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Bairong Inc.

百融雲創

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)

(Stock Code: 6608)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 52.00% OF THE EQUITY INTEREST IN
THE TARGET COMPANY**

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that, on October 8, 2021 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors, Mr. Du and the Target Company, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, in aggregate, approximately 52.00% of the issued shares of the Target Company at an aggregate consideration of approximately RMB155.99 million.

Upon Completion, the Company will be interested in approximately 52.00% equity interest in the Target Company and the financial results of the Target Company will be consolidated into the Company's consolidated financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules, but is exempt from the shareholders' approval requirement.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent under the Equity Transfer Agreement which may or may not be fulfilled. The Acquisition may or may not proceed in certain circumstances. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and other securities of the Company.

INTRODUCTION

On October 8, 2021 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Vendors, Mr. Du and the Target Company, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, in aggregate, approximately 52.00% of the issued shares of the Target Company at an aggregate consideration of approximately RMB155.99 million.

THE EQUITY TRANSFER AGREEMENT

Date: October 8, 2021 (after trading hours)

Parties: the Vendors;

the Purchaser;

Mr. Du (as the chairman of the Target Company); and

the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners and Mr. Du are third parties independent of the Company and its connected persons.

Subject matter

Pursuant to the Equity Transfer Agreement, the Vendors have conditionally offered to sell, in aggregate, and the Purchaser has conditionally agreed to acquire, approximately 52.00% equity interest of the Target Company.

Consideration

Upon the execution of the Equity Transfer Agreement, the Vendors shall transfer an aggregate of approximately 52.00% equity interest in the Target Company to the Purchaser as follows:

Vendors	Equity interest to be transferred	Consideration (RMB)
Beijing Shuzhi	13.35%	40,047,358
Ms. Chen Li	23.91%	71,739,480
Beijing Dayou Yanyuan Investment Management Center (Limited Partnership)*	5.41%	16,230,000
Jiaxing Blue Ocean Investment Partnership (Limited Partnership)*	0.99%	2,970,000
Mr. Wang Kun	1.73%	5,213,546
Ms. Zhao Min	1.71%	5,130,790
Ms. Zheng Yanling	1.14%	3,432,480
Mr. Li Cheng	0.99%	2,955,524
Mr. Gao Hongshu	0.99%	2,955,524
Mr. Zhang Zhengyu	0.99%	2,955,524

Vendors	Equity interest to be transferred	Consideration (RMB)
Mr. Xiang Qin	0.35%	1,047,734
Mr. Li Chenxi	0.44%	1,310,044
Total	52.00%	155,988,004

The aggregate consideration to be paid by the Purchaser to the Vendors for the Acquisition is approximately RMB155.99 million, all of which will be financed by the portion of the net proceeds from the Global Offering of approximately HKD516.1 million (equivalent to approximately RMB427.5 million) designated for selectively pursuing strategic investments and acquisitions that will allow the Company to expand existing product and service offerings, improve technology capabilities, and enhance value proposition to FSP clients. Save for the aforementioned portion of the net proceeds from the Global Offering which will be utilized for the consideration, no unutilized proceeds from the Global Offering, will be utilized for the consideration.

The consideration under the Equity Transfer Agreement shall be settled in accordance to the following manners and conditions:

(i) First instalment

Within 3 business days upon satisfaction of certain conditions precedents under the Equity Transfer Agreement, the Purchaser shall pay: (i) RMB58,288,328 to Ms. Chen Li; (ii) no more than 20% of consideration to Beijing Shuzhi (i.e. RMB8,009,472); and (iii) RMB44,201,166 to other vendors.

(ii) Second instalment

Within 3 business days upon satisfaction of the remaining conditions precedents under the Equity Transfer Agreement, the Purchaser shall pay: (i) RMB13,451,152 to Ms. Chen Li; and (ii) the remaining consideration, being RMB40,047,358 less the balance that has been paid in the first instalment, to Beijing Shuzhi.

Share pledge

Upon signing of the Equity Transfer Agreement, Ms. Chen Li shall pledge 75% of her equity interest in the Target Company to the Purchaser (the “**Share Pledge**”) to guarantee the performance of all her obligations and responsibilities under the Equity Transfer Agreement.

Basis of consideration

The consideration of the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendors on normal commercial terms based on the principles of equality and voluntariness with reference to the net assets, profitability and business prospect and potential of the Target Company as well as negotiation powers of the parties. In particular, the Directors determined the consideration by conducting comparable companies analysis of the Target Company. The Company conducted valuation on the Target Company based on multiples of historical gross profits market value of comparable application software companies. According to the market analysis of listed application software companies under the software and technology service sector on the Stock Exchange and the latest data available from Bloomberg Information, a world leading financial information services provider, the average gross profit market value multiple of application software companies listed on the Stock Exchange is approximately 18.3x, which reflects the growing business potential of application software companies like the Target Company. Despite price/sales ratio is a commonly used valuation method on application software companies by general market participants, gross profit market value is used instead to cater for the unique business model of the Target Company, where it charges customers a certain percentage of technical service fees based on the scale of equity distribution as its gross profit. Such valuation method is believed to have more reference value than the price/sales ratio in determining the valuation of the Target Company.

Based on the above, the Directors consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

The Completion is conditional upon the satisfaction or written waiver by the Purchaser (if applicable) of the following conditions precedent, in accordance with the terms of the Equity Transfer Agreement:

- (i) The parties have duly executed the Equity Transfer Agreement;
- (ii) All representations and warranties given by each of the Vendors, the Target Company and the Purchaser under the Equity Transfer Agreement shall remain true, accurate and complete;
- (iii) The Vendors and the Target Company have fulfilled and complied with their respective agreements, ancillary agreements, commitments, and obligations under the Equity Transfer Agreement;
- (iv) No judgements, administrative orders or rulings have been or will be implemented under the PRC laws or issued by the relevant PRC regulatory authorities that may restrict the Acquisition or have any adverse effect on it;
- (v) All necessary internal or external approvals (including from third parties), share transfer registrations, filings and written confirmations required in relation to the Acquisition have been obtained by the Vendors, the Target Company and the Purchaser;
- (vi) The Target Company has obtained the internal approvals to replace its existing investor directors with the directors designated by the Purchaser and appointed the Purchaser's nominee to act as its financial officer;

- (vii) The Purchaser is satisfied with the results of the commercial, legal, financial, tax and other due diligence conducted on the Target Group;
- (viii) Jiaxing Blue Ocean Investment Partnership (Limited Partnership)*, Mr. Du and the Purchaser entered into a concert party agreement that is to the satisfaction of the Purchaser;
- (ix) The Target Company has issued a written confirmation to the Purchaser to the effect that the Target Company has not settled all its debts (including third party loan and shareholders loan) as at the date of the Equity Transfer Agreement;
- (x) The Target Company have completed the rectification measures as set out under the Equity Transfer Agreement upon the reasonable satisfaction of the Purchaser;
- (xi) No material adverse incidents (as defined in the Equity Transfer Agreement) have occurred since the date of the Equity Transfer Agreement;
- (xii) Beijing Shuzhi and Ms. Chen Li has separately obtained and provided the Purchaser with a notice from the Administration of Industry and Commerce of the PRC, to release all the pledged equity interest of the Target Company owned by Beijing Shuzhi, and to register the Share Pledge, respectively; and
- (xiii) The Target Company has issued the relevant registered shares to the Purchaser, and provided the Purchaser with a register of shareholders reflecting the relevant equity transfer.

Termination

The Equity Transfer Agreement shall terminate, before Completion, by written notice under the relevant conditions set out in the Equity Transfer Agreement. But if aforesaid situation is caused by one party's breach, that party does not have the right to terminate the agreement.

Completion

Completion shall take place when all the conditions precedents under the Equity Transfer Agreement are fulfilled or waived in writing by the Purchaser. Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Company's consolidated financial statements.

INFORMATION ABOUT THE PARTIES

THE COMPANY

The Company is a leading independent AI-powered technology platform in China serving the financial services industry. As of June 30, 2021, the Company had served more than 5,100 FSP clients of which 2,876 are paying FSP clients. The Company's clients include substantially all of China's national banks, more than 840 regional banks, substantially all of China's consumer finance companies, over 100 major insurance companies and a variety of other FSPs. The Company provides cloud-based services through our big data and AI technologies to support the needs of FSPs in pre-lending risk management, post-lending monitoring, non-performing loan (NPL) management and insurance risk management, enabling them to reduce exposure to fraud and improve their underwriting and risk management efficiency and effectiveness. The Company also starts providing smart consumer operation solutions for its key FSP clients to satisfy their increasing demand in operation digitalization.

THE VENDORS

Beijing Shuzhi is principally engaged in big data smart marketing and artificial intelligence field. As at the date of this announcement, its ultimate beneficial owner is Mr. Zhang Zhiyong.

Jiaxing Blue Ocean Investment Partnership (Limited Partnership)* (嘉興藍海投資合夥企業(有限合夥)) is a limited liability partnership incorporated under the laws of the PRC and is principally engaged in investment activities. As at the date of this announcement, its ultimate beneficial owner is Mr. Du.

Beijing Dayou Yanyuan Investment Management Center (Limited Partnership)* (北京大有燕園投資管理中心(有限合夥)) is a limited liability partnership incorporated under the laws of the PRC and is principally engaged in investment activities. As at the date of this announcement, its ultimate beneficial owner is Mr. Shi Jinming.

Each of Ms. Chen Li, Mr. Wang Kun, Ms. Zhao Min, Ms. Zheng Yanling, Mr. Li Cheng, Mr. Gao Hongshu, Mr. Zhang Zhengyu, Mr. Xiang Qin and Mr. Li Chenxi is a PRC citizen.

THE TARGET COMPANY

The Target Company is a joint stock company established in the PRC with limited liability in 2012. It is principally engaged in providing integrated solutions for intelligent operations to bank-based FSPs and serves as China's leading comprehensive solution service providers to assist banks in carrying out intelligent user operations. It self-develops an intelligent routing distribution platform that connects banks, users, scenarios, and merchants and a one-stop cloud equity SaaS platform. A certain proportion of its equity distribution scale is charged as its technical service fee and recorded as its gross profit. With its technological capabilities and platform routing capabilities, the Target Company has independently developed an intelligent operation SaaS platform. It was awarded various titles and honors including high-tech enterprise, specialized new enterprise and gazelle enterprise etc., as a recognition of its industry and technology advantages. Since its establishment, the Target Company has established strategic partnerships with major state-owned and large joint-stock commercial banks, China UnionPay, and leading Internet companies with more than 10 national banks in China as its paying clients.

The table below sets forth the unaudited consolidated financial information of the Target Company for the two years ended December 31, 2020 based on its management accounts:

	For the year ended December 31, 2019 <i>(Unaudited)</i> <i>(RMB'000)</i>	For the year ended December 31, 2020 <i>(Unaudited)</i> <i>(RMB'000)</i>
Revenue	130,900	157,455
Net profit/(loss) before tax	(3,949)	(6,219)
Net profit/(loss) after tax	(3,949)	(6,219)

As of June 30, 2021, the unaudited net liabilities of the Target Company was RMB12,266,000.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is a leading AI-powered SaaS cloud platform in China, mainly providing onshore SaaS data analysis, precision marketing and insurance distribution services. It is believed that the Acquisition will enable the Company to promote its intelligence operations by leveraging the Target Company's capabilities as a leading one-stop cloud equity SaaS intelligent operation platform to enrich the product line of the FSPs and further enhance the FSPs' digital operation and online transformation, such as promoting payment activities on the three-party payment platform, so as to boost customers' loyalty and attract new customers to achieve economic benefits. In view of the rapid development of digital economy and changing needs of customers, the Company contemplates the need to upgrade its user operations. Accordingly, the Acquisition is regarded as an opportunity to expand the business layout and thereby improve the Company's digital service system.

The Directors are of the view that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Acquisition is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules, but is exempt from the shareholders' approval requirement.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions precedent under the Equity Transfer Agreement which may or may not be fulfilled. The Acquisition may or may not proceed in certain circumstances. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisition”	the acquisition of approximately 52.00% of equity interest in the Target Company pursuant to the terms of the Equity Transfer Agreement
“AI”	artificial intelligence
“Beijing Shuzhi”	Beijing Shuzhi Technology Co., Ltd.* (北京數知科技股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Board”	the board of Directors of the Company
“Class A Shares”	class A ordinary share(s) in the share capital of the Company with a par value of US\$0.00002 each, conferring weighted voting rights in the Company such that a holder of a Class A Share is entitled to ten votes per share on any resolution tabled at the Company’s general meetings, save for resolutions with respect to any reserved matters, in which case they shall be entitled to one vote per share
“Class B Shares”	class B ordinary share(s) in the share capital of the Company with a par value of US\$0.00002 each, conferring a holder of a Class B Share one vote per share on any resolution tabled at the Company’s general meetings
“Company”	Bairong Inc., a company with limited liability incorporated in the Cayman Islands, whose Class B Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated October 8, 2021 and entered into between the Purchaser, the Vendors, Mr. Du and the Target Company in relation to the Acquisition
“FSP”	financial services provider
“Global Offering”	the public offering of the Company’s Class B Shares as defined and described in the prospectus of the Company dated March 19, 2021
“Group”	the Company, its subsidiaries, and its consolidated affiliated entities (the financial results of which have been consolidated and accounted for as subsidiaries) from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mr. Du”	Mr. Du Bing, being the chairman of the Target Company
“PRC” or “China”	the People’s Republic of China
“Purchaser”	Bairong Ruicheng Information Technology Co., Ltd.* (百融睿誠信息科技有限公司), an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“SaaS”	software as a service
“Share(s)”	the Class A Shares and Class B Shares in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Beijing All Union Technology Corp.* (北京眾聯享付科技股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendors”	collectively, Beijing Shuzhi, Beijing Dayou Yanyuan Investment Management Center (Limited Partnership)* (北京大有燕園投資管理中心(有限合夥)), Jiaxing Blue Ocean Investment Partnership (Limited Partnership)* (嘉興藍海投資合夥企業(有限合夥)), Ms. Chen Li, Mr. Wang Kun, Ms. Zhao Min, Ms. Zheng Yanling, Mr. Li Cheng, Mr. Gao Hongshu, Mr. Zhang Zhengyu, Mr. Xiang Qin, and Mr. Li Chenxi
“%”	per cent

By order of the Board
Bairong Inc.
Zhang Shaofeng
Chairman

Hong Kong, October 10, 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhang Shaofeng, Mr. Zhao Hongqiang and Ms. Zhao Jing as executive directors, Mr. Bai Linsen and Mr. Ren Xuefeng as non-executive directors, and Professor Chen Zhiwu, Mr. Zhou Hao, Professor Guo Yike and Dr. Li Yao as independent non-executive directors.

* For identification purpose only