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華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2277)

**DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF SECURED CONVERTIBLE BONDS
ISSUED BY FREEMAN FINTECH CORPORATION LIMITED**

THE SUBSCRIPTION

On 24 August 2017 (after trading hours), the Subscriber and the Issuer entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe and the Issuer has conditionally agreed to issue the Convertible Bonds in the principal amount of HK\$437,000,000, which entitle the Convertible Bonds Holder(s) to convert into 1,028,235,294 Conversion Shares at the initial Conversion Price (subject to adjustment) of HK\$0.425 per Share upon full exercise of the conversion rights attached to the Convertible Bonds.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the transaction contemplated under the Subscription Agreement exceeds 5% and is below 25%, the transaction constitutes a discloseable transaction for the Company and is only subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in relation to the Conversion, should all the conversion rights attached to the Convertible Bonds be exercised, exceeds 5% and is below 25%, the Conversion would constitute a discloseable transaction for the Company and only subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE SUBSCRIPION

Pursuant to the Subscription Agreement, the Issuer has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, the Convertible Bonds. Details of the Subscription Agreement are set out below:

Date: 24 August 2017 (after trading hours)

Parties: (i) the Issuer; and
(ii) the Subscriber.

Subject matter: The Convertible Bonds in the principal amount of HK\$437,000,000, which entitle the Convertible Bonds Holder(s) to convert into 1,028,235,294 Conversion Shares at the initial Conversion Price (subject to adjustment) of HK\$0.425 per Share upon full exercise of the conversion rights attached to the Convertible Bonds.

Subscription price: 100% of the principal amount of the Convertible Bonds.
The Group will fund the subscription price by its internal resources.

Conditions Precedent:

Closing of the Subscription is conditional upon:—

- (i) on the date of the Subscription Agreement and the Issue Date: (a) the representations, warranties, agreements and undertakings of the Issuer in the Subscription Agreement being true and correct in all material respects at, and as if made on, the Issue Date; and (b) the Issuer having performed all of its obligations under the Subscription Agreement to be performed on or before the Issue Date; and (c) there having been delivered to the Subscriber a certificate dated the Issue Date and signed by an authorised signatory of the Issuer to such effect;
- (ii) no event of default is continuing or would result from the issuance of the Convertible Bonds by the Issuer to the Subscriber;

- (iii) after the date of the Subscription Agreement up to and at the Issue Date, there shall not have occurred any change (nor any development or event involving a prospective change) which is materially adverse to the condition (financial or other), results of operations or general affairs of the Issuer or the Issuer's subsidiaries;
- (iv) the listing committee of the Stock Exchange having granted approval to the listing of, and the permission to deal in, the Conversion Shares;
- (v) as of the Issue Date, each Transaction Document having been duly executed and remaining in full force and effect;
- (vi) as of the Issue Date, all conditions precedent under each Transaction Document other than the Subscription Agreement having been satisfied;
- (vii) all corporate and other proceedings by the Issuer in connection with the transactions to be completed at the closing and all documents incident thereto with respect to the Subscription Agreement and the other Transaction Documents and the transactions contemplated thereby having been completed;
- (viii) the security and the Security Documents having been duly registered with the government authority pursuant to the applicable laws;
- (ix) the obtaining of all consent from government or regulatory authorities or third parties which are necessary in connection with the execution and performance of the Subscription Agreement and any of the transaction contemplated thereunder; and
- (x) the Board having approved the transactions contemplated under the Transaction Documents.

The Subscriber may at any time and upon such terms as the Subscriber thinks fit waive compliance with any of the conditions above (other than condition (iv)) by notice in writing to the Issuer. If the conditions above are not either waived or satisfied by 30 September 2017 (or such later date as may be agreed by the Subscriber and the Issuer), the parties' obligations under the Subscription Agreement shall automatically terminate and no party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim in respect of antecedent breaches and the liability of the Issuer for the payment of expenses as provided in the Subscription Agreement.

Closing:

Closing of the Subscription shall take place on the third (3rd) business day after, and excluding, the date upon which the conditions precedent under the Subscription Agreement have been satisfied, or such other date as the Issuer and the Subscriber may agree in writing.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Principal Amount	An aggregate principal amount of HK\$437,000,000.
Issue Price	100% of the principal amount of the Convertible Bonds.
Form of the Convertible Bonds and Denomination	In registered form in the denomination of HK\$43,700,000 each.
Interest Rate	4% per annum payable semi-annually in arrears.
Maturity Date (the “ Maturity Date ”)	The date falling on the second (2nd) anniversary of the Issue Date (the “ Initial Maturity Date ”), provided that the Issuer may designate, with the passing of an extraordinary resolution or a written resolution by the Convertible Bonds Holder(s), (i) the third (3rd) anniversary of the Issue Date (the “ Updated Maturity Date ”) as the Maturity Date by written notice to the Convertible Bonds Holder(s) at least thirty (30) days before the Initial Maturity Date, and (ii) the fourth (4th) anniversary of the Issue Date as the Maturity Date by written notice to the Convertible Bonds Holder(s) at least thirty (30) days before the Updated Maturity Date (the “ Further Updated Maturity Date ”), in each case if such date is not a business day, the business day immediately following such date.
Status	The Convertible Bonds shall constitute direct, senior, unsubordinated, unconditional and secured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves.

Security

On or prior to the Issue Date, the Issuer shall procure Freeman Securities to enter into a share charge (the “**Share Charge**”) in favour of the Subscriber for the benefit of the Convertible Bonds Holder over the shares of Shengang Securities constituting 15% of the share capital of Shengang Securities as of the Issue Date (the “**Charged Shares**”). Subject to the Subscriber’s prior written consent and within fifteen (15) business days after the Issuer receives such written consent, the Issuer shall enter into the Security Documents to create in favour of the Subscriber for the benefit of the Convertible Bonds Holders the security interests over the charged assets (the choice or selection of which shall be at the Issuer’s sole discretion) not less than the value to the Charged Shares to the satisfaction of the Subscriber (the “**Alternative Charged Assets**”). The security over the Charged Shares shall be promptly released by the Subscriber after the security over the Alternative Charged Assets becomes effective and the registration and/or filing of the Alternative Charged Assets in accordance with the applicable laws have been completed to the reasonable satisfaction of the Subscriber, and the Subscriber shall execute all necessary discharge, release or any other documents and do all required actions to effect such release.

Conversion Shares

Upon full conversion of the Convertible Bonds at the Conversion Price of HK\$0.425, an aggregate of 1,028,235,294 Conversion Shares will be allotted and issued pursuant to the Convertible Bonds Instrument. Such number of Conversion Shares represents approximately 6.55% of the issued share capital of the Issuer as at the date of this announcement and approximately 6.15% of the issued share capital of the Issuer as enlarged by the Conversion Shares.

Conversion Price

HK\$0.425 per Share subject to any adjustment, from time to time, in accordance with the Convertible Bonds Instrument.

The Conversion Price was determined by the parties after arm’s length negotiations with reference to, among others, the current market price of the Shares.

Conversion Period	The period beginning on, and including, six (6) months after the Issue Date and ending on, and including, 5:00 p.m. on the day which is five (5) trading days before the Maturity Date (the “ Conversion Period ”), and if the last day of the Conversion Period would otherwise be a day which is not a business day, the last day of the Conversion Period shall be the immediately preceding business day.
Conversion Rights	Each Convertible Bonds Holder has the right to convert the principal amount of the Convertible Bonds into the Conversion Shares at any time during the Conversion Period.
Conversion Restrictions	The Convertible Bonds Holder(s) shall have no right to exercise, and shall not exercise, any conversion rights if, as a result of such exercise, the Issuer will be in breach of the minimum public floating requirements under Rule 8.08 of the Listing Rules or other relevant requirements under the Listing Rules immediately after the relevant exercise of conversion rights and in such case, the Issuer shall disregard (and return to such Convertible Bonds Holder) any notice of exercise of conversion rights.
Adjustments to the Conversion Price	The Conversion Price of the Convertible Bonds is subject to adjustments in certain events, including, among others, share consolidation, share subdivision, capitalization issue, capital distribution, rights issue of shares or options or other securities, issue of shares, options, warrants or other rights at a price less than the current market price of the Share and issue of shares or other securities at a price less than the Conversion Price.
Ranking of Conversion Shares	The Conversion Shares shall rank <i>pari passu</i> in all respects with all other Shares in issue on the conversion date.

Redemption	Unless previously redeemed, converted or purchased and cancelled, the Issuer shall, subject to receipt of the relevant Convertible Bonds certificate, redeem all the outstanding Convertible Bonds held by a Convertible Bonds Holder on the Maturity Date at an amount equal to the Redemption Amount. The Issuer may not and the Subscriber may not require the Issuer to early redeem the Convertible Bonds.
Listing	No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Issuer to the Stock Exchange for the listing of, and the permission to deal in, the Conversion Shares.
Redemption when the General Mandate of the Issuer Fully Utilised	If the Issuer is unable, other than by reason of the default of the Convertible Bonds Holder(s) under the Convertible Bonds Instrument, to issue the Conversion Shares which exceeds such number of unissued Shares for which the board of directors of the Issuer has been authorised under the general mandate of the Issuer and/or for which approval for listing (and permission to deal in) has been granted by the listing committee, the Issuer shall be obliged to firstly, issue the maximum number of Conversion Shares that it is allowed to issue and allot under the general mandate and, thereafter, redeem such remaining balance of the principal of the Convertible Bonds purported to be converted which may otherwise result in the allotment and issue of such excess number of Shares at the amount equal to 100% of the remaining balance of the principal amount of such Convertible Bonds and any accrued but unpaid interest on such remaining balance on the date of the conversion notice, which should be payable to the Convertible Bonds Holder(s) within seven (7) business days falling after the date of the conversion notice.
Transferability of Convertible Bonds	The Convertible Bonds shall not be transferred to any third party without the prior written consent of the Issuer.

INFORMATION OF THE PARTIES

The Subscriber and the Group

The Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company.

The Group is principally engaged in the (i) direct investments; (ii) financial services and others; and (iii) foundation and substructure construction services.

The Issuer and the Security Provider

The Issuer is principally engaged in the financial services sector, including the provision of securities and futures brokerage services, the provision of placing, underwriting and margin financing services, the provision of insurance brokerage and financial planning services, the provision of corporate finance advisory services, the trading of securities and futures, the provision of finance, the provision of factor and finance leasing services as well as investment holding.

Freeman Securities is a company incorporated in Hong Kong with limited liability. Freeman Securities is a wholly-owned subsidiary of the Issuer principally engaged in the provision of securities brokerage services, the provision of placing, underwriting and margin financing, investment holding and trading of securities.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries and based on the information currently available, a subsidiary of China Huarong Asset Management Co., Ltd., the ultimate holding company of the Group, held certain convertible bonds issued by the Issuer in the principal amount of US\$100,000,000 which have not been converted as at the date of this announcement. Save as disclosed above, the Company and its connected persons are not interested in the shares or underlying shares of the Issuer as at the date of this announcement. Accordingly, the Issuer, the Security Provider and their ultimate beneficial owner(s) are Independent Third Parties.

REASONS FOR AND BENEFITS OF SUBSCRIPTION OF CONVERTIBLE BONDS

The Board believes that the Subscription is an appropriate means of diversifying and enlarging the Company's investment portfolio, and will generate stable income for the Group. The Convertible Bonds provide an option to the Group to convert the same into shares of the Issuers at a relatively low price. Should the Company determines to exercise the conversion right, the Group will then stand to capture the Issuer's profit proportionate and thus boost up the Group's results. Such conversion also create a synergy effect to the Group by gaining more exposure in the financial service industry.

Having considered the above, the Directors are of the view that the transaction contemplated under the Subscription Agreement is entered into on normal commercial terms and the terms set out in the Subscription Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the transaction contemplated under the Subscription Agreement exceeds 5% and is below 25%, the transaction constitutes a discloseable transaction for the Company and is only subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in relation to the Conversion, should all the conversion rights attached to the Convertible Bonds be exercised, exceeds 5% and is below 25%, the Conversion would constitute a discloseable transaction for the Company and only subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise stated, the terms in this announcement have the following meanings:

“Board”	the board of Directors
“Company”	Huarong Investment Stock Corporation Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 2277)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bond(s)”	the secured convertible bonds created and constituted by the Convertible Bonds Instrument and any deed poll supplemental thereto and issued with the benefit of and subject to the provision of the Convertible Bonds Instrument in the principal amount of HK\$437,000,000

“Convertible Bonds Holder(s)”	holder(s) of Convertible Bond(s) and in whose name such Convertible Bonds is for the time being registered in the Convertible Bonds register (or, in the case of a joint holding, the first named thereof)
“Convertible Bonds Instrument”	the instrument by way of deed poll to be executed by the Issuer creating and constituting the Convertible Bond
“Conversion”	the exercise of all the conversion rights attached to the Convertible Bonds in full
“Conversion Price”	HK\$0.425 per Share, subject to adjustments
“Conversion Share(s)”	the Share(s) issued upon exercise of the right of Convertible Bonds Holders given to them to convert the Convertible Bonds into fully-paid Shares pursuant to the terms of the Convertible Bonds Instrument
“Directors”	directors of the Company
“Freeman Securities”	Freeman Securities Limited (民眾證券有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Issuer
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Issuer”	Freeman FinTech Corporation Limited, a company with limited liability incorporated under the laws of the Cayman Islands whose shares are listed on the Stock Exchange (Stock Code: 279)
“Issue Date”	the date on which completion of the Subscription Agreement takes place and the Convertible Bonds are issued in accordance with the Subscription Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Redemption Amount”	<p>the amount equal to the aggregate of:</p> <ul style="list-style-type: none"> (a) the aggregate principal amount of such outstanding Convertible Bonds held by the relevant Convertible Bonds Holder(s); (b) any accrued but unpaid interest on such outstanding Convertible Bonds on the Maturity Date; (c) if the sum of the amounts referred in paragraphs (a) and (b) above (together with all accrued and paid interests on the principal amount of the Convertible Bonds) falls short of making up an internal rate of return of 4.04% on the aggregate outstanding principal amount of the Convertible Bonds calculated from the Issue Date until the Initial Maturity Date, Updated Maturity Date or Further Updated Maturity Date, such additional amount which would make up an internal rate of return of 4.04% on the aggregate outstanding principal amount of the Convertible Bonds; (d) any default interest accrued but unpaid; and (e) any other amounts due and payable under the Transaction Documents accrued but unpaid
“Security Documents”	collectively the Share Charge and any other document constituting or evidencing the security granted from time to time to secure the secured obligations
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Issuer or shares of any class or classes resulting from any sub-division, consolidation, re-classification or reconstruction of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Issuer
“Shengang Securities”	申港證券股份有限公司 (Shengang Securities Stock Corporation Limited*), a foreign-invested company limited by shares established in the PRC

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Cheery Plus Limited (添樂有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription of the Convertible Bonds of the Issuer in accordance with the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 24 August 2017 entered into between the Issuer and the Subscriber in relation to the Subscription
“Transaction Documents”	the Convertible Bonds Instrument, Convertible Bonds certificate(s), the Subscription Agreement, the Security Documents, or any document designated as such by the Issuer and the Subscriber
“%”	per cent.

By order of the Board
Huarong Investment Stock Corporation Limited
Qin Ling
Chairman

Hong Kong, 24 August 2017

As at the date of this announcement, the executive Directors are Mr. Qin Ling, Mr. Yeung Chun Wai Anthony, Mr. Xu Xiaowu, Mr. Liu Xiguang, Mr. Kwan Wai Ming and Ms. Lin Changhua; the non-executive Director is Mr. Wu Qinghua; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Zhang Xiaoman, Mr. Tse Chi Wai and Mr. Wu Tak Lung.

** for identification purposes only*