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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in the Company, you should hand this circular at once to the purchasers or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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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 TRANSACTION**  
**AMENDMENTS OF THE TERMS AND CONDITIONS OF**  
**8% BONDS DUE 2019 ISSUED BY INTREND VENTURES LIMITED**

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Capitalised terms used in this cover page shall have the same meanings as those defined the section headed “Definitions” in this circular. A letter from the Board is set out on pages 6 to 15 of this circular.

26 May 2020

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following terms used shall have the following meanings:*

“2017 Announcement”	the announcement of the Company dated 30 August 2017 in relation to the Subscription
“2019 Announcement”	the announcement of the Company dated 30 August 2019 in relation to, among other things, the First Supplemental Deed
“2019 Circular”	the circular of the Company dated 4 October 2019 in relation to, among other things, the First Supplemental Deed
“Amended Maturity Date”	30 August 2021 (or if that day is not a Business Day, the immediately following Business Day)
“Amended Terms and Conditions”	the Terms and Conditions as amended and supplemented by the Second Supplemental Deed
“Amendments”	the proposed amendments to the Terms and Conditions as set out in the Second Supplemental Deed
“Announcement”	the announcement of the Company dated 27 March 2020 in relation to the Amendments
“Applicable Interest”	has the meaning given to it in the sub-section headed “Interest” under the section headed “PRINCIPAL TERMS OF THE BONDS AS AMENDED AND SUPPLEMENTED BY SECOND SUPPLEMENTAL DEED” in this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Bond Certificate”	the certificate (together with the Terms and Conditions) issued by the Issuer in the name of the Subscriber in respect of its registered holding of the Bonds
“Bondholder(s)”	the holder(s) of the Bonds

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## DEFINITIONS

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“Bondholder’s Written Resolution”	a written resolution signed by or on behalf of the Bondholder(s) holding more than 50% of the aggregate principal amount of Bonds outstanding in accordance with the Terms and Conditions
“Bonds”	extendable senior secured bonds in the principal amount of up to HK\$450,000,000, as constituted by the Bond Certificate (together with the Terms and Conditions), of which the aggregate principal amount of HK\$144,000,000 remains outstanding as at the Latest Practicable Date
“Business Day”	a day on which banks in Hong Kong are generally open for business (other than Saturday, Sunday, a public holiday, or a day on which banks do not open for business owing to a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal being in force in Hong Kong)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	Huarong Investment Stock Corporation Limited (華融投資股份有限公司), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2277)
“Condition(s) Precedent”	the conditions precedent to the effectiveness of the Second Supplemental Deed and the Amendments, which are set out in the sub-section headed “Conditions Precedent” under the section headed “SECOND SUPPLEMENTAL DEED TO TERMS AND CONDITIONS” in this circular
“Confirmation Deed”	the deed of confirmation dated 27 March 2020 and entered into between the Issuer, the Subscriber, the Guarantor, and Haiyi in relation to the confirmation of validity of the Guarantee, the IVL Share Charge, the Haiyi Share Charge, and the Huajin Share Charge
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Directors”	the director(s) of the Company

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## DEFINITIONS

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“Event of Default”	an event of default under the Bonds pursuant to the Terms and Conditions
“First Supplemental Deed”	the supplemental deed dated 30 August 2019 and executed by the Issuer by way of deed poll in favour of the Bondholder amending and supplementing certain Terms and Conditions
“Group”	the Company and its subsidiaries
“Guarantee”	the unconditional and irrevocable guarantee dated 30 August 2017 given by the Guarantor in favour of the Subscriber in relation to the Bonds
“Guarantor”	Mr. Xu Songqing (許松慶), being the ultimate sole beneficial owner of the Issuer
“Haiyi”	Haiyi Limited (海逸有限公司), a company incorporated in the British Virgin Islands with limited liability
“Haiyi Share Charge”	the share charge dated 30 August 2017 and provided by the Issuer in favour of the Subscriber in relation to 870 shares, representing 87% of the issued share capital of Haiyi as at the Latest Practicable Date
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huajin International”	Huajin International Holdings Limited (華津國際控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2738)
“Huajin Share Charge”	the share charge dated 30 August 2017 and provided by Haiyi in favour of the Subscriber in relation to 391,500,000 shares representing 65.25% of the issued share capital of Huajin International as at the Latest Practicable Date
“Independent Third Party(ies)”	third party(ies) independent of and not connected to the Company and any of its connected persons

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## DEFINITIONS

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“Interest Payment Date”	has the meaning given to it in the sub-section headed “Interest” under the section headed “PRINCIPAL TERMS OF THE BONDS AS AMENDED AND SUPPLEMENTED BY SECOND SUPPLEMENTAL DEED” in this circular
“Issue Date”	31 August 2017
“Issuer”	Intrend Ventures Limited, a company incorporated in the British Virgin Islands with limited liability
“IVL Share Charge”	the share charge dated 30 August 2017 and provided by the Guarantor in favour of the Subscriber in relation to 1 share, representing the entire issued share capital of the Issuer as at the Latest Practicable Date
“Latest Practicable Date”	25 May 2020, being the latest practicable date prior to the publication of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mandatory Redemption Date”	has the meaning given to it in the sub-section headed “Mandatory redemption” under the section headed “PRINCIPAL TERMS OF THE BONDS AS AMENDED AND SUPPLEMENTED BY SECOND SUPPLEMENTAL DEED” in this circular
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan)
“Redemption Date”	has the meaning given to it in the sub-section headed “Voluntary redemption” under the section headed “PRINCIPAL TERMS OF THE BONDS AS AMENDED AND SUPPLEMENTED BY SECOND SUPPLEMENTAL DEED” in this circular
“Right Select”	Right Select International Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling Shareholder of the Company, holding approximately 50.99% of the entire issued share capital of the Company as at the Latest Practicable Date

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“Second Supplemental Deed”	the supplemental deed dated 27 March 2020 and executed by the Issuer by way of deed poll in favour of the Bondholder in relation to, among other things, the Amendments
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Big Thrive Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Subscription”	the subscription for the Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 30 August 2017 entered into between the Subscriber and the Issuer in relation to the issue and subscription of the Bonds
“Terms and Conditions”	the terms and conditions constituting the Bonds, as amended and supplemented from time to time
“United States”	the United States of America
“US\$”	United States dollar, the lawful currency of the United States
“%”	per cent.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Yu Meng (*Chairman*)

Mr. Xu Xiaowu

Mr. Chen Qinghua

*Registered office:*

P.O. Box 1350, Clifton House

75 Fort Street

Grand Cayman KY1-1108

Cayman Islands

*Independent non-executive Directors:*

Mr. Chan Kee Huen Michael

Mr. Tse Chi Wai

Dr. Lam Lee G

*Head office and principal place of  
business in Hong Kong:*

Suite B, Levels 16-17

Two Pacific Place

88 Queensway

Hong Kong

26 May 2020

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
AMENDMENTS OF THE TERMS AND CONDITIONS OF  
8% BONDS DUE 2019 ISSUED BY INTREND VENTURES LIMITED**

**INTRODUCTION**

Reference is made to the 2017 Announcement, the 2019 Announcement, the 2019 Circular and the Announcement in relation to the Bonds.

On 30 August 2017 (after trading hours), the Subscriber and the Issuer entered into the Subscription Agreement in respect of the Subscription, pursuant to which, among other things, the Subscriber conditionally agreed to subscribe for, and the Issuer conditionally agreed to issue to the Subscriber, the Bonds in the principal amount of HK\$450,000,000 for a term of two years extendable to an additional term of one year with an interest rate of 8% per annum, payable quarterly in arrears. Completion of the Subscription took place on 31 August 2017, and the Issuer issued, and the Subscriber subscribed for, the Bonds in the principal amount of HK\$450,000,000.

On 30 August 2019 (after trading hours), the Issuer executed the First Supplemental Deed by way of deed poll in favour of the Bondholder to amend and supplement certain Terms and Conditions.



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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, the aggregate principal amount of HK\$144,000,000 remains outstanding under the Bonds held by the Subscriber.

This circular is despatched to the Shareholders for information purposes only and contains, among others, further details of the Second Supplemental Deed, the Amendments, and the financial and general information of the Group.

### **SECOND SUPPLEMENTAL DEED TO THE TERMS AND CONDITIONS OF THE BONDS**

On 27 March 2020 (after trading hours), the Issuer executed the Second Supplemental Deed by way of deed poll in favour of the Bondholder, in relation to, among other things, the Amendments.

The principal terms of the Second Supplemental Deed are set out below:

- Date** : 27 March 2020 (after trading hours)
- Parties** : the Issuer and the Bondholder (the Second Supplemental Deed was executed by the Issuer in favour of the Bondholder by way of deed poll)
- Principal amendments to the Terms and Conditions** : (i) the extension of the Bonds to the Amended Maturity Date;
- (ii) amendment of the provisions in relation to the Interest Payment Dates; and
- (iii) amendment of the provisions in relation to the mandatory obligation of the Issuer to redeem the Bonds.

### **Conditions Precedent**

The Second Supplemental Deed and the Amendments will take effect subject to the following Conditions Precedent having been fulfilled:

- (a) the Company having obtained Shareholder's approval and all such other approvals (if any) in relation to the transactions contemplated under the Second Supplemental Deed in accordance with the Listing Rules on or before 31 March 2020; and
- (b) the approval of the Amendments by a Bondholder's Written Resolution having been obtained.

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## LETTER FROM THE BOARD

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As at the date of the Announcement and as at the Latest Practicable Date, Right Select is the controlling Shareholder of the Company and beneficially holds 926,042,000 Shares, representing approximately 50.99% of the entire issued share capital of the Company. As at the date of the Announcement, the Company obtained a written shareholder's approval from Right Select approving the Second Supplemental Deed and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules.

As at the date of the Announcement, the Issuer obtained the Bondholder's Written Resolution approving the Amendments.

As such, all of the Conditions Precedent have been fulfilled, and the Second Supplemental Deed and the Amendments became effective on 27 March 2020.

### **PRINCIPAL TERMS OF THE BONDS AS AMENDED AND SUPPLEMENTED BY THE SECOND SUPPLEMENTAL DEED**

The principal terms of the Amended Terms and Conditions are summarised as follows:

<b>Issuer</b>	:	Intrend Ventures Limited
<b>Principal amount</b>	:	HK\$144,000,000
<b>Interest</b>	:	The Bonds bear interest (A) from, and including, the Issue Date to, and including, 30 August 2019 at the rate of 8% per annum; and (B) from, and including, 31 August 2019 to, and including, the Amended Maturity Date at the rate of 13% per annum (each an " <b>Applicable Interest</b> "). Save as otherwise provided in the sub-section headed "Mandatory redemption" under this section in this circular, the Applicable Interest shall be payable as follows:

- (a) the Applicable Interest as described in (A) above shall be payable:
  - (i) for the period from, and including, the Issue Date to, but excluding, 15 September 2017, in arrears on 15 September 2017;
  - (ii) for the period from, and including, 15 September 2017 to, but excluding, 15 June 2019, quarterly in arrears on each of 15 March, 15 June, 15 September and 15 December of each year during that period; and
  - (iii) for the period from, and including, 15 June 2019 to, and including, 30 August 2019, in arrears on 30 August 2019; and

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## LETTER FROM THE BOARD

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- (b) the Applicable Interest as described in (B) above shall be payable:
- (i) for the period from, and including, 31 August 2019 to, but excluding, 29 November 2019, in arrears on 29 November 2019;
  - (ii) for the period from, and including, 29 November 2019 to, but excluding, 28 February 2020, in arrears on 28 February 2020;
  - (iii) for the period from, and including, 28 February 2020 to, but excluding, 29 May 2020, in arrears on 29 May 2020;
  - (iv) for the period from, and including, 29 May 2020 to, but excluding, 28 August 2020, in arrears on 28 August 2020;
  - (v) for the period from, and including, 28 August 2020 to, but excluding, 30 November 2020, in arrears on 30 November 2020;
  - (vi) for the period from, and including, 30 November 2020 to, but excluding, 26 February 2021, in arrears on 26 February 2021;
  - (vii) for the period from, and including, 26 February 2021 to, but excluding, 28 May 2021, in arrears on 28 May 2021; and
  - (viii) for the period from, and including, 28 May 2021 to, and including, the Amended Maturity Date, in arrears on the Amended Maturity Date,

(each an “**Interest Payment Date**”).

**Rank** : The Bonds constitute direct, unconditional, guaranteed and unsubordinated obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future direct, unconditional, guaranteed and unsubordinated obligations.

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## LETTER FROM THE BOARD

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- Maturity date** : The Bond shall mature on the Amended Maturity Date, being 30 August 2021 (or if that day is not a Business Day, the immediately following Business Day).
- Voluntary redemption** : The Issuer has the right, at its option, to redeem any of the Bonds in whole or in part in an aggregate principal amount of no less than HK\$10,000,000 or integral multiples of HK\$10,000,000 on any date falling more than 12 months after the Issue Date (the “**Redemption Date**”) at a redemption price of 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest to, but not including, the Redemption Date.
- Mandatory redemption** : Unless previously redeemed in accordance with the Terms and Conditions, the Issuer shall redeem, by each of 29 November 2019, 31 March 2020 and 26 February 2021 (each a “**Mandatory Redemption Date**”), as follows:
- (a) by 29 November 2019, the Bonds in an aggregate principal amount of no less than HK\$50,000,000 at 100% of such principal amount of the Bonds to be redeemed, such that the outstanding principal amount of the Bonds as at 29 November 2019 shall be HK\$150,000,000 or less;
  - (b) by 31 March 2020, the Bonds in an aggregate principal amount of no less than HK\$6,000,000 at 100% of such principal amount of the Bonds to be redeemed, such that the outstanding principal amount of the Bonds as at 31 March 2020 shall be HK\$144,000,000 or less; and
  - (c) by 26 February 2021, the Bonds in an aggregate principal amount of no less than HK\$44,000,000 at 100% of such principal amount of the Bonds to be redeemed, such that the outstanding principal amount of the Bonds as at 26 February 2021 shall be HK\$100,000,000 or less.

If the Issuer redeems any part of the Bonds in a principal amount exceeding the principal amount specified in paragraphs (a), (b) or (c) above, such principal amount of the Bond to be redeemed under such redemption shall be in the integral multiples of HK\$10,000,000.

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## LETTER FROM THE BOARD

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The accrued but unpaid interest in respect of the Bonds to be redeemed in accordance with paragraphs (a), (b) or (c) above (i.e. at the rate of 13% per annum) shall be payable as follows:

- (i) the unpaid Applicable Interest accrued on the principal amount of the Bonds to be redeemed in accordance with paragraph (a) above up to, but not including, the date of actual redemption of such Bonds shall be payable in arrears on 29 November 2019;
- (ii) the unpaid Applicable Interest accrued on the principal amount of the Bonds to be redeemed in accordance with paragraph (b) above up to, but not including, the date of actual redemption of such Bonds shall be payable in arrears on 29 May 2020; and
- (iii) the unpaid Applicable Interest accrued on the principal amount of the Bonds to be redeemed in accordance with paragraph (c) above up to, but not including, the date of actual redemption of such Bonds shall be payable in arrears on 26 February 2021.

**Transferability** : The Bondholder may assign or transfer any of the Bonds in whole or in part (in whole multiples of HK\$1,000,000) of the outstanding principal amount to any third party (i) only with the prior written consent of the Issuer; or (ii) after the occurrence of an Event of Default, so long as all applicable laws are complied with. The Issuer shall facilitate and bear the costs of any such assignment or transfer of the Bonds.

**Events of Default** : The Bond Certificate (together with the Terms and Conditions) contains customary events of default provisions which provide that, on the occurrence of certain Events of Default, the Bondholder shall be entitled to demand for immediate repayment from the Issuer of the principal amount of the Bonds together with any accrued and unpaid interest and default interest calculated at the rate of 20% per annum on the principal amount of the Bonds then outstanding.

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## LETTER FROM THE BOARD

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- Listing** : The Bonds will not be listed on any stock exchange.
- Negative pledge** : The Issuer undertakes to and covenants with the Bondholder that for so long as any of the Bonds remain outstanding, the Issuer shall not create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest upon the whole or any part of its or any of its subsidiaries' respective property, assets (including, without limitation, the benefit and/or rights to repayment and interest (if any) in respect of any loans made by any of the Issuer or any of its subsidiaries to any person) or revenues, present or future, to secure any (i) present or future indebtedness (other than the Bonds, the permitted loans or in the ordinary course of business of Huajin International or its subsidiaries) of the Issuer or any of its subsidiaries; or (ii) guarantee of or indemnity in respect of any debt unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Terms and Conditions (a) are secured equally; or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as shall not be materially less beneficial to the Bondholder or as shall be approved in writing by the Bondholder.
- Securities and guarantee** : The obligations of the Issuer are guaranteed by the Guarantee and secured by (i) the IVL Share Charge; (ii) the Haiyi Share Charge; and (iii) the Huajin Share Charge.

The Issuer, the Subscriber, the Guarantor and Haiyi entered into the Confirmation Deed on 27 March 2020, pursuant to which each of the Issuer, the Guarantor and Haiyi (i) acknowledged the Amendments; and (ii) confirmed that its/his respective obligations under the Guarantee, the IVL Share Charge, the Haiyi Share Charge and the Huajin Share Charge (as applicable) shall extend in all respects to the obligations of the Issuer under the Amended Terms and Conditions.

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## LETTER FROM THE BOARD

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### EFFECT OF THE AMENDMENT OF THE CONDITIONS

#### Earnings

As disclosed in the Company's annual report for the year ended 31 December 2019, the Group recorded the audited consolidated loss attributable to shareholders of approximately HK\$930.40 million. Upon the Amendments becoming effective, it is expected that the earnings of the Group would be impacted by the interest income generated from the Bonds. The Bonds bear interest at the rate of 13% per annum for the 12-month period from (and including) 28 February 2020 to (but excluding) 28 February 2021 on the outstanding principal amount of the Bonds; it is estimated that the interest income accrued for the said 12-month period of the Bonds will be approximately HK\$18.74 million.

#### Assets and liabilities

As disclosed in the Company's annual report for the year ended 31 December 2019, the audited total assets of the Group was approximately HK\$6,350.19 million and the audited total liabilities of the Group was approximately HK\$5,067.82 million as at 31 December 2019. It is expected that the Amendments will have no immediate material impact on the total assets and total liabilities of the Group.

### REASONS FOR AND BENEFITS OF THE AMENDMENTS TO THE TERMS AND CONDITIONS OF THE BONDS

The Directors believe that the continued subscription of the Bonds is complementary to the Group's development strategy and will provide the Group with an opportunity to balance its investment portfolio and diversify the Group's income sources, as well as to generate stable income for the Group.

The Group has taken into consideration the Issuer's request for further extension of the maturity date of the Bonds in the context of the current market conditions which are uncertain and volatile because of different negative factors affecting Hong Kong, the PRC and the global economy which are generally unfavourable to borrowers in raising debt capital. Apart from the impact of the China-US trade disputes in the global financial markets and the general negative economic environment in Hong Kong as a result of the local social incidents in 2019 and early 2020, the outbreak of the novel coronavirus pandemic has disrupted the operations of many businesses, and have put many businesses under short-term liquidity distress. In particular, the Issuer group, including Huajin International and its subsidiaries, has been adversely affected by the novel coronavirus pandemic as the majority of its business operations, supplier and customer relationships and factories are located in the PRC. The unfavourable conditions above, in turn, cast doubt on the feasibility of requesting the Issuer to source new funds (including new debt capital) in order to redeem the Bonds. In contrast, the Group considers that a further extension of the maturity date of the Bonds will provide additional time for the Issuer group to recover its business operations and short-term liquidity, and the Group will continue to realise investment gains through interest income derived from the Bonds.

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## LETTER FROM THE BOARD

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The Second Supplemental Deed was determined by the Issuer and the Subscriber on an arm's length basis with reference to, among other things, (i) the interest rate of 13% per annum under the Terms and Conditions; (ii) the length of the extension of the maturity of the Bonds to the Amended Maturity Date; and (iii) the mandatory redemption obligations of the Issuer to redeem the Bonds on each Mandatory Redemption Date. Given that the due and punctual performance of the obligations of the Bonds are guaranteed by the Guarantor and secured by the IVL Share Charge, the Haiyi Share Charge and the Huajin Share Charge, and such security and guarantee obligations have been acknowledged and confirmed under the Confirmation Deed, the Directors consider that the terms of and conditions of the Second Supplemental Deed and the transactions contemplated thereunder are on normal commercial terms, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### IMPLICATIONS UNDER THE LISTING RULES

Since the amendments under the Second Supplemental Deed constitute material variation of the terms of the Bonds, the applicable percentage ratios of which is more than 25% but less than 100%, the Bond and the transactions contemplated under the Second Supplemental Deed continue to constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder or any of their respective associates have any material interest in the Second Supplemental Deed and the transactions contemplated thereunder. As such, no Shareholder would be required to abstain from voting if the Company were to convene a general meeting for the approval of the Second Supplemental Deed and the transactions contemplated thereunder. As at the date of the Announcement and as at the Latest Practicable Date, Right Select was the controlling Shareholder of the Company and beneficially held 926,042,000 Shares, representing approximately 50.99% of the entire issued share capital of the Company. As at the date of the Announcement, the Company obtained a written shareholder's approval from Right Select approving the Second Supplemental Deed and the transactions contemplated thereunder in lieu of holding a general meeting of the Company in accordance with Rule 14.44 of the Listing Rules.

### INFORMATION OF THE PARTIES

#### The Subscriber and the Group

The Subscriber is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Group is principally engaged in (i) direct investments; and (ii) financial services and others.



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## LETTER FROM THE BOARD

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### **The Issuer**

The Issuer is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. The Issuer is the beneficial owner of 87% of the issued share capital of Haiyi. The Guarantor is the ultimate beneficial owner of 100% of the issued share capital of the Issuer.

### **Haiyi**

Haiyi is a company incorporated in the British Virgin Islands with limited liability. It is principally engaged in investment holding. Haiyi is the beneficial owner of 75% of the issued share capital of Huajin International, which is a cold-rolled steel processor in Guangdong Province, the PRC. The Issuer, Zhong Cheng International Limited, and Irichest Enterprises Limited are respectively interested in 87%, 12% and 1% of the issued share capital of Haiyi. Mr. Luo Canwen (羅燦文) is the ultimate beneficial owner of Zhong Cheng International Limited, Mr. Chen Chunniu (陳春牛) is the ultimate beneficial owner of Irichest Enterprises Limited.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Issuer, Haiyi and their ultimate beneficial owners (including the Guarantor) are Independent Third Parties.

### **RECOMMENDATION**

Although no general meeting of the Company will be convened for the approval the Second Supplemental Deed and the transactions contemplated thereunder, the Board considers that the terms of the Second Supplemental Deed are on normal commercial terms, are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, if a general meeting of the Company was convened for the approval the Second Supplemental Deed and the transactions contemplated thereunder, the Board would have recommended that all Shareholders to vote in favour of the resolutions to approve the Second Supplemental Deed and the transactions contemplated thereunder.

### **ADDITIONAL INFORMATION**

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
By order of the Board  
**Huarong Investment Stock Corporation Limited**  
**Mr. Yu Meng**  
*Chairman*

**1. FINANCIAL INFORMATION OF THE GROUP**

The financial information of the Group for the year ended 31 December 2017 is disclosed in the 2017 annual report of the Company (pages 52 to 134) which is available on the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0419/ltn20180419235.pdf>

The financial information of the Group for the year ended 31 December 2018 is disclosed in the 2018 annual report of the Company (pages 64 to 174) which is available on the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0430/ltn20190430179.pdf>

The financial information of the Group for the year ended 31 December 2019 is disclosed in the 2019 annual report of the Company (pages 59 to 170) which is available on the following hyperlink:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0429/2020042900037.pdf>

**2. INDEBTEDNESS**

As at the close of business on 31 March 2020, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had (a) secured and unguaranteed bank borrowings of approximately HK\$168.5 million; (b) unsecured and unguaranteed bank borrowings of approximately HK\$493.9 million; (c) unsecured and unguaranteed loan from the immediate holding company of approximately HK\$2,733.8 million; and (d) unsecured and unguaranteed loan from fellow subsidiaries of approximately HK\$736.1 million. In addition, the Group had lease liabilities of approximately HK\$172.9 million as at that date.

The Group's secured bank borrowings and lease liabilities were secured by legal charges over the finance lease receivables of the Group amounting to approximately HK\$346.3 million at 31 March 2020.

Save as disclosed above, as at the close of business on 31 March 2020, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, lease liabilities, guarantees or other material contingent liabilities.

### **3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the cash flow generated from the operating activities, the financial resources available to the Group including cash and cash equivalent on hand, the internally generated funds and the available banking facilities, the Group has, in the absence of unforeseeable circumstances, sufficient working capital for its present requirement for the next 12 months from the date of this circular.

### **4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In 2020, the Group will continue to optimise its existing portfolio and capture favourable investment and business opportunities according to its strategic direction. The Company has been identifying various types of investment and business opportunities, including but not limited to corporate loans, fixed-income investments, fund investments, equity investments as well as provision of financial services and others. In particular, in order to realise the development approach of revitalising its principal business and the overall operating strategy of developing “businesses that orbit distressed asset management”, the Group will attach importance to special situation investment opportunities arising out of distressed assets restructuring. Specifically, the Company will place debt, equity or mezzanine investments to bail out businesses that are promising yet under short-term liquidity distress, and realise investment gains by assisting these businesses in recovering their liquidity and the corresponding business operations and financial results; alternatively, the Company will seize investment opportunities contemplating listed companies with weaker performance, achieve synergy and value appreciation by injecting fresh assets and realise investment gains through the stock market; lastly, the Company will also invest in under-priced assets that are spun off from a lackluster business as a result of a meltdown situation, and achieve profits by disposing these assets with a more favourable valuation.

Special situation investment features counter-cyclicity. As a result, when the macroeconomy is in an adjustment phase and enterprises have lower profitability and poor debt service capability, distressed assets start to emerge and their size as a percentage of the total assets in the overall market would typically increase, resulting in a more abundant supply of special situation investment opportunities. Therefore, in light of the more turbulent world economic landscape, the increasing uncertainty and volatility in the global financial markets as well as the latest general economic environment in Hong Kong as a result of the recent local social incidents and the recent outbreak of the novel coronavirus pandemic, it is expected that the Company will be exposed to more abundant supply of special situation investment opportunities.

Based on the Group’s expertise and synergising with its capabilities to mobilise networks and resources for its direct investments business, the financial services and others business provides the clients with a range of financing and restructuring solutions in the formats of financial leasing and business consulting etc., which in turn broaden the business tools available to the direct investments business and increase the efficiency and return with which the Group realises its direct investments. The financial services and others business is a natural

extension of the direct investments business, and the direct investment business attaches importance to special situation investment opportunities that feature counter-cyclicality. As a result, the financial services and others business will likewise be exposed to more abundant supply of business opportunities as needs for restructuring and alternative financing solutions will typically surge in this time of more volatile and uncertain economic and financial prospects. After having established a more prudent approach in evaluating and capturing new business opportunities, the Group is currently proactively identifying promising clients that are seeking advice on restructuring or alternative financing solutions and endeavouring to provide them with our integrated services. The Group will further consolidate its resources by enhancing the interaction between the financial services and others business and the direct investments business, so as to continue generating synergetic dynamics within the direct investments business and the financial services and others business, and improve the overall profitability of the Group.

The direct investments business and the financial services and others business has sustained a robust customer base, which comprises, inter alia, promising industry players in such capital-intensive sectors as transportation, logistics and renewable energy. These customers are more sensitive to the economic and financial cyclicality and the Company will identify and capture business opportunities in the course of addressing their financing needs in this time of more volatile and uncertain economic and financial prospects.

### 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

### 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, none of the Directors, chief executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

As at the Latest Practicable Date, the following Directors are also directors or employees of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name of Director</b>	<b>Name of substantial Shareholder</b>	<b>Position in the substantial Shareholder</b>
YU Meng	China Huarong International Holdings Limited	Director and General Manager

### 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Group which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

#### 4. MATERIAL ADVERSE CHANGE

Save as disclosed in the Company's annual report for the year ended 31 December 2019, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited consolidated accounts of the Company were made up).

#### 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates (as defined in the Listing Rules) had any interest in any business which competes or may compete, either directly or indirectly, with the business of the Group.

#### 6. DIRECTORS' INTEREST IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement, which was significant in relation to the business of the Group; and
- (b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed by or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated accounts of the Company were made up.

#### 7. LITIGATION

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief, the Group was not engaged in any litigation, arbitration or claims of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

#### 8. MATERIAL CONTRACTS

The following contracts (not being in the ordinary course of business of the Group) have been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date that are or may be material:

- (a) the supplemental deed dated 28 September 2018 entered into between Freeman FinTech Corporation Limited (Stock Code: 279) ("**Freeman FinTech**") in favour of Cheery Plus Limited (an indirect wholly-owned subsidiary of the Company) ("**Cheery Plus**") by way of deed poll to amend certain terms and conditions of the secured convertible bonds in the aggregate principal amount of HK\$437 million ("**CBs**"); and (ii) the deed of undertaking dated 28 September 2018 entered into

between Freeman FinTech in favour of Cheery Plus, pursuant to which Freeman FinTech undertook to perform certain obligations to facilitate the amendment of certain terms and conditions of the CBs;

- (b) (i) the First Supplemental Deed; and (ii) the deed of confirmation dated 30 August 2019 entered into between the Issuer, the Subscriber, the Guarantor, and Haiyi in relation to the confirmation of validity of the Guarantee, the IVL Share Charge, the Haiyi Share Charge, and the Huajin Share Charge;
- (c) the transfer form dated 20 September 2019 entered into between Wise United Holdings Limited (an indirect wholly-owned subsidiary of the Company) and a company incorporated in Hong Kong with limited liability (an Independent Third Party) in relation to the disposal of the senior secured guaranteed notes issued by Zhuguang Holdings Group Company Limited in the outstanding principal amount of US\$12 million at the consideration of US\$12 million;
- (d) the share purchase agreement dated 27 September 2019 entered into between the Company and Acute Peak Investments Limited in relation to the disposal of the entire issued share capital of the Auto Brave Limited (a wholly-owned subsidiary of the Company) at a consideration of HK\$290 million (“**Share Purchase Agreement**”);
- (e) the acquisition agreement dated 18 November 2016 entered into between Coastal Star Investments Limited (an indirect wholly-owned subsidiary of the Company) (“**Coastal Star**”) and Total Dynamic Holdings Limited (a wholly-owned company of Mr. Kang Jingwei (“**Mr Kang**”)) (“**Total Dynamic**”) in relation to the purchase of 9,360,000 ordinary shares of Cogobuy Group (stock code: 400) at a consideration of HK\$117 million and the compensation agreement dated 18 November 2016 entered into between Mr Kang and Coastal Star (“**Compensation Agreement**”). On 22 October 2019, Mr Kang and Coastal Star entered into a supplemental deed to amend certain terms and conditions of the Compensation Agreement;
- (f) the subscription agreement dated 25 November 2019 entered into between Able River Limited (a wholly-owned subsidiary of the Company) and Golden Sunflower Limited (“**Golden Sunflower**”) in relation to the subscription of the notes due 2020 to be issued by Golden Sunflower in the aggregate principal amount of HK\$105.2 million;
- (g) the sale and purchase agreement dated 24 December 2019 entered into between Bloom Right Limited (an indirect wholly-owned subsidiary of the Company) and Ascend Trade Limited in relation to the sale of 10,870,000 issued shares of SuperRobotics Limited at a consideration of HK\$57.6 million;
- (h) the Second Supplemental Deed and the Confirmation Deed; and

- (i) (i) the agreement dated 23 April 2020 entered into between 中聚(深圳)融資租賃有限公司 (Zhongju (Shenzhen) Financial Leasing Co., Ltd.) (an indirect wholly-owned subsidiary of the Company) (“**Zhongju**”) and 安徽太平洋電纜集團有限公司 (Anhui Pacific Cable Group Co., Ltd.\*) (“**Anhui Pacific**”) in relation to the assignment of the rights, titles and benefits of Zhongju in the outstanding principal payment amount of RMB44 million under the finance lease agreement dated 1 August 2017 entered into between Zhongju and 安徽長風電纜集團有限公司 (Anhui Changfeng Cable Group Co., Ltd.\*) (together with interest accrued thereon in the amount of RMB2 million and all security interests related thereto) to Anhui Pacific at a consideration of RMB46 million (“**Consideration**”); and (ii) the supplemental agreement dated 23 April 2020 entered into between Zhongju, Anhui Pacific, Mr. Huang Min and Ms. Zeng Xiangjun to amend and supplement, among other things, the financial lease agreement dated 27 December 2017 entered into between Zhongju and Anhui Pacific (“**Finance Lease Agreement**”) with respect to the set-off of RMB44 million of the Consideration against the purchase price payable by Zhongju and Anhui Pacific under the Finance Lease Agreement.

## 9. GENERAL

The company secretary of the Company is Mr. Leung Chin Wan, who is a member of the Hong Kong Institute of Certified Public Accountants.

## 10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company at Suite B, Levels 16-17, Two Pacific Place, 88 Queensway, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. on any business day from the date of this circular up to and including 9 June:

- (a) the memorandum and articles of association of the Company;
- (b) the material contracts referred to in the paragraph headed “8. MATERIAL CONTRACTS” in this appendix;
- (c) the annual report of the Company for the financial year ended 31 December 2017;
- (d) the annual report of the Company for the financial year ended 31 December 2018;
- (e) the annual report of the Company for the financial year ended 31 December 2019; and
- (f) this circular.

## 11. MISCELLANEOUS

In the event of any inconsistency, the English version of this circular shall prevail over the Chinese version.