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(Incorporated in Bermuda with limited liability)

(Stock Code: 993)

**INSIDE INFORMATION
AND
DISCLOSEABLE TRANSACTION REGARDING THE EXERCISE
OF THE EVENTS OF DEFAULT OPTION**

This announcement is made by Huarong International Financial Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

DEFAULT IN RESPECT OF THE PREFERRED SHARES TRANSACTION

Reference is made to the announcement of the Company dated 8 June 2017 (the “**Announcement**”) in relation to the subscription of 900,000 preferred shares (the “**Subscription**”) in Shanghai Huaxin Group (HongKong) Limited (上海華信集團(香港)有限公司) (“**Huaxin Hong Kong**”) by Gain Sun Ventures Limited (盈暉創投有限公司), an indirect wholly-owned subsidiary of the Company, as the subscriber (the “**Subscriber**”) and the acceptance of the put options (the “**Put Options**”) granted by Huaxin Hong Kong to the Subscriber under the put options deed and shareholders’ agreement (the “**Put Options Deed and Shareholders’ Agreement**”) entered into between the Subscriber, Huaxin Hong Kong and 上海華信國際集團有限公司 (CEFC Shanghai International Group Limited*) (“**Huaxin Shanghai**”) in relation to the Subscription and the grant of the Put Options to the Subscriber (the “**Preferred Shares Transaction**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as defined in the Announcement.

The Company wishes to provide the update that as at the date of this announcement, Huaxin Hong Kong has defaulted in performing its obligations under the Preferred Shares Transaction (the “**Default**”). Huaxin Hong Kong, among other things, has failed to pay the first annual Preferential Dividend in accordance with the Put Options Deed and Shareholders’ Agreement in a sum of HK\$54,000,000 which was due and payable to the Subscriber on 9 June 2018 and has failed to replace certain expiring receivable contracts with eligible receivable contracts pursuant to the Security Deed.

Response to the Default

In response to such Default and for the interest of the Company, the Company has sought legal advice from counsels and has begun to take necessary actions against the relevant obligors in the Preferred Shares Transaction.

On 21 June 2018, the Subscriber has exercised the events of default put option (the “**EOD Option**”) pursuant to the Put Options Deed and Shareholders’ Agreement by delivering a put notice to Huaxin Hong Kong to require it to repurchase the Preferred Shares at a put price of HK\$1,085 per Preferred Share for a total put price of HK\$976,500,000.

As the situation evolves or if Huaxin Hong Kong fails to perform its obligations under the put notice, the Company would consider enforcing the obligations of Huaxin Hong Kong under the Security Deed and other Transaction Documents, and the obligations of Huaxin Shanghai (as the guarantor) under the PRC Guarantee and the Supplemental Agreement to the PRC Guarantee.

EXERCISE OF THE EOD OPTION

The total put price of HK\$976,500,000 shall be payable by Huaxin Hong Kong in cash by way of bank transfer. The put price of HK\$1,085 per Preferred Share was a pre-agreed term under the Put Options Deed and Shareholders’ Agreement which was determined after arm’s length negotiation between the parties.

The completion shall take place on a date which is within seven (7) Business Days after the date on which the put notice is delivered by the Subscriber to Huaxin Hong Kong (the “**Completion Date**”), and following which, the Subscriber will cease to hold any Preferred Shares in Huaxin Hong Kong.

On the basis that Huaxin Hong Kong shall repurchase the Preferred Shares on the Completion Date, based on the preliminary assessment, it is expected that the Group will record a book gain of approximately HK\$1,348,000 as a result of the exercise of the EOD Option, being the difference between the net proceed and the carrying amount of the investment. The actual gain or loss to be recorded by the Group is subject to final audit to be performed by the auditors of the Company.

The Directors are of the view that the exercise of the EOD Option is on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The proceeds (net of expenses directly attributable thereto) from the exercise of the EOD Option are intended to be used as general working capital of the Group and for potential investment of the Group in the future.

INFORMATION ON THE SUBSCRIBER AND THE GROUP

The Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment, provision of management and consultancy services.

INFORMATION ON HUAXIN HONG KONG

Huaxin Hong Kong is a company incorporated in Hong Kong with limited liability. The principal business of Huaxin Hong Kong is petroleum trading. Set out below is a summary of the financial information on Huaxin Hong Kong for the two years ended 31 December 2015 and 2016 prepared in accordance with HKFRS:

	For the year ended 31 December	
	2015	2016
	HK\$'000	HK\$'000
	(audited)	(audited)
Revenue	31,075,825	33,568,147
Net profits before taxation	389,432	612,431
Net profits after taxation	334,753	501,249
Net assets	6,060,957	6,562,206

Huaxin Shanghai is a company established in the PRC with limited liability. The principal business of Huaxin Shanghai is energy and financial services.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Huaxin Hong Kong, Huaxin Shanghai and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

IMPLICATIONS UNDER THE LISTING RULES

As certain applicable percentage ratios in respect of the exercise of the EOD Option are more than 5% but are less than 25%, the exercise of the EOD Option constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

The Company will make further announcement(s) as and when appropriate in compliance with the Listing Rules and inform the shareholders and potential investors of the Company of any material development of this event.

By Order of the Board
Huarong International Financial Holdings Limited
Wang Qiang
Chairman

Hong Kong, 21 June 2018

As at the date of this announcement, the executive directors of the Company are Mr. Wang Qiang, Mr. Xu Yong and Dr. Niu Shaofeng, and the independent non-executive directors are Dr. Wong Tin Yau Kelvin, Mr. Ma Lishan and Mr. Guan Huanfei.

* *for identification purposes only*