company expects to conduct valuations of the security assets under the Credit Framework Agreement and the Settlement Agreement on an annual basis at the end of the financial year which is in accordance with the Company's internal policy. In addition, taking into account the value as at 30 September 2022 of properties located at similar location under the immovable property mortgage agreement dated 20 September 2022, the Company does not expect material change in value in the 12 properties under immovable property mortgage agreement dated 17 August 2017. On the other hand, the Company took the approach of obtaining all securities available at the time of the signing of the supplemental confirmation dated 9 April 2020 even when some of the information on the value of the security assets was not yet available. As Shaanxi Jinyuan had been unhelpful on providing to the Company sufficient supporting documents or updates in relation to the Yan'an Properties under the Shaanxi Jinyuan Mortgage Agreement, the Company has limited information on the Yan'an Properties. Based on the information currently available to the Company, the Yan'an Properties are currently seized by relevant authority since August 2018 and the registration of the mortgage with Yan'an City Immovable Property Registration Office* (延安市不動產登記局) had not been completed, hence the enforcement right is not yet effected. Since (i) the estimated value of the Yan'an Properties was approximately RMB10,000,000, which was a relatively small amount comparing to the Outstanding Sum, and (ii) based on the information currently available the aggregate value of the security assets under the Security Documents and Additional Security Documents is estimated to be higher than the Total Settlement Sum, the Company took the approach of focusing on obtaining additional securities of higher value when negotiating and entering into the Settlement Agreement instead of focusing on the Yan'an Properties' issues. Save as the Shaanxi Jinyuan Mortgage Agreement, each of the above securities and guarantees created under the Security Documents remain effective upon signing of the Settlement Agreement.

The terms of the Agreements, including the purchase price for the Leased Assets, principal lease amount and interest rate were determined after arm's length negotiations between the Lessor and the Lessee with reference to the prevailing market rates for the similar finance leasing arrangement.

LETTER FROM THE BOARD

3. PRINCIPAL TERMS OF THE SETTLEMENT AGREEMENT

Below please find the principal terms of the Settlement Agreement:

Date: 20 September 2022

Parties: (1) the Lessor;
(2) the Lessee;
(3) the Security Providers; and
(4) the Additional Securities Providers.

Total Settlement Sum: RMB323,682,653, which includes the Outstanding Sum together with the interests of approximately RMB17,679,406 to be accrued on the outstanding principal amount after the Settlement Agreement Reference Date at the interest rate of 7.85% per annum (which is determined after arm's length negotiations between the Lessor and the Lessee with reference to the lease interest rate under the Finance Lease Agreements of 7.85% which was in turn set at 310BP over the one to five year benchmark loan interest rate by the People's Bank of China and with reference to the then prevailing market rates for the similar finance leasing arrangement at the time of the entering into the Credit Framework Agreement), and other fees (comprising arbitration costs, legal costs and enforcement costs which shall be partly borne by the Lessee) of approximately RMB1,375,647.

Conditions precedent (which shall not be waived): (i) the written shareholders' approval from Camellia Pacific Investment Holding Limited and Right Select International Limited (佳擇國際有限公司) approving the Settlement Agreement and the transactions contemplated thereunder having been obtained; and

LETTER FROM THE BOARD

- (ii) all the securities and charges pursuant to the Settlement Agreement having been registered at relevant authorities, namely Hanzhong City Immovable Property Registration Office* (漢中市不動產登記局) and Yangling Demonstration Zone Market Regulation Office* (楊凌示範區市場監督管理局).

The registration with the above authorities was completed on 23 September 2022 and 29 September 2022.

Default Interest:

In the event that the Lessee failed to pay any sum which is due and payable in accordance with the Repayment Schedule under the Settlement Agreement, all the amount outstanding shall become due and payable and the Lessee shall pay a default interest at a rate of 17.85% per annum on such unpaid sum from and including such due date up to the date of actual payment.

The default interest rate was determined with reference to the lease interest rate under the Finance Lease Agreement of 7.85% per annum and was determined after arm's length negotiation between the parties in relation to the settlement of all outstanding amount under the Credit Framework Agreement and the Agreements.

Repayment Schedule:

- (i) approximately RMB11,338,245 was paid on or before 5 September 2022;
- (ii) approximately RMB10,269,216 was paid on or before 5 October 2022;
- (iii) approximately RMB10,085,542 was paid on or before 5 November 2022;
- (iv) approximately RMB15,547,908 is to be paid on or before 5 December 2022;
- (v) approximately RMB4,847,303 is to be paid on or before 5 March 2023;

LETTER FROM THE BOARD

- (vi) RMB20,000,000 is to be paid on or before 5 April 2023;
- (vii) RMB90,000,000 is to be paid on or before 5 June 2023; and
- (viii) approximately RMB161,594,439 is to be paid on or before 28 August 2023.

Additional guarantees and securities:

Obligations of the Lessee under the Settlement Agreement, the Credit Framework Agreement and the Agreements are secured and guaranteed by the Additional Security Documents, which are comprised:

- (i) the guarantee agreement dated 20 September 2022 entered into between the Lessor as guarantee, and Shengdi Investment, Shaanxi Lvyuan, Shaanxi Jinyuan Hotel, Tianjin Tangda, Xian Changwei, Mr. Ma Long, Ms. Ma Jing and Shaanxi Jianyuan Construction as guarantors collectively, guaranteeing, among others, all sums due and payable to the Lessor under the Credit Framework Agreement, the Agreements and the Settlement Agreement;
- (ii) the equity pledge agreement dated 20 September 2022 entered into between the Lessor as the chargee and Shaanxi Zhongjiang as the chargor, pursuant to which Shaanxi Zhongjiang would charge 4,000,000 shares of 陝西楊凌農村商業銀行股份有限公司, representing approximately 0.44% of the total issued shares thereof, (which is valued as approximately RMB4,866,524 as at 30 September 2022) and its relevant rights in favour of the Lessor as security for, among others, all sums due and payable to the Lessor under the Credit Framework Agreement, the Agreements and the Settlement Agreement;

LETTER FROM THE BOARD

- (iii) the equity pledge agreement dated 20 September 2022 entered into between the Lessor as the chargee and Shaanxi Jianyuan Construction as the chargor, pursuant to which Shaanxi Jianyuan Construction would charge 11,850,000 shares of 陝西楊凌農村商業銀行股份有限公司, representing approximately 1.32% of the total issued shares thereof, (which is valued as approximately RMB14,417,076 as at 30 September 2022) and its relevant rights in favour of the Lessor as security for, among others, all sums due and payable to the Lessor under the Credit Framework Agreement, the Agreements and the Settlement Agreement; and
- (iv) the immovable property mortgage agreement dated 20 September 2022 entered into between Hanzhong Zhongqing as the mortgagor and the Lessor as the mortgagee, pursuant to which Hanzhong Zhongqing would charge the property situated at the 2nd to 3rd Floor (2-3層會所) of the clubhouse of Tianhan Garden (天漢園), Hanzhong Century City (漢中世紀城), East Section of Binjiang Road (濱江路東段), Hantai District (漢台區), Hanzhong City (漢中市), Shaanxi Province (陝西省), which shall be used as commodity property (which is valued as RMB27,937,800 as at 30 September 2022), as set out in the agreement in favour of the Lessor as security for, among others, all sums due and payable to the Lessor under the Credit Framework Agreement, the Agreements and the Settlement Agreement.

4. REASONS AND BENEFITS OF THE SETTLEMENT AGREEMENT

Default by the Lessee occurred since March 2021 and the Company had been paying effort to retrieve overdue sum and negotiate on restructuring proposal but in vain. The Group had initiated arbitration proceedings in the PRC in April 2022 in order to facilitate negotiations between the parties and restructure the indebtedness under the Credit Framework Agreement and it is expected that the debt restructuring plan under the Settlement Agreement will be accepted by the relevant authorities during the course of arbitration. In the event that the Lessee breached the debt restructuring plan as agreed between the parties pursuant to the Settlement Agreement, the Group will be able to mandatorily enforce the same. The Company is of the view that this will facilitate repayment process and guarantee the performance by the Lessee.

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In considering the extension of lease period and the settlement arrangement under the Settlement Agreement over enforcement of securities under Security Documents, the Company also takes into account that (i) under the current market condition and sentiment, the market value of underlying securities under the Security Documents may be lower than that at the time of the entering of the relevant agreements and multiple mortgaged properties and charged shares involved multiple mortgagors or chargors, it is expected that more time and effort will be incurred to enforce the security and realise the security interest by selling or disposal the underlying assets under the Securities Documents. In addition, the percentage of cost of disposing of the mortgaged properties and charged shares is high as opposed to the costs of entering into the Settlement Agreement, as it would involve more expenses, including but not limited to legal fees, brokerage and transaction fees, manager fees and custodian fees; (ii) the provision of additional securities and guarantee under the Additional Security Documents gives additional coverage on the outstanding amount under the Credit Framework Agreement which further mitigates the Group's credit risk and based on the information currently available, the aggregate value of the assets underlying the Security Documents and Additional Security Documents is estimated to be higher than the Total Settlement Sum; and (iii) during the repayment period of the Total Settlement Sum which is extended to 23 August 2023 pursuant to the Settlement Agreement, interests will continue to accrue and generate income for the Company.

Our due diligence on the Lessee indicated that it still maintained its normal business operations and was capable of generating stable income to finance its day-to-day expenses. The cash flow of the Lessee may improve if it is given more time to restructure its financial resources and indebtedness. As at the Latest Practicable Date, the Lessee had repaid the first three installments in accordance with the Repayment Schedule, and no further default had re-occurred so far. Besides, the Company is of the view that with the gradual improvement of market conditions in the long run, the value of the assets underlying the Security Documents and the Additional Security Documents might increase, which would provide us with more security coverage.

Credit risk assessment on the Settlement Agreement

Prior to the entering into the Settlement Agreement, the project team of the Company had made site visits to meet with the Lessee and the related parties to conduct discussions and formulate the restructuring proposal. The Company had conducted including but not limited to the following credit risk assessments:

- (i) reviewed the business operations and financial condition of the Lessee by obtaining and examining the financial information of the Lessee for the three years ended 31 December 2019, 2020, 2021 and the six months ended 30 June 2022 (the "**Review Period**"). It was considered that during the Review Period, among others, there was (a) an upward trend in revenue, asset turnover ratio and receivable turnover ratio, which suggested that the Lessee's operation capacity was improving; and (b) a decrease trend in debt to asset ratio which suggested that the Lessee's repayment ability was acceptable;

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- (ii) conducted litigation search on the Lessee and considered that the amount concerned in relevant litigation and enforcements cases that the Lessee involved were not substantial which was expected not to significantly affect its operation;
- (iii) conducted site visits on charged properties and litigation search results on the Security Providers, and reviewed the status of application by the Group to relevant authorities to seize the relevant assets underlying the Security Documents; and
- (iv) conducted due diligence and analysis on the additional security assets underlying the Additional Security Documents and the financial background of the Additional Security Providers.

The terms of the Credit Framework Agreement were negotiated on arm's length basis between the Lessor and the Lessee and were on normal commercial terms. Taking into account the negotiation between the parties, the results of due diligence on the financial background and repayment ability of the Lessee, the Security Providers and the Additional Security Providers and the interest income expected to be generated from the Settlement Agreement, the Directors consider that the terms of the Settlement Agreement are fair and reasonable and the entering into of the same is in the interests of the Company and its Shareholders as a whole.

5. INFORMATION OF THE PARTIES

The Lessor and the Group

The Lessor is a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. The Lessor is principally engaged in the provision of finance leasing business in the PRC.

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.

The Lessee

The Lessee is a company incorporated in the PRC with limited liability and is principally engaged in production and sale of LNG. As at the Latest Practicable Date, it is wholly owned by Shengdi Baicheng, which is in turn held as to 30% by Shaanxi Jinyuan and 70% by Shengdi Investment. Shengdi Investment is held as to 69.96% by Mr. Ma Long and 30.04% by Ms. Li. To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, the Lessee and its ultimate beneficial owner(s) are Independent Third Parties.

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The Security Providers

As at the Latest Practicable Date:

- (i) Shengdi Baicheng is a company incorporated in the PRC with limited liability and holding 100% of the equity interest in the Lessee and Shaanxi Lvyuan. Shengdi Baicheng is held as to 30% by Shaanxi Jinyuan and 70% by Shengdi Investment.
- (ii) Hanzhong Zhongqing is a company incorporated in the PRC with limited liability and is held as to 70% by Shaanxi Jinyuan, 20% by Shaanxi Mingjia Property Co. Ltd.* (陝西明佳置業有限公司), which is in turn wholly owned by Ms. Liu Li (劉麗), and 10% by Shaanxi Zhongqing Property Co. Ltd.* (陝西中青置業有限公司), which is in turn held as to 76% by Ms. Gao Shuqin (高淑琴) and 24% by Mr. Gao Kai (高凱).
- (iii) Xian Changwei is a company incorporated in the PRC with limited liability and is held as to 90% by Shaanxi Jinyuan.
- (iv) Shaanxi Jinyuan is a company incorporated in the PRC with limited liability and holding 30% of the equity interest in Shengdi Baicheng, 70% of the equity interest in Hanzhong Zhongqing and 90% of the equity interest in Xian Changwei. Shaanxi Jinyuan is held as to 74% by Mr. Ma and 26% by Ms. Li.
- (v) Mr. Ma is a natural person, holding 74% of the equity interest in Shaanxi Jinyuan and the spouse of Ms. Li.
- (vi) Ms. Li is a natural person, holding 26% equity interest in Shaanxi Jinyuan and being the spouse of Mr. Ma.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, Shengdi Baicheng, Shaanxi Lvyuan, Hanzhong Zhongqing, Xian Changwei, Shaanxi Jinyuan, Mr. Ma, Ms. Li and their ultimate beneficial owner(s) (where applicable) are Independent Third Parties.

LETTER FROM THE BOARD

The Additional Security Providers

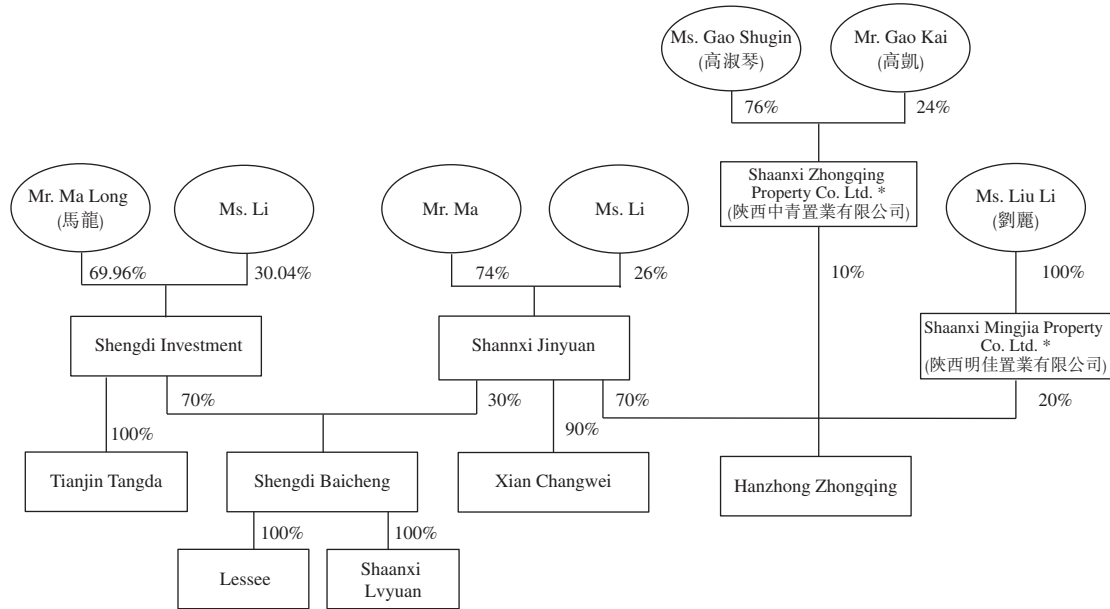
As at the Latest Practicable Date:

- (i) Shengdi Investment is a company incorporated in the PRC with limited liability and is held as to 69.96% by Mr. Ma Long and 30.04% by Ms. Li.
- (ii) Shaanxi Lvyuan is a company incorporated in the PRC with limited liability and is wholly owned by Shengdi Baicheng.
- (iii) Shaanxi Jinyuan Hotel is a company incorporated in the PRC with limited liability and is held as to 90% by Ms. Ma Jing and 10% by Mr. Yan Haijun (閻海軍).
- (iv) Tianjin Tangda is a company incorporated in the PRC with limited liability and is wholly owned by Shengdi Investment.
- (v) Mr. Ma Long (馬龍) is a natural person, holding 69.96% of the equity interest in and being the legal representative of Shengdi Investment.
- (vi) Ms. Ma Jing (馬靜) is a natural person, holding 90% of the equity interest in and being the legal representative of Shaanxi Jinyuan Hotel.
- (vii) Shaanxi Jianyuan Construction is a company incorporated in the PRC with limited liability and is held as to 95% by Mr. Ding Xuejun (丁學俊) and 5% by Mr. Yang Yuan (楊遠).
- (viii) Shaanxi Zhongjiang is a company incorporated in the PRC with limited liability and is held as to 8.8% by Mr. Wang Shunan (王樹楠) and 91.2% by Shaanxi Yingrui Investment Co., Ltd. * (陝西盈瑞投資有限公司) which is in turn held as to 98% by Mr. Wang Qingyun (王青雲) and 2% by Mr. Wang Shunan.

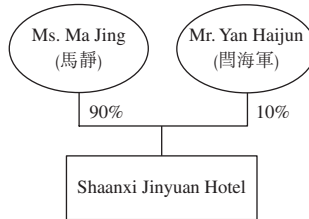
LETTER FROM THE BOARD

For illustration purpose, the diagrams below set forth the shareholding structures of the Lessee, Security Providers and Additional Security Providers:

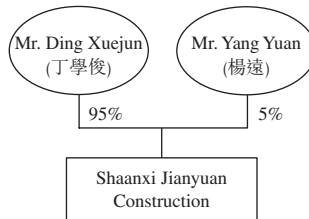
The Lessee, Shengdi Baicheng, Hanzhong Zhongqing, Xian Changwei, Shaanxi Jinyuan, Shengdi Investment, Shaanxi Lvyuan and Tianjin Tangda



Shaanxi Jinyuan Hotel

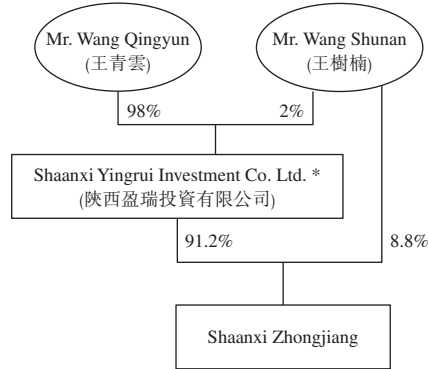


Shaanxi Jianyuan Construction



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Shaanxi Zhongjiang



To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, save as Ms. Ma Jing who is the daughter of Mr. Ma and Mr. Ma Long who is the son of Mr. Ma, all other ultimate beneficial owners of Shaanxi Jinyuan Hotel, Shaanxi Jianyuan Construction and Shaanxi Zhongjiang are business partners of Mr. Ma who agreed to provide the additional securities and guarantees in favour of the Lessor under the respectively Additional Security Documents. As discussed above, save as the Shaanxi Jinyuan Mortgage Agreement, all other charges and mortgages created pursuant to the Credit Framework Agreement, the Agreements and the Settlement Agreement have been registered with the relevant authorities and remain effective and enforceable as at the date of the Settlement Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable inquiry, Shengdi Investment, Shaanxi Lvyuan, Shaanxi Jinyuan Hotel, Tianjin Tangda, Mr. Ma Long, Ms. Ma Jing, Shaanxi Jianyuan Construction, Shaanxi Zhongjiang and their ultimate beneficial owner(s) (where applicable) are Independent Third Parties.

6. FINANCIAL EFFECTS OF THE SETTLEMENT AGREEMENT

Per the reviewed consolidated financial statements as of 30 June 2022, the total outstanding principal and accrued interest from the Lessee amounts to an aggregate of RMB251,182,400. The net finance lease receivables after impairment of RMB34,675,206 is approximately RMB216,507,194.

Pursuant to the Settlement Agreement, it is expected that (i) the Group's cash and cash equivalents will increase by RMB323,682,653, being the Total Settlement Sum to be received; (ii) the Group's finance lease receivables will decrease by RMB251,182,400, being the total outstanding principal and accrued interest from the Lessee; (iii) the impairment provision on the finance lease receivables will be reversed by RMB34,675,206; (iv) an impairment reversal gain of RMB34,675,206 will be recognized upon settlement of the Total Settlement Sum; (v) an interest income of approximately RMB17,679,406 to be accrued on the outstanding principal amount from the Settlement Agreement Reference Date to the 28 August 2023 at the interest rate

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of 7.85% per annum; (vi) other fee income of approximately RMB1,375,647 will be recognized; and (vii) a gain on disposal of approximately RMB53,445,200 will be recognized.

7. LISTING RULES IMPLICATIONS

As the Lessor was an indirect wholly-owned subsidiary of Huarong Investment, a former listed company on the Stock Exchange, the Credit Framework Agreement was a discloseable transaction of Huarong Investment at the time of the entering into of the transaction in 2017. Subsequent to Huarong Investment being privatized by the Company and the listing of its shares being withdrawn in November 2020, the Lessor has become an indirect wholly-owned subsidiary of the Company, and thus the entering into the Settlement Agreement by the Lessor constitutes a provision of financial assistance by the Group under the Listing Rules. As one of the applicable percentage ratios under the Listing Rules in respect of the Settlement Agreement exceed 25%, the Settlement Agreement constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to reporting, announcement, circular, and Shareholders' approval requirements.

As none of the Directors has a material interest in Settlement Agreement, no Director has abstained from voting on the relevant board resolutions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of their respective associates has a material interest in the Settlement Agreement, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Settlement Agreement. 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 Settlement Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, the Company has obtained a written shareholders' approval from Camellia Pacific and Right Select, 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 at the Latest Practicable Date) for the approval of the Settlement Agreement and the transactions contemplated thereunder. Accordingly, the Company is exempted from convening a general meeting to approve the Settlement Agreement. Each of Camellia Pacific and Right Select is a wholly-owned subsidiary of CHIH, 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 and Right Select controls the voting rights in respect of their Shares of the Company.

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8. RECOMMENDATION

The Directors (including all of the independent non-executive Directors) consider that the terms of the Settlement Agreement 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 Settlement Agreement, 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 Settlement Agreement at such general meeting. The above recommendation is for the Shareholders' reference only.

9. FURTHER INFORMATION

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

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

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2021 and the unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 are accessible via the following hyperlinks:

- 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 annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (pages 123 to 259):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701573.pdf>
- The interim report of the Company for the six months ended 30 June 2022 published on 28 September 2022 (pages 16 to 63):
<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0928/2022092800480.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 30 September 2022, being the most recent 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 – unsecured and unguaranteed	(a)	1,599
Lease liabilities	(b)	<u>44</u>
		1,643
Non-current		
Other borrowings – unsecured and unguaranteed	(c), (d), (e)	<u>4,303</u>
		4,303
Total indebtedness		<u><u>5,946</u></u>

Notes to statement of indebtedness of the Group as at 30 September 2022

The Group had bank borrowings as follows:

- (a) Bank borrowings of approximately HK\$1,599 million were interest-bearing, unsecured and unguaranteed.

The Group had other borrowings as follows:

- (b) The balance represented lease liabilities of approximately HK\$44 million arising from lease contracts for plant, property and equipment and were secured by the rental deposits paid and unguaranteed;
- (c) Unsecured and unguaranteed borrowing of approximately HK\$55 million from a fellow subsidiary was interest-bearing;
- (d) Unsecured and unguaranteed borrowings of approximately HK\$2,049 million from an immediate holding company, Right Select International Limited, were interest-bearing; and
- (e) Unsecured and unguaranteed borrowings of approximately HK\$2,199 million from an intermediate holding company, China Huarong International Holdings Limited, were interest-bearing.

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 30 September 2022, 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

During the first half of 2022, the Group's business and financial performance was adversely affected by various factors such as complicated and austere international conditions, ongoing spread of the COVID-19 pandemic and escalating market volatility. Enterprises invested in by the Group were subject to relatively high default risk, and the businesses and valuations of certain companies in the investment portfolio were subject to pressure. For the six months ended 30 June 2022 (the "**Period**"), an impairment provision of approximately HK\$819,437,000 was made in respect of projects subject to risks, while the decline in prices of the Group's financial asset investments resulted in loss of HK\$291,476,000 in financial assets at fair value through profit or loss for the Period.

For the Period, the Group recorded a revenue of approximately HK\$135,889,000, net loss on financial assets at fair value through profit or loss of approximately HK\$291,476,000, net loss arising from disposal of financial assets at fair value through other comprehensive income of approximately HK\$19,337,000. Therefore, total revenue and investment losses described above amounted to approximately HK\$174,924,000. Net loss for the Period was approximately HK\$1,346,573,000, while loss attributable to the Shareholders for the Period was approximately HK\$1,457,379,000. The increase in net loss for the Period as compared to the corresponding period in 2021 (the "**Last Period**"), was mainly due to the decrease in interest income associated with the reduced size of the Group's assets; and multiple adverse factors including tightened global monetary policies, geopolitical developments and the COVID-19 pandemic which caused a decline in the prices of the financial asset investments of the Group, resulting in relatively substantial loss in financial assets at fair value through profit or loss recorded, as well as a substantial amount of impairment provision made by the Group in respect of its direct investment in debt instruments, trade receivables, loans and margin financing advances.

To address a most challenging external environment, the Group persisted in seeking progress while maintaining stability, driving with full force collection and cash recouping for projects under risk as well as and asset reduction and enhancing risk control, while actively reverted to its principal business and seized this special window in the market to identify business opportunities, leveraging fully the synergies of the licence business to accelerate business transformation.

For further details, please refer to the interim report of the Company for the six months ended 30 June 2022 published on 28 September 2022.

Save as disclosed above, as at the Latest Practicable Date, the Directors confirmed that there has been no other material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. PROSPECT OF THE GROUP

The global economic growth rate is expected to trend down under the combined effect of negative factors such as recurring pandemic outbreaks outside China, ongoing Russian-Ukrainian conflict and rapid interest rate hikes by the US Fed, as the overall market environment will be subject to challenges in multiple dimensions, such as cyclical risk, stagflationary risk, energy supply and industry supply chain.

The Group will closely monitor global developments and overcome any hurdles and difficulties. In connection with the asset management business, the Group will continue to be deeply engaged in China Huarong's principal business on "major non-performing assets" on the back of its experience and strengths afforded by business synergy in its own financial licenses and non-performing asset businesses, further expanding and promoting new offshore non-performing asset investment funds and high-yield bond fund products to enhance its product variety. The Group will also be vigorously engaged in fundraising exercises and make strong efforts to advance the market-oriented operation and fund-based management of our bond portfolios. In connection with the securities business, the Group will emphasis on the institutional business and the intermediary business to increase revenue contributions from the institutional business. Meanwhile, the customer marketing channel will be further broadened by developing the connections with private banks and family business offices in Hong Kong. In connection with corporate finance, the Group will continue to develop the bond capital market business to consistently enhance the Group's influence in Hong Kong's bond capital market, while we will continue to actively expand various types of financial advisory and IPO sponsorship businesses. Meanwhile, the corporate finance business will fully leverage the strengths of the Huarong brand in the non-performing asset sector to develop financial advisory businesses relating to debt restructuring, in implementation of the strategy of differentiated development in the investment banking business.

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 or this circular 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 2021, 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 <i>(Note 1, 2 and 3)</i>	Interests in controlled corporation	4,441,556,104	51.00%
	Interests in controlled corporation (security interest)	2,144,097,429	24.62%
CHIH <i>(Notes 1 and 3)</i>	Interests in controlled corporation	4,441,556,104	51.00%
	Interests in controlled corporation (security interest)	135,000,000	1.55%
Right Select <i>(Note 1)</i>	Beneficial owner	2,611,438,440	29.98%
Camellia Pacific <i>(Note 1)</i>	Beneficial owner	1,830,117,664	21.01%
Shinning Rhythm Limited <i>(Note 2)</i>	Security interest	2,009,097,429	23.07%

Name of Shareholder	Capacity/Nature of Interest	Number of Shares held (Long position)	Approximate percentage of shareholding
China Huarong Overseas Investment Holdings Co., Limited <i>(Note 2)</i>	Interests in controlled corporation (security interest)	2,009,097,429	23.07%
Huarong Huaqiao Asset Management Co., Ltd. <i>(Note 2)</i>	Interests in controlled corporation (security interest)	2,009,097,429	23.07%
Huarong Zhiyuan Investment & Management Co., Ltd. (“Huarong Zhiyuan”) <i>(Note 2)</i>	Interests in controlled corporation	2,009,097,429	23.07%
Hero Link Enterprises Limited <i>(Note 4)</i>	Beneficial owner	129,000,000	1.48%
China Tian Yuan International Finance Limited <i>(Note 4)</i>	Beneficial owner	646,220,529	7.42%
	Interests in controlled corporation	129,000,000	1.48%
China Tian Yuan Finance Group (Holdings) Limited <i>(Note 4)</i>	Interests in controlled corporation	775,220,529	8.90%
Ningxia Tianyuan Manganese Industry Group Co., Ltd. <i>(Note 5)</i>	Interests in controlled corporation	996,517,500	11.44%
Tian Yuan Manganese Limited <i>(Note 5)</i>	Interests in controlled corporation	996,517,500	11.44%
China Tian Yuan Manganese Finance (Holdings) Limited <i>(Note 5)</i>	Interests in controlled corporation	996,517,500	11.44%
China Tian Yuan Asset Management Limited (“Tian Yuan Asset Management”) <i>(Note 5)</i>	Beneficial owner	996,517,500	11.44%
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. 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. Zhang Xing , who is directors of both the Company and CHIH, and (b) Mr. Chen Qinghua, who is directors of the Company, CHIH, Camellia Pacific and Right Select, 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 Settlement Agreement, 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 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;

- (b) 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;
- (c) 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;
- (d) the supplemental deed to deed of compensation dated 16 December 2020 entered into by Joywise as covenantor in favour of Beyond Steady Limited as the subscriber to amend and supplement the terms of the deed of compensation dated 18 December 2017; and
- (e) the portfolio sale agreement dated 17 December 2021 entered into between the Company as vendor and Dong Yin Development (Holdings) Limited 東銀發展(控股)有限公司 as the purchaser in relation to the disposal of Triple Ocean Limited 倍洋有限公司, True Elegant Limited 誠優有限公司 and Jade Coronet Limited 翠冠有限公司 at an aggregate consideration of US\$41,919,100.

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 in Hong Kong of the Company is at 15/F, China Huarong Tower, 60 Gloucester Road, Wanchai, Hong Kong.
- (c) The share registrar and transfer office in Bermuda 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 and the branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited, which is located at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) The company secretary of the Company is Ms. Luo Xiao Jing, who is a member of the Hong Kong Institute of Certified Public Accountants.
- (e) 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 (both days inclusive):

- (a) the Settlement Agreement;
- (b) the Credit Framework Agreement; and
- (c) this circular.