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CHINA RENAISSANCE HOLDINGS LIMITED

華興資本控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1911)

CLARIFICATION ANNOUNCEMENT

China Renaissance Holdings Limited (the “**Company**”) refers to its announcement dated 11 March 2024 (the “**Announcement**”) in respect of the Settlement Agreement with HGC RMB Fund IV. Unless otherwise stated, terms defined in the Announcement have the same meanings when used in this announcement.

The key inputs and assumptions of the determination of the aggregate market value of the Portfolio Companies by the independent valuer

As mentioned in the Announcement, the GPTC method was adopted by the independent valuer as the primary valuation method in the valuation of the market value of each of the Portfolio Companies. The general key assumptions adopted by the independent valuer are customary. It is assumed that (i) there will be no substantial fluctuation in the economic outlook and specific industry outlook affecting the continuity of the business of Portfolio Companies; (ii) the Portfolio Companies will obtain all necessary permits, license and approvals to carry out its business and operation; (iii) the information provided and the estimations/representations made by management with regard to the valuation are complete, accurate and reliable; and (iv) the public and statistical information obtained from sources is deemed to be reputable, accurate and reliable.

The independent valuer adopted as a key value indicator for the valuation of each Portfolio Company, the median or average enterprise value to sales (“**EV**”) multiple or, if it operates in an asset intensive industry, price-to book multiple (“**PB**”) of listed comparable companies. A discount for lack of marketability of 15.8% (being the “all industry median” discount based on the Companion Guide of Stout Restricted Stock Study (2021 Edition)) was adopted. The following table summarises the criteria adopted for the choice of comparable companies and the pricing multiple adopted in respect of the Portfolio Companies:

	Information of the Portfolio Companies	Key value indicator adopted for market approach	Selection criteria of comparable companies (number of comparable companies)
Portfolio Company 1	A company that provides battery and energy storage solutions for vehicles	PB multiple: 2.93x	Top 10 electric vehicle battery manufacturers in Chinese market and listed, which generated revenue mainly from the electrical vehicle industry. (6)
Portfolio Company 2	A provider of smart home solutions	EV to sales multiple: 5.86x	Smart home solution providers or Chinese intelligent/smart solution providers for properties. (5)
Portfolio Company 3	A provider of beauty and personal care products	EV to sales multiple: 2.19x	Chinese personal care product manufacturers and sellers, focusing on body care products, excluding skin care products. (3)
Portfolio Company 4	An innovative manufacturer of high-end cleaning devices	EV to sales multiple: 1.62x	Chinese companies that manufacture/design small home appliances and having over 40% revenue generated from the sale of vacuums & mops. (4)
Portfolio Company 5	A leading restaurant brand focusing on Lanzhou beef noodle	EV to sales multiple: 1.06x	Chinese restaurant operators mainly running their self-owned brand(s) (i.e., not licensed). (5)
Portfolio Company 6	An online whole-course management platform that provides post-hospital & post-diagnosis management services	EV to sales multiple: 6.81x	Chinese health care software companies providing healthcare/medical information solutions to hospital and/or other medical related facilities. Revenue mainly generated from medical related solutions. (4)
Portfolio Company 7	A manufacturer of interventional medical devices, mainly consumables	PB multiple: 2.86x	Chinese cardiovascular interventional products or neurological interventional products manufacturers. (11)
Portfolio Company 8	A leading provider of comprehensive blood purification solutions centering on hemodialysis and peritoneal dialysis	PB multiple: 2.92x	Companies mainly engaged in blood purifying business. Revenue mainly generated from China market. (5)

The equity allocation models where adopted are based on the Black Scholes option pricing model and (i) the amount, preferences and entitlements of each class of equity of each Portfolio Company; (ii) the assessment by the Group (as manager of the HGC RMB Fund IV) of the probability and timing (between three to four years) of the occurrence of a liquidity event (such as qualified IPO, redemption or liquidation) for that Portfolio Company; and (iii) the average or median market volatility of the comparable companies for that Portfolio Company. Items (i) and (ii) are determined based on relevant documentation and the understanding of management (to the extent that documentation is not unequivocally clear) and formed key valuation assumptions of the independent valuer. A risk free rate of 2.28% (being the 3 year China Government Bond yield) and 2.33% (being the average of the 3 and 5 year China Government Bond yields) was adopted based on the estimated timing of the occurrence of a liquidity event as mentioned above.

The Consideration and the reduction of interest

The Company elaborates that it considers the agreement to accept the Relevant Portfolio Interests from HGC RMB Fund IV at RMB790.77 million as full settlement of the Outstanding IA and the reduction of the accrued and unpaid interest is fair and reasonable given that (i) it would avert the invariable fall out and risk to revenue and reputation and litigation costs if the Group were to pursue enforcement of the collection of the Outstanding IA and all the accrued and unpaid interest from HGC RMB Fund IV; (ii) had the Group taken up the Relevant Portfolio Interests in the Portfolio Companies alongside HGC RMB Fund IV upon investment, no such interest would have accrued or been received and its position would have been pari passu with the investors the Group (as fund manager) had solicited for HGC RMB Fund IV as referenced in the Announcement; (iii) if HGC RMB Fund IV achieved its original fund raising target, no material interest payments would have arisen in relation to the Warehouse Arrangement in the ordinary course i.e. the reduced interest (which represented about 7.4% of the Group's unaudited total revenue and net investment gains or losses for the year ended 31 December 2022) would not have been accrued and the Group retained for its own benefit the interest comprised in the RMB922.93 million HGC RMB Fund IV paid to the Group.

By order of the Board
China Renaissance Holdings Limited
Xie Yi Jing
Chairman of the Board and Executive Director

Hong Kong, April 19, 2024

As at the date of this announcement, the Board comprises Mr. Xie Yi Jing as Chairman and Executive Director, Mr. Lam Ka Cheong Jason, Mr. Du Yongbo and Mr. Wang Lixing as Executive Directors, Mr. Lin Ning David and Ms. Sun Chin Hung as Non-executive Directors, and Ms. Yao Jue, Mr. Ye Junying and Mr. Zhao Yue as Independent Non-executive Directors.