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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF THE TARGET COMPANIES

THE DISPOSAL

On 17 December 2021, the Company as vendor and the Purchaser entered into the Agreement, pursuant to which the Company has agreed to sell and procure its relevant affiliates to sell the Target Shares to the Purchaser and/or its designated affiliates at an aggregate consideration of US\$41,919,100. Upon Completion of the Disposal, the Company will cease to hold any interests in the Target Companies and the financial results of the Target Companies will cease to be consolidated into the accounts of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Disposal is more than 5% but less than 25%, the Disposal 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.

Both of the Company and the Purchaser are ultimately controlled by MOF. However, as MOF is a PRC Government Body within the meaning of Rule 19A.04 of the Listing Rules, the Purchaser is not a connected person of the Company by virtue of Rule 14A.10 of the Listing Rules.

THE DISPOSAL

On 17 December 2021, the Company as vendor and the Purchaser entered into the Agreement in respect of the Disposal. The principal terms of the Agreement are summarized as follows:

Date

17 December 2021

Parties

- (i) the Company as vendor; and
- (ii) the Purchaser.

Both of the Company and the Purchaser are ultimately controlled by MOF. However, as MOF is a PRC Government Body within the meaning of Rule 19A.04 of the Listing Rules, the Purchaser is not a connected person of the Company by virtue of Rule 14A.10 of the Listing Rules.

Subject Matter

The Company shall, and shall procure its relevant affiliates to sell the Target Shares to the Purchaser and/or its designated affiliates, and the Purchaser shall, and shall procure its designated affiliates to purchase from the Company and/or its relevant affiliates the Target Shares.

Consideration

The aggregate consideration for the Disposal is US\$41,919,100 (the “**Consideration**”), which shall be satisfied as follows:

- (a) as to US\$20,959,550, representing 50% of the Consideration, shall be payable by the Purchaser by itself or its designated affiliates by irrevocable wire transfer of immediately available funds without any set-off or deduction to the Company in the Company’s account on or before the Completion Date;
- (b) as to US\$12,575,730, representing 30% of the Consideration, shall be payable by the Purchaser by itself or its designated affiliates by irrevocable wire transfer of immediately available funds without any set-off or deduction to the Company in the Company’s account on or before the first anniversary of the Completion Date; and
- (c) as to US\$8,383,820, representing 20% of the Consideration, shall be payable by the Purchaser by itself or its designated affiliates by irrevocable wire transfer of immediately available funds without any set-off or deduction to the Company in the Company’s account on or before the second anniversary of the Completion Date.

The Purchaser shall deliver to the Company on the relevant payment date as set out above a copy of the wire instructions showing that each payment of the Consideration has been duly made in accordance with the payment terms (or such other evidence satisfactory to the Company that the wire transfer has been irrevocably carried out).

The Consideration was determined after arm's length negotiations between the Company and the Purchaser after taking into account (i) the total investment costs in the amount of US\$49,700,000 in SOL-HRIF Value Add Fund I LP ("**SOL-HRIF Fund**") and the senior notes issued by Mercury Union Limited ("**MUL**"); (ii) the aggregated unaudited net assets value of the Target Companies as at 30 June 2021 and intercompany debts waived before the Disposal; and (iii) the aggregate net assets value of the Target Companies of approximately US\$37,210,000 according to the Valuation Reports.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, direct investments, investment holding, the provision of advice on corporate finance services and the provision of management and consultancy services. As at the date of this announcement, the Company is owned as to approximately 51% by China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司) (stock code: 2799) ("**China Huarong**"), the shares of which are listed on the Stock Exchange. China Huarong is controlled by MOF.

The Purchaser

The Purchaser is an investment holding company incorporated in Hong Kong. It is a direct wholly-owned subsidiary of China Orient Asset Management Co., Ltd. 中國東方資產管理股份有限公司, which is ultimately controlled by MOF. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser is ultimately controlled by MOF. As MOF is a PRC Governmental Body within the meaning of Rule 19A.04 of the Listing Rules, the Purchaser is not a connected person of the Company by virtue of Rule 14A.10 of the Listing Rules.

The Target Companies

Triple Ocean and True Elegant

Each of Triple Ocean and True Elegant is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Company indirectly holds the entire issued shares of Triple Ocean and True Elegant. Triple Ocean via its 24.5%-owned company holds the entire issued shares of another company, which acts as a general partner for SOL-HRIF Fund and True Elegant holds 50% interest in SOL-HRIF Fund as its limited partner. SOL-HRIF Fund is a fund incorporated in the Cayman Islands, which is principally engaged in property investment with an investment portfolio of student apartments located in Albany and Buffalo as well as a commercial building located in Chicago.

Jade Coronet

Jade Coronet is an investment holding company incorporated in the British Virgin Islands with limited liability. As at the date of this announcement, the Company indirectly holds the entire issued share of Jade Coronet, which in turn holds US\$30,000,000 senior notes issued by MUL. MUL indirectly holds four parcels of land located in New York with a total area of 24.90 acres and with buildings thereon.

Financial information of the Target Companies

Set out below is the summary of the consolidated unaudited financial information of Triple Ocean for each of the two years ended 31 December 2020 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit/(loss) before taxation	(16)	(16)
Profit/(loss) after taxation	(16)	(16)

As at 30 June 2021, the unaudited total assets of Triple Ocean was approximately HK\$776 and Triple Ocean recorded net liabilities as at 30 June 2021.

Set out below is the summary of the consolidated unaudited financial information of True Elegant for each of the two years ended 31 December 2020 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit/(loss) before taxation	22,370	3,428
Profit/(loss) after taxation	22,370	3,428

As at 30 June 2021, the unaudited total assets and net assets of True Elegant were approximately HK\$164,833,840 and HK\$15,347,372, respectively.

Set out below is the summary of the consolidated unaudited financial information of Jade Coronet for each of the two years ended 31 December 2020 prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended	
	31 December	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Profit/(loss) before taxation	(41,520)	(14,606)
Profit/(loss) after taxation	(41,520)	(14,606)

As at 30 June 2021, the unaudited total assets of Jade Coronet was approximately HK\$185,758,889 and Jade Coronet recorded net liabilities as at 30 June 2021.

FINANCIAL EFFECT OF THE DISPOSAL AND THE SALE PROCEEDS

Upon Completion, the Target Companies will cease to be consolidated in the accounts of the Group and the results, assets and liabilities of the Target Companies will no longer be consolidated in the financial statements of the Group.

Subject to final audit, it is expected that the Group will realise a net loss on the Disposal of approximately HK\$25,241,712. The intercompany debts in the total amount of approximately HK\$405,673,000 will be waived before the Disposal and the net assets of the Target Companies will be adjusted accordingly. The amount of debts being waived and the adjusted net assets of the Target Companies are set out below:

	Triple Ocean	True Elegant	Jade Coronet	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Intercompany debts waived	54	147,151	258,468	405,673
Adjusted net assets	1	164,834	185,759	350,594

The expected net loss is calculated by reference to the difference between the Consideration and the total adjusted net assets. The actual amount of gain or loss as a result of the Disposal to be recorded by the Company will be subject to review and final audit by the auditors of the Company.

The Consideration in the amount of US\$41,919,100 to be received by the Company from the Disposal will be applied by the Company as general working capital of the Group.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The investment return in the Target Companies is uncertain and unstable taking into account of the COVID-19 global pandemic and the economic and political relationship between China and the United States of America.

The Disposal will allow the Group to optimize its investment portfolio, reallocate its financial and human resources to other existing businesses and facilitate the realization of its development strategy of adopting a more cautious approach in business operation in light of the current economic environment. Furthermore, the Group is of the view that the Disposal will improve the financial position of the Group and mitigate the financial risks that the Group is currently facing. Additionally, in light of the current financial climate caused by the COVID-19 pandemic, the Group also believes that it is vital to maintain the financial flexibility. In this regard, the Disposal will generate positive cash flow for the Group and have a beneficial impact on the Group's working capital and liquidity. Therefore, the Directors are of the view that the Disposal is fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio set out in Rule 14.07 of the Listing Rules in respect of the Disposal, on an aggregated basis, is more than 5% but less than 25%, the Disposal 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.

Both of the Company and the Purchaser are ultimately controlled by MOF. However, as MOF is a PRC Government Body within the meaning of Rule 19A.04 of the Listing Rules, the Purchaser is not a connected person of the Company by virtue of Rule 14A.10 of the Listing Rules.

DEFINITIONS

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

“Agreement”	the portfolio sale agreement dated 17 December 2021 entered into between the Company and the Purchaser in relation to the Disposal
“Board”	the board of Directors

“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 and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 993)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Agreement
“Completion Date”	the date of Completion, being 20 December 2021 or such other date as the parties may agree in writing
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Target Companies
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Jade Coronet”	Jade Coronet Limited 翠冠有限公司, a company incorporated in the British Virgin Islands with limited liability, an indirectly wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOF”	Ministry of Finance of the PRC 中華人民共和國財政部
“PRC”	the People’s Republic of China
“Purchaser”	Dong Yin Development (Holdings) Limited 東銀發展(控股)有限公司, a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of China Orient Asset Management Co., Ltd. 中國東方資產管理股份有限公司, which is ultimately controlled by MOF
“Shareholder(s)”	holder(s) of the ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Companies”	collectively, Triple Ocean, True Elegant and Jade Coronet
“Target Shares”	collectively, one hundred (100) ordinary shares of Triple Ocean, being the entire issued shares of Triple Ocean, one hundred (100) ordinary shares of True Elegant, being the entire issued shares of True Elegant and one (1) ordinary share of Jade Coronet, being the entire issued share of Jade Coronet
“Triple Ocean”	Triple Ocean Limited 倍洋有限公司, a company incorporated in the British Virgin Islands with limited liability, an indirectly wholly-owned subsidiary of the Company
“True Elegant”	True Elegant Limited 誠優有限公司, a company incorporated in the British Virgin Islands with limited liability, an indirectly wholly-owned subsidiary of the Company
“US\$”	the United States dollar(s), the lawful currency of the United States of America
“Valuation Reports”	two assets valuation reports, one for Jade Coronet as at 30 September 2021 (being the valuation reference date) using cost approach and one for Triple Ocean and True Elegant as at 30 June 2021 (being the valuation reference date) using income approach, respectively prepared by an independent valuer
“%”	per cent.

By order of the Board
Huarong International Financial Holdings Limited
Xu Xiaowu
Chairman

Hong Kong, 17 December 2021

As at the date of this announcement, the Board comprises Mr. Xu Xiaowu and Mr. Wang Junlai as executive Directors, Ms. Wang Qi as non-executive Director, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan, Mr. Guan Huanfei and Dr. Lam Lee G. as independent non-executive Directors.