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CHINA HUIRONG FINANCIAL HOLDINGS LIMITED

中國匯融金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1290)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION ACQUISITION AND DISPOSAL OF ZHONGZHU SQUARE

Reference is made to the announcement of China Huirong Financial Holdings Limited (the “**Company**”) dated 17 January 2024 in relation to the Acquisition and the Disposal of Zhongzhu Square (the “**Announcement**”). Unless otherwise stated, terms defined in the Announcement shall have the same meanings when used herein.

The Company would like to provide the shareholders and potential investors of the Company with additional information of the Acquisition and the Disposal, respectively.

VALUATION OF ZHONGZHU SQUARE

As disclosed in the Announcement, one of the basis of determining the Acquisition Consideration was the valuation of Zhongzhu Square in the amount of RMB126.29 million as at 18 June 2023 (the “**Valuation**”). The Valuation was prepared by Suzhou Tongyi Real Estate and Land Appraisal Consulting Co., Ltd.* (蘇州通宜房地產土地評估諮詢有限公司) (the “**Valuer**”), an independent property valuer appointed by the Suzhou Wuzhong People’s Court with level 1 qualification in the PRC.

The Company would like to provide the shareholders and potential investors of the Company with additional information in relation to the Valuation based on information available on the website of the Auction.

Purpose of the Valuation

The Valuer was commissioned by the Suzhou Wuzhong People's Court to determine the value of Zhongzhu Square and provide a reference of the value of Zhongzhu Square, being the subject matter of the Auction, in relation to the enforcement of a judgment of a court case.

Valuation methodology

In performing the Valuation, the Valuer relied on the real estate registration records (不動產登記簿), the building ownership certificate (房屋所有權證) and the surveying and mapping results in respect of Zhongzhu Square. According to the Valuer, the cost approach was adopted by the Valuer by taking into consideration of the following factors:

- the cost components (including but not limited to land acquisition cost, construction cost, management fees, investment interests and conveyance related taxes and levies) were more readily available than the components required for other valuation methodologies;
- the market approach was not adopted as there was almost no other transaction in respect of industrial property in the area where Zhongzhu Square was situated; and
- the income approach was not adopted as there were uncertainties and it might need to involve unreliable assumptions and estimates, which created difficulty in accurately measuring the income to be generated from Zhongzhu Square.

By adopting the cost approach, the Valuer ascertained (i) the replacement or reproduction costs of Zhongzhu Square by taking into account of the costs of developing Zhongzhu Square to its current state, including but not limited to land acquisition cost, construction cost, management fees, investment interests and conveyance related taxes and levies; and (ii) the depreciation from such replacement or reproduction costs.

Major principles and parameters

According to the Valuer, the major principles and parameters used by the Valuer are summarized below:

- the Valuation provided the most likely market value of an industrial property and its corresponding land use rights, by taking into account of the external economic environment but without regard to the court's rights over Zhongzhu Square at the time of the Valuation;
- the Valuation provided the highest market value of Zhongzhu Square by assuming the highest possible utilization of the property with optimal use that was legally, technically and financially feasible; and
- the Valuation was based on a field visit by the Valuer on 24 May 2023 and works performed by the Valuer between 18 May 2023 and 18 June 2023, and was effective for a period of one year from 18 June 2023 to 17 June 2024.

INFORMATION ON HUIFANG ZHONGDE AND ZHONGZHU SQUARE

To the best knowledge, information and belief of the Directors, after having made reasonable enquiries, and based on the information on the tenancy agreements pertaining to Zhongzhu Square available on the website of the Auction, being the primary and only source of information for potential bidders to collate information in relation to Zhongzhu Square, it was reasonably estimated by the Company that the unaudited net rental income generated from Zhongzhu Square before taxation for the two years ended 31 December 2022 and 2023 were approximately RMB6.76 million and RMB6.76 million, respectively, and the unaudited net rental income generated from Zhongzhu Square after taxation for the two years ended 31 December 2022 and 2023 were RMB5.07 million and RMB5.07 million, respectively.

The commercial substance of the transactions contemplated under the Pre-Acquisition Agreement is to provide Jiangsu Anbo with the necessary financing for its acquisition of Zhongzhu Square. Following the completion of the Acquisition, the Acquisition Consideration in the amount of RMB88.4 million will be accounted for as financial assets held under the resale arrangement and be shown in the consolidated financial statements of the Group. The difference between the Acquisition Consideration and the Disposal Consideration will be recognised as interest income during the term of the Pre-Acquisition Agreement using the effective interest method.

Upon completion of the Acquisition, the Purchaser is expected to record but not consolidate in the Group's consolidated financial statements, among other matters, the following major entries: (i) the fair value of Zhongzhu Square in the amount of RMB88.4 million; (ii) a shareholder's loan due to Huifang Zhongde in the amount of RMB27.4 million; and (iii) the Banking Facility in the amount of RMB61 million.

Each of Huifang Zhongde and the Purchaser will not be consolidated as a subsidiary of the Company upon completion of the Acquisition.

Save as disclosed above, all other information disclosed in the Announcement remains accurate and unchanged.

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

Hong Kong, 31 January 2024

As at the date of this announcement, the executive directors of the Company are Mr. Wu Min, Mr. Qiu Wei, Mr. Zhang Changsong and Mr. Yao Wenjun, the non-executive directors of the Company are Mr. Ling Xiaoming and Ms. Zhang Shu and the independent non-executive directors of the Company are Mr. Liang Jianhong, Mr. Feng Ke and Mr. Tse Yat Hong.

* *For identification purposes only*