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中國華融資產管理股份有限公司

**China Huarong Asset Management Co., Ltd.**

*(A joint stock limited liability company incorporated in the People's Republic of China)*

**(Stock Code: 2799)**

## **MAJOR TRANSACTION AND CONNECTED TRANSACTION RELEVANT MATTERS ON HUARONG XIANGJIANG BANK EQUITY TRANSFER**

References are made to the announcements dated 17 November 2021, 2 December 2021 and 19 April 2022 and the supplemental circular of the second extraordinary general meeting of shareholders for 2021 dated 18 November 2021 of the Company in relation to, among other things, the relevant matters on the Company's proposed transfer of 3,141,250,000 shares (40.53% equity) held in Huarong Xiangjiang Bank to external parties by way of public listing, and the publication of the information and relevant documents regarding the Transfer on the CFAE.

The Board hereby announces that, in relation to the relevant matters on the transfer of 3,141,250,000 shares (40.53% equity) in Huarong Xiangjiang Bank made by the Company, the Company (as the transferor) solicited a potential transferee, being a consortium consisting of Hunan Chasing and Central Huijin, after the end of the listing disclosure period on the CFAE. On 9 June 2022, the Company entered into the Unlisted State-owned Equity Transaction Contract of Financial Enterprise with Hunan Chasing and Central Huijin. The aggregate consideration of the Transfer is RMB11,980,668,000.

Upon the completion of the Transfer, the Company will cease to have any interest in Huarong Xiangjiang Bank, and Huarong Xiangjiang Bank will cease to be a subsidiary of the Company nor to be consolidated into the consolidated financial statements of the Group.

As the highest applicable percentage ratio calculated in respect of the Transfer exceeds 25% but is less than 75%, the Transfer constitutes a major transaction of the Company in accordance with Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Currently, Hunan Chasing indirectly holds 19.94% equity in Huarong Xiangjiang Bank through its subsidiary and is a substantial shareholder of the Company's subsidiary. Therefore, Hunan Chasing is a connected person at subsidiary level of the Company under the Listing Rules and the Transfer constitutes a connected transaction of the Company. As the Board of the Company has approved the Transfer and the independent non-executive Directors have confirmed that the terms of the Transfer have been entered into based on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Transfer is exempt from compliance with the circular, independent financial advice and the shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

A circular of shareholders' general meeting containing, among other things, details of the above resolution, together with the notice of shareholders' general meeting, will be despatched to the Shareholders of the Company in due course.

**The completion of the Transfer and the transactions contemplated thereunder are subject to approval by the Shareholders and the CBIRC Hunan Office. Therefore, the Transfer may not proceed. In addition, the financial impact of the Transfer is preliminary estimation, and the actual financial impact shall be subject to the audited financial data of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **Introduction**

References are made to the announcements dated 17 November 2021, 2 December 2021 and 19 April 2022 and the supplemental circular of the second extraordinary general meeting of shareholders for 2021 dated 18 November 2021 of the Company in relation to, among other things, the relevant matters on the Company's proposed transfer of 3,141,250,000 shares (40.53% equity) held in Huarong Xiangjiang Bank to external parties by way of public listing, and the publication of the information and relevant documents regarding the Transfer on the CFAE.

The Board hereby announces that, the Company (as the transferor) solicited a potential transferee, being a consortium consisting of Hunan Chasing and Central Huijin, after the end of the listing disclosure period on the CFAE. On 9 June 2022, the Company entered into the Unlisted State-owned Equity Transaction Contract of Financial Enterprise with Hunan Chasing and Central Huijin. The aggregate consideration of the Transfer is RMB11,980,668,000.

## **Main Terms of the Agreement**

### **Date**

9 June 2022

## **Parties**

The Company, as the transferor; and

Hunan Chasing Financial Holding Group Co., Ltd. (湖南財信金融控股集團有限公司) and Central Huijin Investment Ltd. (中央匯金投資有限責任公司), as the transferee

Currently, Hunan Chasing indirectly holds 19.94% equity in Huarong Xiangjiang Bank through its subsidiary and is a substantial shareholder of the Company's subsidiary. Therefore, Hunan Chasing is a connected person at subsidiary level of the Company under the Listing Rules. To the knowledge, information and belief of the Directors after making all reasonable inquiries, Central Huijin and its ultimate beneficial owner are third parties independent from the Company and its connected persons.

## **The Transfer**

The Company intends to transfer its 3,141,250,000 shares (40.53% equity) held in Huarong Xiangjiang Bank to the consortium consisting of Hunan Chasing and Central Huijin, among which 1,591,163,725 shares (20.53% equity) to Hunan Chasing at a consideration of RMB6,068,668,308.12 and 1,550,086,275 shares (20.00% equity) to Central Huijin at a consideration of RMB5,911,999,691.88. The aggregate consideration is RMB11,980,668,000.

Huarong Xiangjiang Bank was established in 2010 as a joint-stock city commercial bank on the basis of the Company's merger and restructuring of the former Xiangtan Commercial Bank, Shaoyang Urban Credit Cooperative, Yueyang Commercial Bank, Zhuzhou Commercial Bank and Hengyang Commercial Bank. As of the date of this announcement, the Company holds 40.53% equity interests in Huarong Xiangjiang Bank, which is a non-wholly-owned subsidiary of the Company. To the knowledge, information and belief of the Directors after making all reasonable inquiries, save as Hunan Chasing indirectly holding 19.94% shares in Huarong Xiangjiang Bank through its subsidiary and indirectly holding minority interest in some of the other top 20 shareholders, Hunan Chasing and Central Huijin do not have other equity in the top 20 shareholders (all being state-owned entities or corporations with more than 0.33% equity each and together hold 89.25% of equity in Huarong Xiangjiang Bank) of Huarong Xiangjiang Bank.

The owners' equity attributable to the parent company of Huarong Xiangjiang Bank as at 31 December 2021, as prepared in accordance with China Accounting Standards for Business Enterprises, is approximately RMB33,016,515,000 and after excluding the interests of holders of perpetual bonds issued, the book value of Huarong Xiangjiang Bank as of 31 December 2021 is

RMB27,718,716,000. Set out below are the key financial data of Huarong Xiangjiang Bank for the two financial years ended 31 December 2020 and 2021, which have been prepared in accordance with China Accounting Standards for Business Enterprises:

	<b>For the year ended 31 December 2020 RMB'0000</b>	<b>For the year ended 31 December 2021 RMB'0000</b>
Profit before tax	367,145.4	392,635.3
Profit after tax	286,882.8	307,530.7

### **Consideration and Payment**

The Company has selected Pan-China as the asset valuation institution, and the asset valuation has been completed and reported to the MOF for record. With 30 September 2021 as the valuation benchmark date, the evaluated value (evaluated through the market approach) of total shareholders' equity of Huarong Xiangjiang Bank is RMB29,560 million, and the corresponding evaluated value of the equity attributable to the Company is RMB11,980,668,000. The Company's initial listing price on the CFAE is the valuation results filed with the MOF. Pursuant to the Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises (Ministry of Finance 2009 No. 54), in a public listing, the final price of the transfer shall be determined by public bidding if there are two or more intended transferees, or as agreed between the parties (but no less than the listing price) if there is only one intended transferee. As only one qualified intended transferee (being the consortium consisting of Hunan Chasing and Central Huijin) was identified upon completion of the public listing on CFAE, no public bidding was held and the consideration for the Transfer shall be the listing price, being RMB11,980,668,000.

The paid refundable deposits, being RMB1.80 billion paid by Hunan Chasing and Central Huijin and held in escrow by CFAE, will be accounted for as part of transfer price according to the requirements of the Company and the CFAE. Hunan Chasing and Central Huijin shall respectively remit the remaining transfer price (being a total of RMB10,180,668,000) to the settlement account designated by the CFAE within five working days upon obtaining the approval of shareholder qualification.

The CFAE shall allot the total transfer price (including the deposits and remaining transfer price) to the bank account designated by the Company within three working days upon receiving the total transfer price (including the deposits and remaining transfer price) paid by Hunan Chasing and Central Huijin.

## **Inheritance and Settlement of Claims and Debts Involved in the Transfer**

After Hunan Chasing and Central Huijin received the transfer target, the original claims and debts of Huarong Xiangjiang Bank shall be continuously enjoyed and assumed by Huarong Xiangjiang Bank upon the Transfer.

## **Matters on Handover and Transitional Period**

Hunan Chasing and Central Huijin shall become the shareholders with 20.53% and 20.00% of shares, respectively, in Huarong Xiangjiang Bank since the Closing Date (being the day of paying the remaining transfer price other than the deposits by Hunan Chasing and Central Huijin in accordance with the agreement of the Contract and completion in registration of changes in its register of members at the equity custodian institution by Huarong Xiangjiang Bank). During the transitional period between the valuation benchmark date and the Closing Date, the profit or loss relating to the transfer target shall be enjoyed and assumed by Hunan Chasing and Central Huijin in accordance with the laws.

## **Liability for Breach of Contract**

Either party of the Contract who fails to fulfil the terms of the Contract shall constitute a breach of contract. Based on different breaches, the breaching party shall pay the non-breaching party the liquidated damages in accordance with the Contract, being 0.05% of the due and unpaid sum (in respect of Hunan Chasing and Central Huijin) or 0.05% of the total transfer price (in respect of the Company, Hunan Chasing and Central Huijin), accrued on a daily basis. If more than 30 working days are past due, the non-breaching party is entitled to rescind the Contract and require the breaching party to pay the abovementioned liquidated damages and compensate for losses in accordance with the Contract. If the CBIRC Hunan Office does not approve the qualification of Hunan Chasing and/or Central Huijin as a shareholder of Huarong Xiangjiang Bank due to reasons of Hunan Chasing and/or Central Huijin such that the Transfer could not be completed, the party without the approval of shareholder qualification shall pay the Company a compensation fee equal to 15% of the transfer price due from such party.

## **Effectiveness of the Contract**

The Contract shall be executed and effective from the date when the legal representatives or authorized representatives of both parties have signed the Contract and affixed the official seal. The Transfer shall proceed to completion upon:

- (i) the Transfer has been considered and approved at the shareholders' general meeting of the Company;
- (ii) the Company, Hunan Chasing and Central Huijin have completed the internal approval procedures as required by laws and regulations and their respective articles of association;

- (iii) all regulatory approvals relating to the Transfer have been obtained, including but not limited to the shareholder qualification of Hunan Chasing and Central Huijin having been approved by the CBIRC Hunan Office;
- (iv) the total consideration has been transferred by Hunan Chasing and Central Huijin to the Company; and
- (v) Huarong Xiangjiang Bank has completed the relevant procedures for updating the register of members at the equity custodian institution.

As at the date of this announcement, condition precedent (ii) has been fulfilled. It is currently not expected that the other conditions precedent will be waived.

### **The Impacts of the Transfer**

As at the date of this announcement, Huarong Xiangjiang Bank is a direct non-wholly-owned subsidiary of the Company, and its financial results and financial position are consolidated into the Group's financial statements. Upon the completion of the Transfer, the Company will cease to have any interest in Huarong Xiangjiang Bank, and Huarong Xiangjiang Bank will cease to be a subsidiary of the Company nor to be consolidated into the consolidated financial statements of the Group.

Based on preliminary assessment, assuming that the Transfer had taken place as at 31 December 2021, upon the Closing Date, it is estimated that the Group will recognise from the Transfer an unaudited loss after tax of approximately RMB1,328 million, which equals to the following (1)–(2)+(3)–(4) representing:

- 1) the total consideration of the Transfer, being RMB11,980,668,000;
- 2) proportion of net assets of Huarong Xiangjiang Bank attributable to the Company as at 31 December 2021, being RMB11,234,395,560;
- 3) other comprehensive income related to equity investment in Huarong Xiangjiang Bank reclassified to profit or loss for the period when the Company lost control thereof as at 31 December 2021, being RMB-12,303,871;
- 4) estimated taxation to be provided based on consideration and initial investment cost, being RMB2,061,842,351.

Assuming that the Transfer had taken place as at 31 December 2021, upon the Closing Date, the Group's total assets and total liabilities will therefore decrease by approximately RMB414,003 million and approximately RMB390,847 million, respectively, as a result of the Transfer. Assuming that the Transfer had completed settlement as at 1 January 2021, the net profit attributable to

the Shareholders of the Company in 2021 would be expected to decrease by RMB1,154 million, without taking into account the impact on profit and loss resulting from the disposal of equity in Huarong Xiangjiang Bank.

The financial impact of the Transfer on the Group is subject to final audit by the Company's auditor upon completion of the Transfer of 40.53% equity in Huarong Xiangjiang Bank.

Upon the Closing Date, the proceeds from the Transfer will be used to replenish the Company's capital and general working capital.

## **Reasons and Benefits of the Transaction**

The Board believes that the Transfer helps the Company to return to its source and core businesses to ensure its sustainable operation and development, which is in compliance with the requirements from regulatory authorities on financial asset management companies of gradual exit from the non-core businesses (such as businesses of the Group other than distressed assets management). In addition, capital will be released through the Transfer to be used for the development of the Group's core businesses, which is beneficial to the Group in reinforcing and strengthening its core business, focusing further resources and efforts on the development of its core business of distressed asset management, and is beneficial to the Group's future development and the long-term benefits of the Shareholders.

Upon taking account of the above reasons and the Transfer which has been carried out through listing procedures, the Directors (including all independent non-executive Directors) believe that the terms of the Transfer have been entered into based on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Listing Rules Implications**

As the highest applicable percentage ratio calculated in respect of the Transfer exceeds 25% but is less than 75%, the Transfer constitutes a major transaction of the Company in accordance with Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

Currently, Hunan Chasing indirectly holds 19.94% equity in Huarong Xiangjiang Bank through its subsidiary and is a substantial shareholder of the Company's subsidiary. Therefore, Hunan Chasing is a connected person at subsidiary level of the Company under the Listing Rules and the Transfer constitutes a connected transaction of the Company. As the Board of the Company has approved the Transfer and the independent non-executive Directors have confirmed that the terms of the Transfer have been entered into based on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Transfer is exempt from compliance with the circular, independent financial advice and the shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

A circular of shareholders' general meeting containing, among other things, details of the above resolution, together with the notice of shareholders' general meeting, will be despatched to the Shareholders of the Company in due course.

## **CBIRC Regulations Implications**

Hunan Chasing currently indirectly holds 19.94% equity in Huarong Xiangjiang Bank through companies controlled by it, and is a related party of the Company as defined by the China Banking and Insurance Regulatory Commission (the "CBIRC"). The Transfer constitutes a related party transaction of the Company as defined under the regulations of the CBIRC. The transfer price of the Transfer constitutes more than 1% of the Company's net capital as at the end of the latest period and therefore the Transfer constitutes a material related party transaction as defined by the CBIRC.

## **General Information**

### **1. The Company**

The Company mainly engages in such businesses as distressed asset management, financial services, and asset management and investment business in China.

### **2. Hunan Chasing**

Hunan Chasing is a wholly state-owned company established upon approval by the People's Government of Hunan Province, and is the only provincial-level local financial holding company and a large provincial-level state-owned backbone enterprise in Hunan Province. The ultimate beneficial owner of Hunan Chasing is the People's Government of Hunan Province.

### **3. Central Huijin**

Central Huijin is a wholly state-owned company established in accordance with the Company Law of the People's Republic of China and is authorized by the State Council to make equity investments in key state-owned financial enterprises. It shall, to the extent of its capital contribution, exercise the rights and perform the obligations as an investor of the key state-owned financial enterprises on behalf of the State in accordance with applicable laws, to achieve the goal of preserving and enhancing the value of state-owned financial assets. Central Huijin does not conduct any other business or commercial activity. It does not intervene in the day-to-day business operations of the firms in which it invests.

**The completion of the Transfer and the transactions contemplated thereunder are subject to approval by the Shareholders and the CBIRC Hunan Office. Therefore, the Transfer may not proceed. In addition, the financial impact of the Transfer is preliminary estimation, and the actual financial impact shall be subject to the audited financial data of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**



## Definitions

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

“Board” or “Board of Directors”	the board of directors of the Company
“CFAE”	Beijing Financial Assets Exchange Co., Ltd.
“China” or “PRC”	the People’s Republic of China
“Central Huijin”	Central Huijin Investment Ltd. (中央匯金投資有限責任公司), a company with limited liability incorporated in the PRC
“Closing Date”	the day of paying the remaining transfer price other than the deposits by Hunan Chasing and Central Huijin according to agreement of the Contract and completion in registration of changes in its register of members at the equity custodian institution by Huarong Xiangjiang Bank
“Contract”	the Unlisted State-owned Equity Transaction Contract of Financial Enterprise dated 9 June 2022 entered into between the Company, Hunan Chasing and Central Huijin in relation to the Transfer
“Company”	China Huarong Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“CBIRC Hunan Office”	China Banking and Insurance Regulatory Commission Hunan Office
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Huarong Xiangjiang Bank”	Huarong Xiangjiang Bank Corporation Limited, a joint stock limited liability company incorporated in the PRC
“Hunan Chasing”	Hunan Chasing Financial Holding Group Co., Ltd. (湖南財信金融控股集團有限公司), a company with limited liability incorporated in the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOF”	the Ministry of Finance of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Shares of the Company
“Pan-China”	Pan-China Appraisal Co., Ltd. (北京天健興業資產評估有限公司), as the asset valuation institution for the Transfer
“Transfer”	the relevant matters on the transfer of 3,141,250,000 shares (40.53% equity) held in Huarong Xiangjiang Bank made by the Company to Hunan Chasing and Central Huijin
“%”	percent

By order of the Board  
**China Huarong Asset Management Co., Ltd.**  
**LIU Zhengjun**  
*Chairman*

Beijing, the PRC  
9 June 2022

*As at the date of this announcement, the Board comprises Mr. LIU Zhengjun, Mr. LIANG Qiang and Mr. WANG Wenjie as executive Directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping and Mr. XU Wei as non-executive Directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive Directors.*