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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)

**MAJOR AND CONNECTED TRANSACTION
DISPOSAL OF THE ENTIRE INTEREST IN THE TARGET COMPANY**

Financial Adviser to the Company

ANGLO CHINESE 英
CORPORATE FINANCE, LIMITED 高

Anglo Chinese Corporate Finance, Limited

THE DISPOSAL

The Board is pleased to announce that on 27 September 2019 (after trading hours), the Company and the Purchaser entered into the Share Purchase Agreement in relation to the Disposal, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Company at the Consideration of HK\$290,000,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, the Purchaser is owned as to (a) 50% by Mr. Kwan Wai Ming, an ex-executive Director in the last 12 months and a director of the Target Company and its subsidiaries; and (b) 50% by Mr. Leung Kam Chuen, a director of the Target Company and its subsidiaries, and is therefore a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders or their associates have any material interest in the Disposal, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal. The Company has obtained a written shareholder's approval in respect of the Disposal from Right Select, the controlling Shareholder holding approximately 50.99% of the total issued shares of the Company as at the date of this announcement, in lieu of convening a general meeting to approve the Disposal in accordance with Rule 14.44 of the Listing Rules. In addition, the Company will apply to the Stock Exchange for a waiver from the requirement to convene a general meeting for approving the Disposal under Rule 14A.37 of the Listing Rules, such that the written shareholder's approval from Right Select would also be accepted in lieu of convening a general meeting under Chapter 14A of the Listing Rules. Subject to the granting of the waiver by the Stock Exchange, no general meeting will be convened for approving the Disposal.

An Independent Board Committee has been formed to advise the independent Shareholders in respect of the Share Purchase Agreement and the Disposal contemplated thereunder. An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders in this regard.

Pursuant to Rule 14.41(a) and Rule 14A.46(2) of the Listing Rules, a circular containing, among other things, (i) further information on the Share Purchase Agreement and the Disposal contemplated thereunder, (ii) a letter from the Independent Board Committee to the independent Shareholders in respect of the Share Purchase Agreement and the Disposal contemplated thereunder, and (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the independent Shareholders, shall be dispatched to the Shareholders within 15 business days after publication of this announcement. As additional time is required for the Company and the independent financial adviser to prepare relevant information (including but not limited to the indebtedness statement and the working capital statement of the Group, and the letter of advice from the independent financial adviser) for inclusion in the circular, the Company will apply to the Stock Exchange for a waiver from strict compliance with Rule 14.41(a) and Rule 14A.46(2) of the Listing Rules.

The Company will make further announcement(s) in relation to the appointment of independent financial adviser and the date of dispatch of the circular.

Completion of the Disposal is conditional upon the satisfaction of the conditions set out in the section headed "The Share Purchase Agreement – Conditions Precedent" in this announcement. Therefore, the Disposal may or may not proceed. Shareholders and potential investors are therefore advised to exercise caution when dealing in the shares of the Company.

THE DISPOSAL

The Board is pleased to announce that on 27 September 2019 (after trading hours), the Company and the Purchaser entered into the Share Purchase Agreement in relation to the Disposal, pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Company at the Consideration of HK\$290,000,000.

THE SHARE PURCHASE AGREEMENT

Date

27 September 2019

Parties

- (1) Vendor: the Company
- (2) Purchaser: Acute Peak Investments Limited

Subject Matter

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the entire issued share capital of the Target Company.

Consideration

As of the date of this announcement, the Group (excluding the Disposal Group) owes a total amount of HK\$311,797,945 to the Disposal Group, which is repayable on demand (the “**Intra-Group Loan**”). The Company undertakes to repay HK\$21,797,945 of the Intra-Group Loan to the Disposal Group within five business days of the Share Purchase Agreement.

The Consideration is HK\$290,000,000, which shall be settled at Completion in the following manner:

- (a) the Company shall procure its subsidiaries (excluding the Disposal Group), and the Purchaser shall procure the Disposal Group, to execute any such document, do all such things and take all such steps as necessary to novate of all repayment obligations in connection with the outstanding balance of HK\$290,000,000 of the Intra-Group Loan (the “**Assigned Intra-Group Loan Balance**”) to the Company and to assign all of the Disposal Group’s rights and benefits to the repayment of the Assigned Intra-Group Loan Balance to the Purchaser; and
- (b) the Purchaser’s obligations to pay the Consideration, being HK\$290,000,000, to the Company shall be set off in full against the Group’s obligations to repay the Assigned Intra-Group Loan Balance.

The Consideration was arrived at after arm’s length negotiation between the Company and the Purchaser, and was determined with reference to, among others, (i) the Target Company’s financial position, results of operation and prospects; (ii) the prevailing market conditions and economic landscape; (iii) the lack of interest from independent third parties to acquire the Target Company; (iv) the Consideration offered by the Purchaser; and (v) the information set out under the section headed “REASONS FOR AND BENEFITS OF THE DISPOSAL” below.

Conditions Precedent

Completion is subject to the satisfaction of the following conditions precedent:

- (a) the Share Purchase Agreement and the Disposal having been approved by the independent Shareholder(s) in accordance with the Listing Rules and the applicable laws and regulations by way of written approval from the independent Shareholders or otherwise by passing the requisite resolution(s) at a general meeting of the Company;
- (b) the repayment of HK\$21,797,945 of the Intra-Group Loan by the Company to the Disposal Group; and
- (c) all necessary approvals, confirmations, waiver or consents from the relevant authorities (including, without limitation, the Stock Exchange) or any third parties (including but not limited to consents from any creditors of the Group, if necessary) which are required for the execution and performance of the Share Purchase Agreement and the Disposal having been obtained, and such approvals, confirmations, waiver or consents not having been revoked or withdrawn.

If any of the above conditions precedent is not fulfilled or waived (where applicable) by 6:00 p.m. on the Long Stop Date, the Share Purchase Agreement shall lapse and be of no further effect, unless the Company and the Purchaser agree in writing to extend the Long Stop Date.

Completion

Completion shall take place on the tenth business day after the fulfillment of all conditions precedent set out in the Share Purchase Agreement.

INFORMATION ON THE TARGET COMPANY

The Target Company is an investment holding company incorporated in the British Virgin Islands on 8 February 2016, which is wholly owned by the Company as at the date of this announcement. The Target Company is principally engaged in the provision of foundation and substructure construction services (the “**Foundation Business**”) through its operating subsidiaries incorporated in Hong Kong.

Based on the unaudited consolidated financial statements of the Target Company prepared in accordance with the Hong Kong Financial Reporting Standards, (i) its unaudited total assets and unaudited net assets as at 30 June 2019 were approximately HK\$566.9 million and approximately HK\$22.1 million, respectively; and (ii) for the two years ended 31 December 2017 and 2018, the Target Company recorded losses as follows:

	For the year ended 31 December 2017 <i>(approximately HK\$ million)</i>	For the year ended 31 December 2018 <i>(approximately HK\$ million)</i>
Unaudited loss before taxation	14.5	23.6
Unaudited loss after taxation	13.4	20.1

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, the Target Company will cease to be a subsidiary of the Company and its financial results will no longer be consolidated into the financial statements of the Company, and the Group will cease to engage in the Foundation Business.

It is estimated that, upon Completion, the Company will record a gain on disposal of approximately HK\$268 million, being the difference between the Consideration and the unaudited net assets of the Target Company as at 30 June 2019. The final amount of the gain from disposal is subject to the review by the auditor of the Company.

No proceeds in cash will be received by the Group from the Disposal as the Consideration shall be settled by way of setting off the Assigned Intra-Group Loan Balance in full.

INFORMATION ON THE COMPANY AND THE PURCHASER

The Company is an investment holding company incorporated in the Cayman Islands. As at the date of this announcement, the principal business activities of the Group are (i) direct investments; (ii) financial services and others (together with (i), the “**Remaining Business**”); and (iii) the Foundation Business.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability, and is principally engaged in investment holding.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company is principally engaged in the Foundation Business through its operating subsidiaries incorporated in Hong Kong.

For the two years ended 31 December 2017 and 2018, the Target Company recorded net losses of approximately HK\$13.4 million and HK\$20.1 million, respectively, and its revenue for the same periods amounted to approximately HK\$303.6 million and HK\$585.5 million, respectively, representing approximately 33.37% and 39.13% of the Group’s revenue for the respective periods. In addition, as at 31 December 2017 and 2018, the total assets of the Target Company amounted to approximately HK\$582.8 million and HK\$600.2 million, respectively, representing approximately 4.2% and 5.8% of the Group’s total assets, respectively.

The net losses from the Foundation Business are mainly attributable to (i) intensive peer competition; (ii) increase in related costs; and (iii) fluctuations of the market condition, in each case in the foundation and substructure construction industry, associated with substantial uncertainties in terms of the overall local economic landscape in Hong Kong. The Directors are of the view that the foregoing adverse effects will continue with no sight of recovery in the near future.

As the Foundation Business has been continuously loss-making for the past two years while the Group has established a robust and expanding footprint in terms of the Remaining Business, the Directors are of the opinion that the Disposal would enable the Group to (i) deepen business segment consolidation and optimization that in turn spur the Remaining Business; and (ii) generate one-off net gain on Disposal to improve the Company’s financial results and reduce its gearing ratio.

The Directors consider that the Remaining Business is the major source of profit for the Group, especially after China Huarong, through its indirect wholly-owned subsidiary, Right Select, increased its shareholding to 50.99% of the total issued shares of the Company in February 2017, which enabled the Company to capitalize on China Huarong's extensive experience, strong brand name and expansive network across the financial sector in order to strengthen the Group's brand awareness and competitiveness in the financial industry.

Having taken into account the above factors, the Directors (excluding the independent non-executive Directors whose opinions will be set out in the letter from the Independent Board Committee to be included in the circular) are of the view that the Disposal is carried out on normal commercial terms, fair and reasonable and in the interest of the Company and the Shareholders as a whole. None of the Directors has any material interest in the Share Purchase Agreement and the Disposal contemplated thereunder and hence no Director was required to abstain from voting on the Board resolutions of the Company approving the Share Purchase Agreement and the Disposal contemplated thereunder.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but is less than 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Furthermore, the Purchaser is owned as to (a) 50% by Mr. Kwan Wai Ming, an ex-executive Director in the last 12 months and a director of the Target Company and its subsidiaries; and (b) 50% by Mr. Leung Kam Chuen, a director of the Target Company and its subsidiaries, and is therefore a connected person of the Company. As such, the Disposal also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders or their associates have any material interest in the Disposal, thus no Shareholder is required to abstain from voting if the Company were to convene a general meeting to approve the Disposal. The Company has obtained a written shareholder's approval in respect of the Disposal from Right Select, the controlling Shareholder holding approximately 50.99% of the total issued shares of the Company as at the date of this announcement, in lieu of convening a general meeting to approve the Disposal in accordance with Rule 14.44 of the Listing Rules. In addition, the Company will apply to the Stock Exchange for a waiver from the requirement to convene a general meeting for approving the Disposal under Rule 14A.37 of the Listing Rules, such that the written shareholder's approval from Right Select would also be accepted in lieu of convening a general meeting under Chapter 14A of the Listing Rules. Subject to the granting of the waiver by the Stock Exchange, no general meeting will be convened for approving the Disposal.

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DEFINITIONS

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

“Board”	the board of Directors
“business day”	means any day on which banks are generally open for business in Hong Kong (excluding Saturdays, Sundays and public holidays in Hong Kong)
“China Huarong”	China Huarong Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, the shares of which are listed on the Stock Exchange (stock code: 2799)
“Company”	Huarong Investment Stock Corporation Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Stock Exchange (stock code: 2277)
“Completion”	completion of the Disposal in accordance with the terms of the Share Purchase Agreement
“connected person”	has the meaning as ascribed to it under the Listing Rules
“connected transaction”	has the meaning as ascribed to it under the Listing Rules

“Consideration”	HK\$290,000,000, being the consideration of the Disposal under the Share Purchase Agreement
“Directors”	the directors of the Company
“Disposal”	the disposal of the entire issued share capital of the Target Company pursuant to the Share Purchase Agreement
“Disposal Group”	the Target Company and its subsidiaries
“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 PRC
“Independent Board Committee”	the independent board committee of the Company formed to advise the independent Shareholders in respect of the Share Purchase Agreement and the Disposal contemplated thereunder, comprising all independent non-executive Directors, namely Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	27 September 2020, or such later date as may be agreed in writing by the Company and the Purchaser
“PRC”	the People’s Republic of China, which for the purposes of this announcement only, excludes Hong Kong, Macao Special Administrative Region and Taiwan
“Purchaser”	Acute Peak Investments Limited, a company incorporated in the British Virgin Islands with limited liability
“Right Select”	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability, the immediate controlling Shareholder and an indirect wholly-owned subsidiary of China Huarong
“Share Purchase Agreement”	the share purchase agreement dated 27 September 2019 entered into between the Company and the Purchaser in respect of the Disposal
“Shareholder(s)”	holder(s) of the ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company” Auto Brave Limited, a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company as at the date of this announcement

“%” per cent

By order of the Board
Huarong Investment Stock Corporation Limited
Yu Meng
Chairman

Hong Kong, 27 September 2019

As at the date of this announcement, the executive Directors are Mr. Yu Meng and Mr. Xu Xiaowu; the non-executive Director is Ms. Zhao Yingxuan; and the independent non-executive Directors are Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G.