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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)

VOLUNTARY ANNOUNCEMENT CONCERNING LEGAL PROCEEDINGS

The announcement is made on a voluntary basis by Huarong International Financial Holdings Limited (the “**Company**”) in relation to legal proceedings commenced by Taiping Trustees Limited (“**Taiping Trustees**”) against the Company as well as its subsidiaries, Valley Stone Industry Fund Ltd. (“**Valley Stone**”) and Huarong International Asset Management Limited (“**Huarong AM**”) in the courts of Hong Kong and the Cayman Islands, respectively, on 22 December 2022.

BACKGROUND

Valley Stone and Taiping Trustees entered into an Amended and Restated Limited Partnership Agreement on 23 December 2016 (which was amended on 29 December 2016 by the Supplemental Limited Partnership Agreement) (the “**LPA**”). Pursuant to the LPA, Taiping Trustees subscribed for a limited partner interest in a fund incorporated in the Cayman Islands (the “**Fund**”) by providing a capital contribution of HK\$950 million. Valley Stone, as general partner of the Fund, agreed to cause certain quarterly distributions to be made to Taiping Trustees in accordance with the terms of the LPA.

Huarong AM and Taiping Assets Management (HK) Company Limited were appointed as investment managers to provide the Fund with portfolio advisory and management services.

On 29 December 2016, Huarong AM executed a Deed of Undertaking in favour of the Fund (the “**Deed of Undertaking**”), pursuant to which Huarong AM undertook to use all feasible endeavors to facilitate the Fund to perform certain obligations under the LPA. On the same date, the Company issued a comfort letter (the “**Comfort Letter**”) in which the Company agreed to provide support in connection with Huarong AM’s obligations under the Deed of Undertaking. The Comfort Letter expressly provided that it should under no circumstances be construed or interpreted as a guarantee.

The Fund used the capital contribution received to extend certain loans (the “**Loans**”) to two companies incorporated in the British Virgin Islands (the “**Borrowers**”). Since late 2019, the Borrowers had defaulted in their obligations to make interest payments under the Loans. Further, upon the maturity of the Loans in December 2020, the Borrowers defaulted on the repayment of the principal amounts of the Loans.

On 23 December 2021, the Fund entered into voluntary liquidation upon the conclusion of the term of the partnership between Taiping Trustees and Valley Stone in accordance with the terms of the LPA.

THE DISPUTE

The Company has recently become aware from public searches, followed by enquiries with Taiping Trustees on 11 January 2023, that Taiping Trustees commenced legal proceedings in the courts of both Hong Kong and the Cayman Islands on 22 December 2022. In both sets of proceedings, Taiping Trustees seeks payment of unquantified sums which it alleges are due and unpaid under the LPA. Further, Taiping Trustees alleges, against Huarong AM and the Company respectively, breaches of the Deed of Undertaking and of the Comfort Letter.

Taiping Trustees claims unquantified damages for alleged breaches of fiduciary, contractual and/or statutory duties by Valley Stone under section 19 of the Cayman Islands Exempted Limited Partnership Act, in connection with the Fund’s investment of its assets in the Loans and the subsequent non-payment of the principal of the Loans.

The Company, Huarong AM and Valley Stone will take all legal measures to strenuously defend the aforementioned claims. Based on currently available information, the Company’s board of directors considers that the claims will have no material impact on the Group’s normal business and operation.

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

Hong Kong, 19 January 2023

As at the date of this announcement, the Board comprises Mr. Zhang Xing as non-executive director, Mr. Chen Qinghua and Mr. Lu Xinzhen 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.