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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)

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

Reference is made to the announcement of Bairong Inc. (the “**Company**”) dated October 10, 2021 (the “**Announcement**”) in relation to the acquisition of 52% of the equity interest in the Target Company. Unless otherwise defined, capitalized terms used herein shall have the same meanings ascribed to them in the Announcement.

The Company would like to provide supplemental information to the Announcement as follows:

CONDITIONS PRECEDENT

Under the Equity Transfer Agreement, the conditions precedent for the payment of the first instalment are items (i) to (xii) set out under the section headed “Conditions Precedent” in the Announcement (the “**Conditions Precedent**”) and the conditions precedent for the payment of the second instalment is item (xiii) under the Conditions Precedent, where all the relevant equity transfer procedures have been completed by the Vendors and the Purchaser has obtained the relevant shares in the Target Company.

The purpose for the condition precedent (ix) is to (a) better understand and ascertain the financial condition of the Target Company, especially its liabilities for clarity sake and proper record keeping; and (b) better ascertain the valuation of the Target Company and the consideration of the Acquisition.

The “rectification measures” in the condition precedent (x) refer to the data compliance rectification measures to be adopted by the Target Company, including to create and implement privacy policy, user agreement and internal management system in relation to the collection, storage, usage and processing of personal data in the course of business operation of the Target Company. The reasons for these rectification measures are to ensure that (i) the Target Company will adopt comprehensive internal policies on protecting data security, which are also aligned with the relevant internal policies of the Company; and (ii) the Target Company is in compliance with the applicable data security, protection and privacy laws and regulations in the PRC, especially in terms of collection and use of personal data.

BASIS OF CONSIDERATION

The consideration of the Acquisition is determined by conducting comparable companies analysis of software application company using gross profit market value multiple. In addition, such valuation method is appropriate to value the Target Company because its business and investment potential is largely determined by its gross profit level, serving as a crucial indicator of its revenue generating capability as well as its business sustainability. As such, the gross profit of the Target Company, rather than its revenue, provides a better insight and fair evaluation of the profitability of the Target Company in the software application industry.

The Target Company's unaudited revenue is calculated based on the distribution scale of its SaaS platform, and its unaudited gross profit is calculated based on technical service fees charged under the distribution scale. By way of illustration, the valuation of the Target Company for the year of 2020 is approximately 12.53 (being the gross profit market value multiple of the Target Company as implied by the aggregate consideration for the Acquisition) x RMB23.95 million (being the Target Company's unaudited gross profit for the year ended December 31, 2020), i.e. approximately RMB300 million.

Furthermore, the loss-making and net liability position of the Target Company for the years ended December 31, 2019 and 2020 is primarily due to huge research and development costs incurred for its self-developed intelligent routing distribution platform and one-stop cloud equity SaaS platform.

Based on the above, the Directors are of the view that the aggregate consideration for the Acquisition was determined after arm's length negotiations between the Purchaser and the Vendors on normal commercial terms with reference to the comparable companies analysis.

FURTHER INFORMATION ABOUT THE TARGET COMPANY

To the best of the knowledge, information and belief of the Company having made all reasonable enquiries, the identities and background of the ultimate beneficial owners of the other 48% equity interests in the Target Company are listed below:

Donghai Ruijing Asset Management (Shanghai) Co., Ltd.* (東海瑞京資產管理(上海)有限公司) is a limited liability company incorporated in the PRC and is principally engaged in asset management. As at the date of this announcement, its ultimate beneficial owner is Mr. Lu Xiujun.

Youhe Honeycomb (Hangzhou) Asset Management Co., Ltd.* (友合蜂巢(杭州)資產管理有限公司) is a limited liability company incorporated in the PRC and is principally engaged in investment activities. As at the date of this announcement, its ultimate beneficial owner is Ms. Cao Lulu.

Ningbo Yaotu Investment Partnership (Limited Partnership)* (寧波耀途投資合夥企業(有限合伙)) 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. Bai Zongyi.

Beijing Chuangjin Industrial Investment Center (Limited Partnership)* (北京創金興業投資中心(有限合伙)) 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 Zhongguancun Science and Technology Park Haidian Park Entrepreneurship Service Center* (中關村科技園區海澱園創業服務中心) (its legal representative is Mr. Zhao Xinliang).

Beijing Moderate Asset Management Co., Ltd.* (北京適度資產管理有限公司) is a limited liability company incorporated in the PRC and is principally engaged in asset management. As at the date of this announcement, its ultimate beneficial owner is Mr. Yuan Xu.

Beijing Jinke Huixin Venture Capital Center (Limited Partnership)* (北京金科匯鑫創業投資中心(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 Ms. Li Yuqin.

Zhongguancun Development Group Co., Ltd.* (中關村發展集團股份有限公司) is a joint stock company incorporated in the PRC with limited liability and is principally engaged in investing and incubating early-stage companies. As at the date of this announcement, its ultimate beneficial owner is Mr. Zhao Changshan.

Shaoxing Tourongke Investment Partnership (Limited Partnership)* (紹興投融客投資合夥企業(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 Ms. Zhao Yuan.

Bright Vision (Shenzhen) Enterprise Management Partnership (Limited Partnership)* (璀璨遠見(深圳)企業管理合夥企業(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. Lin Haixu.

Shanghai Yaohe Investment Management Center (Limited Partnership)* (上海耀合投資管理中心(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. Yang Fan.

Each of the remaining natural person shareholders, being Mr. Du, Mr. Jiang Zubo, Mr. Ma Yuping, Mr. Zhao Yang, and Mr. Gan Zhiguo, is a PRC citizen.

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

Save as supplemented and disclosed above, the contents in the Announcement remain unchanged.

By order of the Board
Bairong Inc.
Zhang Shaofeng
Chairman

Hong Kong, November 3, 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