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**華融國際金融控股有限公司**

HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 993)



**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)

## JOINT ANNOUNCEMENT

**(1) PROPOSAL FOR THE PRIVATIZATION OF  
HUARONG INVESTMENT STOCK CORPORATION LIMITED  
BY HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED  
BY WAY OF A SCHEME OF ARRANGEMENT UNDER SECTION 86 OF  
THE COMPANIES LAW;**

**(2) VERY SUBSTANTIAL ACQUISITION  
AND  
NON-EXEMPT CONNECTED TRANSACTION FOR  
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED  
IN RELATION TO  
THE PROPOSAL FOR THE PRIVATIZATION OF  
HUARONG INVESTMENT STOCK CORPORATION LIMITED  
THROUGH THE SCHEME;**

**(3) PROPOSED ISSUE OF NEW SHARES BY  
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED  
UNDER SPECIFIC MANDATE  
AS CONSIDERATION FOR THE CANCELLATION AND EXTINGUISHMENT  
OF THE SCHEME SHARES  
UNDER THE SCHEME;**

**(4) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF  
HUARONG INVESTMENT STOCK CORPORATION LIMITED;**

**(5) RESUMPTION OF TRADING IN THE SHARES OF  
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED;**

**AND**

**(6) RESUMPTION OF TRADING IN THE SHARES OF  
HUARONG INVESTMENT STOCK CORPORATION LIMITED**

Financial adviser to HRIF



**華泰金控**

HUATAI FINANCIAL

**Huatai Financial Holdings (Hong Kong) Limited**

**Independent financial adviser to the  
HRIF Independent Board Committee and the  
HRIF Independent Shareholders**



**Optima Capital Limited**

## **INTRODUCTION**

The HRIF Board and the HRIV Board jointly announce that on 3 July 2020, the HRIF Board requested the HRIV Board to put forward to the Scheme Shareholders the Proposal regarding the privatization of HRIV by HRIF by way of a scheme of arrangement under section 86 of the Companies Law. Subject to the Scheme becoming effective, the entire issued share capital of HRIV will be owned by HRIF or its wholly owned subsidiary upon completion of the Proposal.

## **TERMS OF THE PROPOSAL**

Under the Proposal, HRIF will make a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares (which will be all the HRIV Shares in issue, including HRIV Shares held by the HRIF Concert Parties), in exchange for newly issued HRIF Shares in the following ratio, based on the holding of Scheme Shares on the Scheme Record Date:

**For every one Scheme Share held ..... 2.82 HRIF Shares**

The above exchange ratio has been determined on commercial basis after taking into account the prevailing and historical market price levels of both the HRIF Shares and the HRIV Shares traded on the Stock Exchange, the audited consolidated net asset value per HRIF Share and per HRIV Share as of 31 December 2019, and other privatization transactions in Hong Kong in recent years. Please see the sub-sections headed “Comparison to market price per share” and “Comparison to net asset value per share” under the section headed “2. Terms of the Proposal” in this joint announcement for details.

As at the date of this joint announcement, (i) the issued share capital of HRIV comprises 1,816,000,000 HRIV Shares, all of which will constitute the Scheme Shares; and (ii) there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by HRIV that carry a right to subscribe for or which are convertible or exchangeable into HRIV Shares.

Based on the above exchange ratio, assuming no changes to either HRIF’s issued share capital or HRIV’s issued share capital from the date of this joint announcement to the effective date of the Scheme and subject to the Scheme becoming effective, HRIF will allot and issue a total of 5,121,120,000 HRIF Shares to the Scheme Shareholders, representing (i) approximately 142.71% of the issued share capital of HRIF as at the date of this joint announcement and (ii) approximately 58.80% of the enlarged issued share capital of HRIF upon completion of the Proposal.

## **CONDITIONS OF THE PROPOSAL AND THE SCHEME**

The implementation of the Proposal is, and the Scheme will become effective and binding on HRIV and all the Scheme Shareholders, subject to the fulfillment or waiver (as applicable) of the Conditions on or before the Long Stop Date. If the Proposal is approved by the Scheme Shareholders, the Scheme is sanctioned by the Court, all requirements of the Companies Law are complied with, and all other Conditions are fulfilled or waived (as the case may be), the Scheme will be binding on each Scheme Shareholder, irrespective of whether or not he, she or it attends or votes at the Court Meeting or the extraordinary general meeting of HRIV.

## **WITHDRAWAL OF LISTING OF THE HRIV SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. HRIV will apply to the Stock Exchange for withdrawal of the listing of the HRIV Shares on the Stock Exchange immediately following the Scheme becoming effective. A detailed timetable of the Scheme will be included in the Scheme Document.

## **IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

The Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of the HRIV Shares on the Stock Exchange will not be withdrawn.

## **HRIF INDEPENDENT FINANCIAL ADVISER**

Optima has been appointed by HRIF as its independent financial adviser in relation to the Proposal and the Scheme pursuant to Rule 2.4 of the Takeovers Code.

Optima has also been appointed by HRIF as its independent financial adviser pursuant to Rule 14A.44 of the Listing Rules to advise the HRIF Independent Board Committee and the HRIF Independent Shareholders in respect of the Proposal and the Scheme.

With reference to Note 1 to Rule 2.4 of the Takeovers Code, Optima has advised the HRIF Board that it considers the Proposal to be in the interests of the HRIF Shareholders. The summary of the salient points of the advice on the Proposal received by the HRIF Board from Optima are set out in the sub-section headed “(b) The advice of the independent financial adviser to HRIF” under the section headed “12. Reasons for and benefits of the Proposal” in this joint announcement. A copy of the full advice on the Proposal from Optima will be included in the HRIF Circular.

## **HRIV INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The HRIV Independent Board Committee, comprising all the independent non-executive directors of HRIV, namely Dr. Lam Lee G., Mr. Chan Kee Huen Michael and Mr. Tse Chi Wai, has been established by HRIV to advise the Disinterested Shareholders (i) as to whether the terms of the Proposal and the Scheme are fair and reasonable and (ii) as to voting.

An independent financial adviser will be appointed by HRIV pursuant to Rule 2.1 of the Takeovers Code to advise the HRIV Independent Board Committee and the Disinterested Shareholders in respect of the Proposal and the Scheme.

## **DESPATCH OF THE SCHEME DOCUMENT**

The Scheme Document containing, among other things, (i) further details of the Proposal and the Scheme, (ii) the expected timetable, (iii) an explanatory statement as required under the Companies Law and the Rules of the Court, (iv) information regarding the HRIF Group and the HRIV Group, (v) recommendations from the HRIV Independent Board Committee with respect to the Proposal and the Scheme, (vi) the letter of advice from the independent financial adviser to the HRIV Independent Board Committee and the Disinterested Shareholders, and (vii) the notices of the Court Meeting and an extraordinary general meeting of HRIV, together with the relevant forms of proxy in relation thereto, will be despatched to the Scheme Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Court and other applicable regulations.

## **LISTING RULES IMPLICATIONS FOR HRIF**

The HRIF Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares will be allotted and issued pursuant to the specific mandate to be sought from the HRIF Independent Shareholders at a special general meeting of HRIF.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the Proposal and the Scheme exceeds 100%, the Proposal and the Scheme constitute a very substantial acquisition for HRIF which is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Proposal and the Scheme, HRIF will make a conditional share exchange offer for cancellation of all the Scheme Shares held by, and issue new HRIF Shares to, the Scheme Shareholders, including Right Select which is ultimately wholly-owned by China Huarong, an indirect substantial shareholder of HRIF, and Tian Yuan Asset Management which is indirectly 99.88% owned by Mr. Jia who is an indirect substantial shareholder of HRIF. Hence, each of Right Select and Tian Yuan Asset Management is a connected person of HRIF. As such, the Proposal and the Scheme (including the cancellation of relevant Scheme Shares held by Right Select and Tian Yuan Asset Management and the issue of new HRIF Shares to each of them thereunder) also constitute a connected transaction for HRIF which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The HRIF Independent Board Committee, comprising all the independent non-executive directors of HRIF, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei, has been established by HRIF to advise the HRIF Independent Shareholders (i) as to whether the terms of the Proposal and the Scheme are fair and reasonable and (ii) as to voting.

HRIF will convene a special general meeting for the purpose of considering and, if thought fit, approving, among other things, the Proposal and the Scheme, including the allotment and issuance of HRIF Shares as consideration for the cancellation and extinguishment of the Scheme Shares under specific mandate. The HRIF Circular containing, among other things, details of the Proposal and the Scheme, further information on the HRIV Group, a letter from the HRIF Independent Board Committee providing recommendation to the HRIF Independent Shareholders in respect of the Proposal and the Scheme, a letter from Optima, the independent financial adviser of HRIF, to advise the HRIF Independent Board Committee and the HRIF Independent Shareholders in respect of the Proposal and the Scheme, a notice convening the special general meeting of HRIF and other information as required under the Listing Rules, will be despatched to the HRIF Shareholders in accordance with the Listing Rules. As additional time is required to prepare the information to be included in the HRIF Circular, the despatch date of the HRIF Circular is currently expected to be on or before 31 August 2020.

Camellia, Hero Link and Tian Yuan Int'l are deemed to have material interest in the Proposal and the Scheme and shall abstain from voting on the relevant resolution(s) to be proposed at the special general meeting of HRIF for approving the Proposal and the Scheme.

## RESUMPTION OF TRADING

At the request of HRIV, trading in HRIV Shares on the Stock Exchange was halted with effect from 9:49 a.m. on 30 June 2020 pending the publication of this joint announcement. Application has been made by HRIV to the Stock Exchange for the resumption of trading in the HRIV Shares on the Stock Exchange with effect from 9:00 a.m. on 6 July 2020.

At the request of HRIF, trading in HRIF Shares on the Stock Exchange was halted with effect from 9:49 a.m. on 30 June 2020 pending the publication of this joint announcement. Application has been made by HRIF to the Stock Exchange for the resumption of trading in the HRIF Shares on the Stock Exchange with effect from 9:00 a.m. on 6 July 2020.

**WARNING: The respective shareholders and potential investors of HRIV and HRIF should exercise caution when dealing in the HRIV Shares, the HRIF Shares or any options or other rights in respect of them. The implementation of the Proposal and the Scheme is subject to the satisfaction of the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank manager, solicitor or other professional advisers.**

## 1. INTRODUCTION

The HRIF Board and the HRIV Board jointly announce that on 3 July 2020, the HRIF Board requested the HRIV Board to put forward to the Scheme Shareholders the Proposal regarding the privatization of HRIV by HRIF by way of a scheme of arrangement under section 86 of the Companies Law involving (i) the reduction of the issued share capital of HRIV by the cancellation of the Scheme Shares on the effective date of the Scheme, and in consideration therefor, 2.82 HRIF Shares will be allotted and issued to the Scheme Shareholders for each Scheme Share so cancelled, (ii) forthwith upon the issued share capital reduction referred to in (i) above, the restoration of the issued share capital of HRIV to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new HRIV Shares in the same number as the Scheme Shares (which were cancelled) to HRIF credited as fully paid out of the credit arising in HRIV's books of account as a result of the issued share capital reduction referred to in (i) above, and (iii) the withdrawal of the listing of the HRIV Shares on the Stock Exchange immediately following the effective date of the Scheme pursuant to Rule 6.15 of the Listing Rules. HRIF reserves the right to require HRIV to issue new HRIV Shares to a wholly owned subsidiary of HRIF (in lieu of HRIF itself) for the purpose of (ii) above.

If the Proposal is approved by the Scheme Shareholders, the Scheme is sanctioned by the Court, all requirements of the Companies Law are complied with, and all other Conditions are fulfilled or waived (as the case may be), the Scheme will be binding on each Scheme Shareholder, irrespective of whether or not he, she or it attends or votes at the Court Meeting or the extraordinary general meeting of HRIV. Subject to the Scheme becoming effective, the entire issued share capital of HRIV will be owned by HRIF or its wholly owned subsidiary (as the case may be) upon completion of the Proposal.

## **2. TERMS OF THE PROPOSAL**

Under the Proposal, HRIF will make a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares (which will be all the HRIV Shares in issue, including those held by the HRIF Concert Parties), in exchange for newly issued HRIF Shares in the following ratio, based on the holding of Scheme Shares on the Scheme Record Date:

**For every one Scheme Share held ..... 2.82 HRIF Shares**

The above exchange ratio has been determined on a commercial basis after taking into account the prevailing and historical market price levels of both the HRIF Shares and HRIV Shares traded on the Stock Exchange, the audited consolidated net asset value per HRIF Share and per HRIV Share as of 31 December 2019, and other privatization transactions in Hong Kong in recent years.

## Comparison to market price per share

The premia represented by the issue of the new HRIF Shares as calculated by reference to the various ratios between the volume weighted average prices per HRIF Share and the volume weighted average prices per HRIV Share on the Last Trading Day and in various historical periods, are as follows:

	Last Trading Day	Previous period up to and including the Last Trading Day		
		30 trading days	90 trading days	180 trading days
(A) Volume weighted average price per HRIF Share based on the daily closing prices as quoted on the Stock Exchange (HK\$)	0.15	0.15	0.16	0.21
(B) Volume weighted average price per HRIV Share based on the daily closing prices as quoted on the Stock Exchange (HK\$)	0.31	0.28	0.29	0.29
(C) Premium = $2.82 \times (A)/(B) - 1$	36.45%	51.07%	55.59%	104.21%

### Notes:

1. "C" corresponds to the premium represented by the issuance of 2.82 new HRIF Shares for every one HRIV Share based on the ratio between the volume weighted average price per HRIF Share and the volume weighted average price per HRIV Share on any of the specified date or period.
2. The figures shown in the table above are rounded to two decimal places.
3. Exact premium figures may not be replicated using the share prices shown in the table due to rounding differences.

## **Comparison to net asset value per share**

Based on the audited consolidated net asset value per HRIF Share of approximately HK\$0.37 as at 31 December 2019 (based on the audited consolidated net asset value of HRIF of approximately HK\$1,329,097,000 as at 31 December 2019 and 3,588,466,011 HRIF Shares in issue as at the same date), the implied value of 2.82 HRIF Shares (for each HRIV Share to be cancelled under the Scheme) is approximately HK\$1.04, which represents a premium of approximately 46.96% over the audited consolidated net asset value per HRIV Share of approximately HK\$0.71 as at 31 December 2019 (based on the audited consolidated net asset value of HRIV of approximately HK\$1,282,371,000 as at 31 December 2019 and 1,816,000,000 HRIV Shares in issue as at the same date).

Despite the above exchange ratio representing a premium to both market price and net asset value per share of HRIV, the HRIF Board (excluding the members of the HRIF Independent Board Committee whose view will be set out in the HRIF Circular), having taken into account other privatization transactions in Hong Kong in recent years, considers the above exchange ratio to be reasonable and in line with current market practice for the purpose of attracting the Scheme Shareholders which are looking to realize their investments in HRIV to accept and approve the Proposal that is in the interests of HRIF and the HRIF Shareholders as a whole given the likely significant benefits of the Proposal for HRIF and the HRIF Shareholders as set out in detail in the section headed “12. Reasons for and benefits of the Proposal” of this joint announcement.

## **New HRIF Shares to be issued pursuant to the Scheme**

As at the date of this joint announcement, (i) the issued share capital of HRIV comprises 1,816,000,000 HRIV Shares, all of which will constitute the Scheme Shares; and (ii) there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by HRIV that carry a right to subscribe for or which are convertible or exchangeable into HRIV Shares.

Based on the above exchange ratio, assuming no changes to either HRIF’s issued share capital or HRIV’s issued share capital from the date of this joint announcement to the effective date of the Scheme and subject to the Scheme becoming effective, HRIF will allot and issue a total of 5,121,120,000 HRIF Shares to the Scheme Shareholders, representing (i) approximately 142.71% of the issued share capital of HRIF as at the date of this joint announcement and (ii) approximately 58.80% of the enlarged issued share capital of HRIF upon completion of the Proposal.

It is expected that fractions of HRIF Shares will not be issued to the Scheme Shareholders under the Scheme. There will also not be any rounding up of fractions of a HRIF Share to a whole HRIF Share. If any calculation of a Scheme Shareholder’s entitlement to HRIF Shares would result in a fraction of a HRIF Share, such entitlement will be rounded down to the nearest whole number of HRIF Shares.

Although the Scheme Shareholders may receive odd lots of HRIF Shares under the Scheme, the HRIF Board (excluding the members of the HRIF Independent Board Committee whose view will be set out in the HRIF Circular), taking into account other privatization transactions in Hong Kong in recent years, does not consider this as rendering the above exchange ratio to be unreasonable or out of line with current market practice, especially when designated broker(s) will be appointed to provide, on a best effort basis, a service to match the sale and purchase of odd lots of HRIF Shares during the period of 60 days commencing from (and including) the effective date of the Scheme. Details of the odd lot matching service is set out in the section headed “21. Arrangements relating to sale of odd lots of HRIF Shares” in this joint announcement.

The HRIF Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares are expected to be issued under the specific mandate to be proposed for voting by the HRIF Independent Shareholders at a special general meeting of HRIF and will be issued free from all liens, charges and encumbrances, and together with all rights attaching to them, including the right to receive all dividends and other distributions, if the record time for determining the entitlement to such dividends and distributions falls on or after the date of issue of the new HRIF Shares, and will rank *pari passu* in all respects with all other HRIF Shares then in issue. Such specific mandate, if approved, will be valid until the earlier of completion of the Proposal or lapse of the Scheme.

HRIF will make an application to the Stock Exchange for the listing of, and permission to deal in, the HRIF Shares to be issued pursuant to the Scheme on the Main Board of the Stock Exchange.

### **3. CONDITIONS OF THE PROPOSAL AND THE SCHEME**

The implementation of the Proposal is, and the Scheme will become effective and binding on HRIV and all the Scheme Shareholders, subject to the fulfillment or waiver (as applicable) of the Conditions set out below:

- (a) the approval of the Scheme (by way of poll) by a majority in number of the Scheme Shareholders representing not less than 75% in value of the Scheme Shares held by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting;
- (b) the approval of the Scheme (by way of poll) by at least 75% of the votes attaching to the Scheme Shares held by the Disinterested Shareholders (being all the Scheme Shareholders, other than HRIF and the HRIF Concert Parties) that are voted either in person or by proxy at the Court Meeting, provided that the number of votes cast (by way of poll) by the Disinterested Shareholders present and voting either in person or by proxy against the resolution to approve the Scheme at the Court Meeting is not more than 10% of the votes attaching to all of the Scheme Shares held by the Disinterested Shareholders;

- (c) the passing of a special resolution by a majority of not less than three-fourths of the votes cast by the HRIV Shareholders present and voting in person or by proxy at an extraordinary general meeting of HRIV to approve and give effect to (i) the reduction of the issued share capital of HRIV by cancelling and extinguishing the Scheme Shares; (ii) the increase of the issued share capital of HRIV to the amount prior to the cancellation of the Scheme Shares by issuing to HRIF or its wholly owned subsidiary such number of new HRIV Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) the application of the credit arising in HRIV's books of accounts as a result of such issued share capital reduction in paying up in full at par value the new HRIV Shares to be issued to HRIF or its wholly owned subsidiary (as the case may be), credited as fully paid;
- (d) the Court's sanction of the Scheme (with or without modifications) and its confirmation of the reduction of the share capital of HRIV, and the delivery to the Registrar of Companies in the Cayman Islands of a copy of the orders of the Court for registration;
- (e) all necessary Approvals in connection with the Proposal and the Scheme having been obtained from, given by or made with or by (as the case may be) the relevant Authorities, in the PRC, Bermuda, the Cayman Islands, Hong Kong and any other relevant jurisdictions (including the no-objection clearance from the Ministry of Finance of the PRC Government);
- (f) all necessary Approvals in connection with the Proposal and the Scheme remaining in full force and effect without variation, and all necessary statutory or regulatory obligations in all relevant jurisdictions having been complied with and no requirement having been imposed by the relevant Authorities which are not expressly provided for, or are in addition to requirements expressly provided for, in any relevant laws, rules, regulations or codes in connection with the Proposal or any related matters, documents (including circulars) or things, in each case up to and at the time when the Scheme becomes effective;
- (g) HRIF having obtained approval of the HRIF Independent Shareholders for the Proposal and the Scheme (including, without limitation, the grant of the specific mandate for the allotment and issuance of HRIF Shares to the Scheme Shareholders pursuant to the Scheme) in compliance with the Listing Rules;
- (h) the listing committee of the Stock Exchange having granted the listing of, and permission to deal in, the HRIF Shares to be issued pursuant to the Scheme on the Stock Exchange;

- (i) no Authority in any jurisdiction having taken or instituted any action, proceeding, suit, investigation or enquiry, or enacted, made or proposed, and there not continuing to be outstanding, any statute, regulation, demand or order that would make the Proposal or the Scheme or the implementation in accordance with their terms void, unenforceable, illegal or impracticable (or which would impose any material and adverse conditions or obligations with respect to the Proposal or the Scheme or the implementation in accordance with their terms), other than such actions, proceedings, suits, investigations or enquiries as would not have a material adverse effect on the legal ability of HRIF to proceed with the Proposal and the Scheme;
- (j) all necessary consents or waivers which may be required for the implementation of the Proposal and the Scheme under any existing contractual obligations of the HRIV Group having been obtained (and remaining in effect) or waived by the relevant party(ies), where any failure to obtain such consent or waiver would have a material adverse effect on the business, assets or liabilities of the HRIV Group; and
- (k) save as publicly announced prior to the date of this joint announcement (and except in so far as such event forms part of the Proposal), since 31 December 2019 (being the date to which the latest published audited accounts of HRIV were made up):
  - (i) there having been no material adverse change in the business, financial or trading position or prospects of any member of the HRIV Group to an extent which is material in the context of the HRIV Group taken as a whole or in the context of the Proposal or the Scheme;
  - (ii) there not having been instituted or remaining outstanding any material litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the HRIV Group is a party (whether as plaintiff or defendant or otherwise) and no such proceedings having been threatened in writing against any such member of the HRIV Group and no investigation by any Authorities against or in respect of any member of the HRIV Group (or the business carried on by any such member of the HRIV Group) having been threatened in writing, announced, instituted or remaining outstanding by, against or in respect of any such member, in each case which is material and adverse in the context of the HRIV Group taken as a whole or in the context of the Proposal or the Scheme; and
  - (iii) each member of the HRIV Group remaining solvent and not being subject to any insolvency or bankruptcy proceedings or likewise and no liquidator, receiver or other person carrying out any similar function having been appointed anywhere in the world in respect of the whole or any substantial part of the assets or undertakings of any member of the HRIV Group up to the date immediately preceding the effective date of the Scheme, in each case which is material and adverse in the context of the HRIV Group taken as a whole or in the context of the Proposal or the Scheme.

All of the above Conditions will have to be fulfilled or waived, as applicable, on or before the Long Stop Date, failing which the Proposal and the Scheme will lapse.

HRIF and HRIV are indirect subsidiaries of China Huarong, which is controlled by the Ministry of Finance of the PRC Government. The acquisition of the entire issued share capital of HRIV by HRIF or its wholly owned subsidiary (as the case may be), and the issuance of new HRIF Shares by HRIF to the Scheme Shareholders, pursuant to the Proposal and the Scheme will be considered a transaction in state-owned assets and HRIF will need to obtain the no-objection clearance from the Ministry of Finance of the PRC Government (the “**No-Objection Clearance**”). The No-Objection Clearance will be an Approval for the purpose of the Conditions set out in paragraphs (e) and (f) above. In addition, the HRIV Group has entered into certain contractual arrangements (including loan agreements) which require HRIV to maintain its listing status, and the delisting of HRIV pursuant to the Proposal and the Scheme would require the consents or waivers (as the case may be) of the relevant lenders or counterparties for the purpose of the Condition set out in paragraph (j) above. Save for the No-Objection Clearance and the consents or waivers as aforementioned in this paragraph, neither HRIF nor HRIV is aware of any other Approvals, consents or waivers that are required for the purpose of the Proposal or the Scheme in order to fulfil the Conditions set out in paragraphs (e), (f) and (j) above.

HRIF reserves the right to waive the conditions set out in paragraphs (j) and/or (k) above either in whole or in part, either generally or in respect of any particular matter. Conditions (a) to (i) (inclusive) cannot be waived in any event. Pursuant to Note 2 to Rule 30.1 of the Takeovers Code, HRIF may only invoke any or all of the Conditions as a basis for not proceeding with the Proposal or Scheme if the circumstances which give rise to the right to invoke any such Condition are of material significance to HRIF in the context of the Proposal. HRIV has no right to waive any of the Conditions.

**WARNING: The respective shareholders and potential investors of HRIV and HRIF should exercise caution when dealing in the HRIV Shares, the HRIF Shares and any options or other rights in respect of them. The implementation of the Proposal and the Scheme is subject to the satisfaction of the Conditions being fulfilled or waived, as applicable, and thus the Proposal may or may not be implemented and the Scheme may or may not become effective. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank manager, solicitor or other professional advisers.**

#### 4. SHAREHOLDING STRUCTURE OF HRIV

As at the date of this joint announcement, (i) the issued share capital of HRIV comprises 1,816,000,000 HRIV Shares, all of which will constitute the Scheme Shares; and (ii) there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by HRIV that carry a right to subscribe for or which are convertible or exchangeable into HRIV Shares.

Assuming there is no change to the issued share capital of HRIV and the issued share capital of HRIF from the date of this joint announcement up to the effective date of the Scheme other than the issue of HRIF Shares pursuant to the Scheme, the table below sets out the shareholding structure of HRIV (i) as at the date of this joint announcement; and (ii) immediately upon completion of the Proposal:

HRIV Shareholders	As at the date of this joint announcement		Immediately upon completion of the Proposal (Note 6)	
	Number of HRIV Shares	Approximate %	Number of HRIV Shares	Approximate %
<b>HRIF or its wholly owned subsidiary</b> (Note 1)	–	–	1,816,000,000	100.00
<b>HRIF Concert Parties</b>				
China Huarong and its controlled corporations (other than HRIF) (Notes 2 and 4)	926,042,000	50.99	–	–
Mr. Jia and his controlled corporations (Notes 3 and 4)	353,375,000	19.46	–	–
HK Bridge and its subsidiaries (including Power Tiger) (Note 5)	84,170,000	4.63	–	–
Sub-total of HRIF and HRIF Concert Parties	<u>1,363,587,000</u>	<u>75.09</u>	<u>1,816,000,000</u>	<u>100.00</u>
<b>Disinterested Shareholders</b>	452,413,000	24.91	–	–
<b>Total number of Scheme Shares</b>	<u><b>1,816,000,000</b></u>	<u><b>100.00</b></u>	<u><b>–</b></u>	<u><b>–</b></u>

*Notes:*

1. HRIF reserves the right to require HRIV to issue new HRIV Shares to a wholly owned subsidiary of HRIF (in lieu of HRIF itself) immediately after the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective. Please see note 6 below for further details.
2. 926,042,000 HRIV Shares are beneficially owned by Right Select which is wholly owned by CHIH, which is in turn owned as to 84.84% by China Huarong, 1.80% by Huarong Zhiyuan Investment & Management Co., Ltd. (“**Huarong Zhiyuan**”), and 13.36% by Huarong Real Estate Co., Ltd. (“**Huarong Real Estate**”). Huarong Zhiyuan and Huarong Real Estate are wholly-owned by China Huarong. CHIH is also the holding company of HRIF. Hence, Right Select and HRIF are fellow subsidiaries and Right Select is acting in concert with HRIF.
3. 353,375,000 HRIV Shares are beneficially owned by Tian Yuan Asset Management, a company that Mr. Jia indirectly owns 99.88% of its interest. Mr. Jia also controls 20% or more of the issued share capital of HRIF and therefore, by virtue of Note 1 to the definition of “acting in concert” under the Takeovers Code, Tian Yuan Asset Management (as a company controlled by him under class (8) of the definition of “acting in concert” under the Takeovers Code) is deemed acting in concert with HRIF in respect of the Proposal and the Scheme.
4. 353,375,000 HRIV Shares held by Tian Yuan Asset Management are pledged to Shinning Rhythm Limited (“**Shinning Rhythm**”). Shinning Rhythm is wholly owned by China Huarong Overseas Investment Holdings Co., Limited (“**Huarong Overseas**”) which is in turn wholly owned by Huarong Huaqiao Asset Management Co., Ltd. (“**Huarong Huaqiao**”). Huarong Huaqiao is owned as to 91% by Huarong Zhiyuan, which is a wholly owned subsidiary of China Huarong.
5. Power Tiger, an indirect wholly-owned subsidiary of HKBridge, has pledged 84,170,000 HRIV Shares beneficially held by it to Tian Yuan Investment Holding Co., Limited (“**Tian Yuan Investment**”), a company which is indirectly owned as to 99.88% by Mr. Jia, pursuant to a share charge dated 25 October 2019 (the “**Share Charge**”). Tian Yuan Investment has assigned its rights and interests in the Share Charge to Shinning Rhythm with effect from 25 October 2019. As a result of the above transaction, HKBridge and its subsidiaries (including Power Tiger) are deemed acting in concert with HRIF in respect of the Proposal and the Scheme.
6. Under the Scheme, the issued share capital of HRIV will, on the effective date of the Scheme, be reduced by cancelling the Scheme Shares. On the assumption that there is no other change in shareholding of HRIV before completion of the Proposal, forthwith upon such reduction, the issued share capital of HRIV will be increased to its former amount by the issue at par to HRIF or its wholly owned subsidiary (as the case may be), credited as fully paid, of the same number of HRIV Shares as the number of the Scheme Shares cancelled. The reserve created in HRIV’s books of account as a result of the capital reduction will be applied in paying up in full at par the new HRIV Shares so issued to HRIF or its wholly owned subsidiary (as the case may be).
7. The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places.

## 5. SHAREHOLDING STRUCTURE OF HRIF

As at the date of this joint announcement, (i) the issued share capital of HRIF comprises 3,588,466,011 HRIF Shares; and (ii) there are no outstanding options, convertible securities, warrants, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) issued by HRIF that carry a right to subscribe for or which are convertible or exchangeable into HRIF Shares.

Assuming there is no change to the issued share capital of HRIF and the issued share capital of HRIV from the date of this joint announcement up to the effective date of the Scheme other than the issue of HRIF Shares pursuant to the Scheme, the table below sets out the shareholding structure of HRIF (i) as at the date of this joint announcement; and (ii) immediately upon completion of the Proposal:

HRIF Shareholders	As at the date of this joint announcement		Immediately upon completion of the Proposal (Note 5)	
	Number of HRIF Shares	Approximate %	Number of HRIF Shares	Approximate %
<b>Substantial shareholders</b>				
China Huarong and its controlled corporations (Notes 1 and 3)	1,830,117,664	51.00	4,441,556,104	51.00
Mr. Jia and his controlled corporations (Notes 2 and 3)	775,220,529	21.60	1,771,738,029	20.34
Sub-total of substantial shareholders	<u>2,605,338,193</u>	<u>72.60</u>	<u>6,213,294,133</u>	<u>71.34</u>
Public shareholders (Note 4)	983,127,818	27.40	2,496,291,878	28.66
<b>Total number of HRIF Shares</b>	<b><u>3,588,466,011</u></b>	<b><u>100.00</u></b>	<b><u>8,709,586,011</u></b>	<b><u>100.00</u></b>

Notes:

- 1,830,117,664 HRIF Shares are beneficially owned by Camellia which is wholly owned by CHIH. CHIH is owned as to 84.84% by China Huarong, 1.80% by Huarong Zhiyuan and 13.36% by Huarong Real Estate. Each of Huarong Zhiyuan and Huarong Real Estate is wholly owned by China Huarong.
- China Tian Yuan Finance Group (Holdings) Limited (“**Tian Yuan Group**”) is deemed or taken to be interested in (i) 129,000,000 HRIF Shares held by Hero Link which is held as to 82% by Tian Yuan Int’l and 18% by a subsidiary of HKBridge; and (ii) 646,220,529 HRIF Shares held by Tian Yuan Int’l. Tian Yuan Int’l is a wholly-owned subsidiary of Tian Yuan Group which, in turn is wholly-owned by Mr. Jia.
- 129,000,000 HRIF Shares held by Hero Link and 646,220,529 HRIF Shares held by Tian Yuan Int’l are pledged to Shinning Rhythm respectively. Shinning Rhythm is wholly owned by Huarong Overseas which is in turn wholly owned by Huarong Huaqiao. Huarong Huaqiao is owned as to 91% by Huarong Zhiyuan, which is a wholly owned subsidiary of China Huarong.
- The new HRIF Shares to be issued to Power Tiger (see Note 5 below) will be considered as held in public hands pursuant to Rule 8.24 of the Listing Rules.

5. Based on the exchange ratio of 2.82 HRIF Shares for every Scheme Share cancelled pursuant to the Scheme, assuming no changes to the respective issued share capital of HRIF and HRIV from the date of this joint announcement to the effective date of the Scheme, a total of 5,121,120,000 HRIF Shares will be allotted and issued by HRIF to the Scheme Shareholders, including as to (i) 2,611,438,440 HRIF Shares to Right Select, (ii) 996,517,500 HRIF Shares to Tian Yuan Asset Management, (iii) 237,359,400 HRIF Shares to Power Tiger, and (iv) in aggregate 1,275,804,660 HRIF Shares to the Disinterested Shareholders.
6. The aggregate of the percentage figures in the table above may not add up to the relevant sub-total or total percentage figures shown due to rounding of the percentage figures to two decimal places.

## **6. HRIF INDEPENDENT FINANCIAL ADVISER**

Optima has been appointed by HRIF as its independent financial adviser in relation to the Proposal and the Scheme pursuant to Rule 2.4 of the Takeovers Code.

Optima has also been appointed by HRIF as its independent financial adviser pursuant to Rule 14A.44 of the Listing Rules to advise the HRIF Independent Board Committee and the HRIF Independent Shareholders in respect of the Proposal and the Scheme.

## **7. HRIV INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The HRIV Independent Board Committee, comprising all the independent non-executive directors of HRIV, namely Dr. Lam Lee G., Mr. Chan Kee Huen Michael and Mr. Tse Chi Wai, has been established by HRIV to advise the Disinterested Shareholders (i) as to whether the terms of the Proposal and the Scheme are fair and reasonable and (ii) as to voting.

Ms. Wang Qi, a non-executive director of HRIV, has not been included in the HRIV Independent Board Committee as she holds senior management position in CHIH, an indirect parent company of HRIF and HRIV, and is also a non-executive director of HRIF.

An independent financial adviser will be appointed by HRIV (with the approval of the HRIV Independent Board Committee) pursuant to Rule 2.1 of the Takeovers Code to advise the HRIV Independent Board Committee and the Disinterested Shareholders in respect of the Proposal and the Scheme. A further announcement will be made by HRIV in accordance with the requirements of the Takeovers Code after such appointment has been made.

The Disinterested Shareholders are reminded that they should, before making a decision and casting their vote in the Court Meeting and the extraordinary general meeting of HRIV, carefully read the Scheme Document, including the letter of advice from each of the HRIV Independent Board Committee and from the independent financial adviser to the HRIV Independent Board Committee to be appointed by HRIV, which will be contained in the Scheme Document.

## 8. INFORMATION ON THE HRIV GROUP

HRIV is an exempted company incorporated in the Cayman Islands with limited liability, and its shares are listed on the Main Board of the Stock Exchange (stock code: 2277). The HRIV Group is principally engaged in (i) direct investments in an array of formats including equity, bonds, funds, derivative instruments and other financial products, (ii) mergers and acquisitions and asset restructuring and (iii) provision of financial leasing services, business consulting services and other related services. The ultimate controlling shareholder of HRIV is China Huarong, which is controlled by the Ministry of Finance of the PRC Government.

According to the audited consolidated financial statements of HRIV in its published annual report for the year ended 31 December 2019, the consolidated financial results of the HRIV Group for the two years ended 31 December 2019 are as follows:

	<b>For the year ended 31 December</b>	
	<b>2018</b>	<b>2019</b>
	(audited)	(audited)
Profit/(loss) before tax	HK\$78,735,000	(HK\$1,209,853,000)
Profit/(loss) for the year from continuing operations	HK\$92,606,000	(HK\$1,204,019,000)

The audited consolidated net asset value of HRIV as at 31 December 2019 was approximately HK\$1,282,371,000 according to its latest audited consolidated financial statements in its published annual report for the year ended 31 December 2019.

Further financial information of the HRIV Group will be set out in the Scheme Document to be despatched to the Scheme Shareholders and the HRIF Circular to be despatched to the HRIF Shareholders.

## 9. INFORMATION ON HRIF

HRIF is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 993). HRIF and its subsidiaries are principally engaged in (i) asset management and direct investments in stocks, bonds, funds, derivative instruments and other financial provisions, (ii) the securities business including provision of brokerage services, margin financing and stocks, futures and options trading services, and (iii) the corporate finance business by providing institutional clients with comprehensive securities issuance and underwriting and financing advisory services. The ultimate controlling shareholder of HRIF is China Huarong, which is controlled by the Ministry of Finance of the PRC Government.

## **10. INFORMATION ON RIGHT SELECT**

Based on information available in the public domain and to the best knowledge, information and belief of the directors of HRIV after all reasonable enquiries have been made, (i) Right Select is an investment holding company incorporated in the British Virgin Islands with limited liability and is principally engaged in the financial investment business including fund investment, provision of loans and equity investments; and (ii) the original acquisition cost of the 926,042,000 HRIV Shares held by Right Select was approximately HK\$685,315,020.

## **11. INFORMATION ON TIAN YUAN ASSET MANAGEMENT**

Based on information available in the public domain and to the best knowledge, information and belief of the directors of HRIV after all reasonable enquiries have been made, (i) Tian Yuan Asset Management is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding; and (ii) the original acquisition cost of the 353,375,000 HRIV Shares held by Tian Yuan Asset Management as at the date of this joint announcement was approximately HK\$300,368,750.

## **12. REASONS FOR AND BENEFITS OF THE PROPOSAL**

### **(a) The HRIF Board's view**

The HRIF Board (excluding the members of the HRIF Independent Board Committee whose view will be set out in the HRIF Circular) considers that the terms of the Proposal are fair and reasonable and the implementation of the Proposal is in the interests of HRIF and the HRIF Shareholders as a whole.

### ***For HRIF and the HRIF Shareholders***

HRIF is engaged in securities business, corporate finance and asset management business through (i) Huarong International Securities Limited, being a licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and Type 4 (advising on securities) regulated activities under the SFO, (ii) Huarong International Capital Limited, being a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and (iii) Huarong International Asset Management Limited, being a licensed corporation to conduct Type 9 (asset management) regulated activity under the SFO.

HRIV's principal business are direct investments in stock, bonds, funds, derivatives and other financial products, financial services and others including but not limited to finance leasing and money lending. HRIV provides financial leasing services to industries including logistics, automobile, aviation, solar energy and wind power generation and liquefied natural gas, and provides consulting services on macro-economy, industry analysis, financial product design and other aspects for the above clients.

The Proposal will allow HRIF to achieve economies of scale and cost savings, such as staff costs, which are necessary for sustainable and profitable growth in its licensed businesses including the asset management and direct investment, securities and corporate finance businesses. The combination of HRIF and HRIV will create a unified platform, thereby enabling more efficient and focused use of the network and resources of the Huarong brand under the strong support of China Huarong. HRIV's extensive business network outlined above also provides HRIF with rich client resources, which could effectively strengthen HRIF's businesses.

By joining forces with HRIV, HRIF will be well-positioned to implement its development strategy of "investment + investment banking". For example, HRIV has invested in a number of companies' equity capital and this could bring in potential clients and create opportunities for HRIF's corporate finance business (i.e. investment banking) in a way that HRIV's investment targets who are seeking investment banking services such as initial public offerings or mergers and acquisitions may become HRIF's investment banking's clients. Although 2020 has been a very challenging year for the investment and financial services sector in general, and certain short-term challenges remain, the long-term potential of the investment and financial services market remains significant. The Proposal will best position HRIF to capitalize on this long-term growth opportunity.

As members of the China Huarong Group, both HRIF and HRIV share the same heritage and have been managed in a similar sound and prudent fashion over the years. This cultural and management fit will facilitate the swift and efficient combination of the two businesses and related realization of synergies.

Specifically, the HRIF Board (excluding the independent non-executive directors of HRIF) expects to realize the following key benefits through the combination of HRIF and HRIV into one single investment and investment banking platform:

*Better leverage on the strong support from China Huarong*

- The integration of HRIF and HRIV into a parent and wholly-owned subsidiary relationship as well as the withdrawal of listing of the HRIV Shares on the Stock Exchange would place HRIF and HRIV in a better position to exploit the potential business opportunities that are currently restricted by or subject to the mutual non-competitive undertakings and the connected transactions relationships established at the time of HRIV's listing.
- Following the implementation of the Proposal and the Scheme, HRIF will become the only Hong Kong listed entity in addition to China Huarong within the China Huarong Group, and will be able to better leverage on the strong support from China Huarong in terms of brand strength, industry experience and service network, with China Huarong being one of the four state-owned asset management companies in the PRC and being ranked 83rd in the 2019 list of top 500 Chinese companies by Fortune. The integration of HRIF and HRIV into one single platform is most likely to result in increased focus and support by their joint parent China Huarong, whereas previously China Huarong has had to direct its focus, policies and resources on the growth of two separate companies with similar business plans. The simplification of the group structure would also create greater flexibility to manage HRIF's and HRIV's businesses and increase efficiency in decision-making and decision implementation. With China Huarong being able to plan and implement business development strategies and measures in a unified manner, internal friction and waste of resources can be minimized, and hence efficiency, brand influence and market competitiveness can be greatly enhanced.

*Enhanced scale and focus through the combination of complementary businesses*

- Following the implementation of the Proposal and the Scheme, HRIF and HRIV will consolidate functions which overlap with each other. By consolidating functions which are common to both, they will create an industry player of scale with the diversity required to increase their overall market share in a sustainable and economically beneficial fashion. Via combining the respective brands, services, markets and customer bases of both HRIF and HRIV, the post-combination business will have greater flexibility in focusing on higher quality, more profitable business going forward. Such a strategy will enhance HRIF's overall competitiveness in the market, and will advance the respective businesses of HRIF and HRIV to a much greater extent than what they would have achieved separately by themselves.

- By consolidating functions which are common to both, HRIF and HRIV will be able to place more focus on their respective specialties which are unique to their own respective business plans and management teams. Following the implementation of the Proposal, HRIF will focus on, and develop, its licensed businesses as the only fully-licensed listed entity under the “investment + investment bank” business model. By retaining and differentiating themselves in their unique areas of specialty, such a strategy will result in greater efficiencies and a more optimal business structure, which will in turn accelerate the realization of economies of scale.

*Potential for significant cost savings*

- There will be cost savings achievable through the elimination of certain overlapped corporate functions, particularly in the areas of the rationalization of existing office space and other corporate overheads.
- Cost savings are also expected as a result of the centralization of key operational functions of both companies, such as investment evaluation and monitoring, IT systems, back office administration and customer service functions. This initiative will help facilitate the centralization of key operational functions and management of both companies.
- The larger combined investment assets of HRIF and HRIV are expected to provide economies of scale in the investment operations, which should result in more efficient costs levels and related enhancements in yield and return.
- The listing of HRIV Shares requires HRIV to bear administrative, compliance and other listing-related costs and expenses. If these costs and expenses are eliminated, the funds saved could be used for business operations.

*Potential to drive additional revenue across platforms*

- Cross-selling of specialties of HRIF and HRIV between the existing customers of HRIF and HRIV is expected to yield additional revenues, with customers being provided with a more complete range of service choices. For example, HRIF’s asset management service could complement HRIV’s asset restructuring service, while HRIF’s financing advisory service could also complement the mergers and acquisitions service of HRIV. The competitiveness of HRIF and HRIV in attracting new customers will also be improved with the enhanced service portfolio.

- HRIF and HRIV will be able to access, tap into and benefit from each other's marketing channels and relationships developed with customers and other external parties. Through better co-ordination of their respective marketing and business development strategies, HRIF and HRIV are expected to optimize efficiency and profitability across their various networks.
- The expanded existing customer bases of both HRIF and HRIV will directly and immediately increase the scale of the combined customer services platform. The combined customer services system will be significantly enhanced and optimized through the complementary advantages of their respective existing systems.

*Increased capital management efficiency*

- The combined company will benefit from increased capital management efficiency due to the pooling of capital resources and better allocation of capital amongst its various business lines. In particular, HRIF's management will be able to take advantage of the broader platform which will afford them greater flexibility to deploy capital in a manner which maximizes the return on capital for HRIF.

*Greater capital markets presence*

- HRIF's market capitalization is expected to increase and the shareholding base of HRIF will be broadened as a result of the issuance of new HRIF Shares, representing an increase of 142.71% of its current shares outstanding. Accordingly, HRIF's position as a major listed company on the Stock Exchange is expected to be further enhanced. The increased size and free float could also potentially improve the liquidity in HRIF Shares, increase the attractiveness of HRIF to institutional investors and increase its access to the capital markets. In return, HRIF would be able to utilize the combined liquidity resources of the enlarged group more effectively for the benefit of all shareholders of HRIF.

***For the Scheme Shareholders***

*The current function of HRIV as a listed platform for financing is restricted*

- The uncertainties over HRIV's development brought about by the slowdown of global economic growth and trade tensions risks have resulted in the under-performance of the share price of HRIV. The ability of HRIV to raise funds from the capital markets has come under a certain degree of restriction, making it more difficult to make use of equity financing to provide sources of available funds to finance its business development, and to support its development strategies.

*The Proposal will provide the HRIV Shareholders with an opportunity to exchange for HRIF Shares and to gain exposure to the broadened business scope*

- In the past year, the liquidity of the HRIV Shares has been at a low level. The average daily trading volume of the HRIV Shares on the Stock Exchange for the 12 months up to and including the Last Trading Day was approximately 110,726 HRIV Shares per trading day, representing only approximately 0.006% of the Scheme Shares as at the date of this joint announcement. The low trading liquidity of the HRIV Shares makes it difficult for HRIV Shareholders to execute substantial on-market disposals without adversely affecting the price of the HRIV Shares and to dispose of a large number of HRIV Shares when any event that may have an adverse impact on HRIV's share price occurs. In comparison, over the same 12-month period, the average daily trading volume of the HRIF Shares was approximately 1,149,539 HRIF Shares per trading day, representing approximately 0.032% of the HRIF Shares as at the date of this joint announcement.
- The Proposal provides an opportunity for the Scheme Shareholders to realize their investments in HRIV by disposing of their relatively illiquid HRIV Shares in exchange for participation in the ownership of HRIF at a considerable premium to the traded market price of HRIV Shares, with HRIF Shares also historically enjoying a higher trading liquidity as referred to above and HRIF being well positioned for future growth for the reasons outlined above, as well as to gain exposure to the entire diversified business portfolio of HRIF as set out above, while retaining their exposure to the direct investments and financial services businesses of HRIV which will be wholly owned by HRIF following implementation of the Proposal.
- Since HRIF's ultimate holding company China Huarong already controls approximately 50.99% of the issued share capital of HRIV as at the date of this joint announcement, HRIF believes that it is unlikely that the Scheme Shareholders will receive any other general offer from a third party to acquire the Scheme Shares unless such offer is agreed to by the China Huarong Group.

**(b) The advice of the independent financial adviser to HRIF**

With reference to Note 1 to Rule 2.4 of the Takeovers Code, Optima, the independent financial adviser appointed by HRIF, has advised the HRIF Board that, having taken into account that:

- (i) the premium represented by the exchange ratio (details of which are set out in the section headed “2. Terms of the Proposal” in this joint announcement) is within the range of premiums paid in other privatization transactions in Hong Kong in recent years;
- (ii) the consideration payable by HRIF for the Proposal will be satisfied by the issuance of new HRIF Shares without depleting the cash reserves of HRIF;
- (iii) the integration of HRIF and HRIV into one single platform is expected to achieve economies of scale and bring about synergies through, among others, enhancement of financial services coverage, elimination of competition between HRIF and HRIV, cost savings by the centralization and sharing of corporate and operational functions as well as cross-selling between respective customer base; and
- (iv) the costs of implementation of the Proposal (including the privatisation premium to be paid by HRIF and the dilution impact on net asset value and shareholdings of HRIF) could be justified by the aforesaid expected benefits for HRIF in the long run,

it considers that the Proposal is in the interests of the HRIF Shareholders. A copy of the full advice on the Proposal from Optima will be included in the HRIF Circular.

**13. WITHDRAWAL OF LISTING OF HRIV SHARES**

Upon the Scheme becoming effective, all Scheme Shares will be cancelled and the share certificates for the Scheme Shares will thereafter cease to have effect as documents or evidence of title. HRIV will apply to the Stock Exchange for withdrawal of the listing of the HRIV Shares on the Stock Exchange in accordance with Rule 6.15 of the Listing Rules immediately following the Scheme becoming effective. The Scheme Shareholders will be notified by way of an announcement of the exact date of the last day for dealing in the HRIV Shares on the Stock Exchange and the day on which the Scheme and the withdrawal of the listing of the HRIV Shares on the Stock Exchange will be effective. A detailed timetable of the Scheme will be included in the Scheme Document, which will also contain, inter alia, further details of the Scheme.

#### **14. IF THE SCHEME IS NOT APPROVED OR THE PROPOSAL LAPSES**

The Proposal will lapse if any of the Conditions has not been fulfilled or waived, as applicable, on or before the Long Stop Date. If the Scheme is not approved or the Proposal otherwise lapses, the listing of HRIV Shares on the Stock Exchange will not be withdrawn. If the Scheme is not approved or the Proposal otherwise lapses, there are restrictions under Rule 31 of the Takeovers Code on making subsequent offers, to the effect that neither HRIF nor any person who acted in concert with it in the course of the Proposal nor any person who is subsequently acting in concert with any of them may, within 12 months from the date on which the Scheme is not approved or the Proposal otherwise lapses, announce an offer or possible offer for HRIV, except with the consent of the Executive.

#### **15. OVERSEAS SCHEME SHAREHOLDERS**

The making and implementation of the Proposal to Scheme Shareholders who are not resident in Hong Kong may be subject to the laws of the relevant jurisdictions in which such Scheme Shareholders are located. Such Scheme Shareholders should inform themselves about and observe any applicable legal, tax or regulatory requirements. It is the responsibility of any overseas Scheme Shareholders wishing to take any action in relation to the Proposal to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction. Any acceptance by the Scheme Shareholders will be deemed to constitute a representation and warranty from such persons to HRIF and HRIV and their respective advisers, including without limitation, Huatai Financial, that those laws and regulatory requirements have been complied with.

In the event that the receipt of the Scheme Document by overseas Scheme Shareholders is prohibited by any applicable laws and regulations or may only be effected upon compliance with conditions or requirements that the HRIV Board regards as unduly onerous or burdensome or otherwise not in the best interests of HRIV and its shareholders, the Scheme Document, subject to the Executive's consent and directions of the Court, will not be despatched to such overseas Scheme Shareholders. For that purpose, HRIV will apply for any waivers required by the Executive pursuant to Note 3 to Rule 8 of the Takeovers Code at such time.

Scheme Shareholders are recommended to consult their own professional advisers if they are in any doubt as to their position or the implications of accepting the Proposal. It is emphasized that none of HRIF, HRIV, Huatai Financial and any of their respective directors, officers or associates or any other person involved in the Proposal accepts responsibility (other than in respect of themselves, if applicable) for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Proposal.

## **16. SCHEME SHARES, MEETING OF SCHEME SHAREHOLDERS AND EXTRAORDINARY GENERAL MEETING OF HRIV**

All Scheme Shareholders will be entitled to attend and vote on the Scheme in the Court Meeting, but only the votes of the Disinterested Shareholders will be taken into account in determining if the Condition in paragraph (b) under the section headed “3. Conditions of the Proposal and the Scheme” is satisfied. In particular, although the votes of HRIF and the HRIF Concert Parties who hold HRIV Shares will be taken into account for the purpose of the Condition in paragraph (a) under the section headed “3. Conditions of the Proposal and the Scheme”, their votes will not be taken into account in determining if the Condition in paragraph (b) under the section headed “3. Conditions of the Proposal and the Scheme”, which is required under Rule 2.10 of the Takeovers Code, is satisfied.

All HRIV Shareholders will be entitled to attend the extraordinary general meeting of HRIV to be held after the Scheme is approved by the Scheme Shareholders at the Court Meeting, and vote on the special resolution to approve and give effect to (i) the reduction of the issued share capital of HRIV by cancelling and extinguishing the Scheme Shares; (ii) the increase of the issued share capital of HRIV immediately thereafter to the amount prior to the cancellation of the Scheme Shares by issuing to HRIF or its wholly owned subsidiary (as the case may be) such number of new HRIV Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme; and (iii) the application of the credit arising in HRIV’s books of accounts as a result of the Scheme to pay up in full at par value such number of new HRIV Shares, credited as fully paid, for issuance to HRIF or its wholly owned subsidiary (as the case may be). China Huarong has indicated that if the Scheme is approved at the Court Meeting and absent any restriction under the Listing Rules, those HRIV Shares held by the subsidiaries of China Huarong will be voted in favour of the resolutions to be proposed at the extraordinary general meeting of HRIV.

## **17. COSTS OF THE SCHEME**

If the HRIV Independent Board Committee or the independent financial adviser to the HRIV Independent Board Committee does not recommend the Proposal or the Scheme, and the Scheme is not approved, all expenses incurred by HRIV in connection therewith will be borne by HRIF in accordance with Rule 2.3 of the Takeovers Code.

## 18. GENERAL

Save as disclosed below in this section, as at the date of this joint announcement:

- (a) HRIF and the HRIF Concert Parties do not, apart from the 926,042,000 HRIV Shares held by Right Select, the 353,375,000 HRIV Shares held by Tian Yuan Asset Management, and the 84,170,000 HRIV Shares held by Power Tiger, own or have control or direction over any HRIV Shares or any convertible securities, warrants or options the exercise of which will result in the holding of HRIV Shares;
- (b) HRIF and the HRIF Concert Parties have not received any irrevocable commitment to accept the offer to cancel the Scheme Shares or to vote for or against the Scheme;
- (c) HRIF and the HRIF Concert Parties have not entered into any derivatives in respect of the securities of HRIV;
- (d) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the HRIV Shares or the HRIF Shares between HRIF or any of the HRIF Concert Parties and any other person which might be material to the Proposal;
- (e) there are no agreements or arrangements to which HRIF is a party which relate to the circumstances in which HRIF may or may not invoke or seek to invoke a condition to the Proposal; and
- (f) HRIF and the HRIF Concert Parties have not borrowed or lent any HRIF Shares or any other relevant securities of HRIV (as defined in Note 4 to Rule 22 of the Takeovers Code).

HRIF has appointed Huatai Financial as its financial adviser in connection with the Proposal. By reason of being the financial adviser to HRIF in relation to the Proposal, Huatai Financial is presumed to be acting in concert with HRIF in relation to the Proposal under class (5) of the definition of “acting in concert” under the Takeovers Code. Details of the holdings, borrowings or lendings of, and dealings in, HRIV Shares and/or HRIF Shares or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of HRIV and/or HRIF held by or entered into by other members of the Huatai Financial Group, if any, will be obtained as soon as possible after this joint announcement has been made, and if necessary, a further announcement will be made, in accordance with Note 1 to Rule 3.5 of the Takeovers Code. The statements in this joint announcement as to the holdings, borrowings or lendings of, or dealings in, the relevant securities of HRIV and/or HRIF by HRIF Concert Parties are subject to the holdings, borrowings, lendings or dealings (if any) of the members (other than Huatai Financial) of the Huatai Financial Group.

Subject to the dealings (if any) of any member (other than Huatai Financial) of the Huatai Financial Group, neither HRIF nor any HRIF Concert Parties (including Huatai Financial) has dealt for value in any HRIV Shares, any HRIF Shares, or any options, convertible securities, warrants, options or derivatives in respect of the securities of HRIV or HRIF, in the six-month period prior to the date of this joint announcement. The details of any dealings in the relevant securities of HRIV and/or HRIF for value during the said six-month period by any member (other than Huatai Financial) of the Huatai Financial Group which are required to be disclosed in the Scheme Document pursuant to the Takeovers Code, will be disclosed in the Scheme Document in accordance with the requirements of the Takeovers Code.

As at the date of this joint announcement, there is no understanding, arrangement or agreement of special deal (under Rule 25 of the Takeovers Code) between (1) any HRIV Shareholder (on the other hand); and (2) (a) HRIF or any of the HRIF Concert Parties; or (b) HRIV or any of its subsidiaries or associated companies (on the other hand).

Save for the new HRIF Shares to be allotted and issued to the Scheme Shareholders pursuant to the Scheme, there is no other consideration, compensation or benefits in whatever form provided or to be provided by HRIF or any of the HRIF Concert Parties to the Scheme Shareholders or any party acting in concert with any of them in relation to the Scheme Shares.

## **19. DESPATCH OF SCHEME DOCUMENT**

The Scheme Document containing, among other things, (i) further details of the Proposal and the Scheme, (ii) the expected timetable, (iii) an explanatory statement as required under the Companies Law and the Rules of the Court, (iv) information regarding the HRIF Group and the HRIV Group, (v) recommendations from the HRIV Independent Board Committee with respect to the Proposal and the Scheme, (vi) the letter of advice from the independent financial adviser to the HRIV Independent Board Committee and the Disinterested Shareholders, and (vii) the notices of the Court Meeting and an extraordinary general meeting of HRIV, together with the relevant forms of proxy in relation thereto, will be despatched to the Scheme Shareholders as soon as practicable and in compliance with the requirements of the Takeovers Code, the Companies Law, the Court and other applicable regulations.

The Scheme Document will contain important information and the Scheme Shareholders are urged to carefully read the Scheme Document containing such disclosures before casting any vote at (or providing any proxy in respect of) the Court Meeting or the extraordinary general meeting of HRIV mentioned above (as the case may be). Any acceptance or other response to the Proposal should be made only on the basis of information in the Scheme Document or any other document by which the Proposal is made.

## 20. LISTING RULES IMPLICATIONS FOR HRIF

The HRIF Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares will be allotted and issued pursuant to the specific mandate to be sought from the HRIF Independent Shareholders at a special general meeting of HRIF.

As the highest of the applicable percentage ratios (as defined in the Listing Rules) for the Proposal and the Scheme exceeds 100%, the Proposal and the Scheme constitute a very substantial acquisition for HRIF which is subject to the announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to the Proposal and the Scheme, HRIF will make a conditional share exchange offer for cancellation of all the Scheme Shares held by, and issue new HRIF Shares to the Scheme Shareholders, including Right Select and Tian Yuan Asset Management. China Huarong is a connected person of HRIF by virtue of being its indirect substantial shareholder, and Right Select is an associate (as defined under the Listing Rules) of China Huarong by virtue of being ultimately wholly-owned by China Huarong and therefore Right Select is a connected person of HRIF. In addition, Mr. Jia is a connected person of HRIF by virtue of being its indirect substantial shareholder, and Tian Yuan Asset Management is an associate (as defined under the Listing Rules) of Mr. Jia by virtue of being indirectly 99.88% owned by him and therefore Tian Yuan Asset Management is a connected person of HRIF. As such, the Proposal and the Scheme (including the cancellation of relevant Scheme Shares held by Right Select and Tian Yuan Asset Management and the issue of new HRIF Shares to each of them thereunder) also constitute a connected transaction for HRIF which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The HRIF Independent Board Committee, comprising all the independent non-executive directors of HRIF, namely Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei, has been established by HRIF to advise the HRIF Independent Shareholders (i) as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable and (ii) as to voting.

HRIF will convene a special general meeting for the purpose of considering and, if thought fit, approving, among other things, the Proposal and the Scheme, including the allotment and issuance of HRIF Shares as consideration for the cancellation and extinguishment of the Scheme Shares under specific mandate. The HRIF Circular containing, among other things, details of the Proposal and the Scheme, further information on the HRIV Group, a letter from the HRIF Independent Board Committee providing recommendation to the HRIF Independent Shareholders in respect of the Proposal and the Scheme, a letter from Optima, the independent financial adviser to HRIF, to advise the HRIF Independent Board Committee and the HRIF Independent Shareholders in respect of the Proposal and the Scheme, a notice convening the special general meeting of HRIF and other information as required under the Listing Rules, will be despatched to the HRIF Shareholders as soon as practicable in accordance with the Listing Rules. As additional time is required to prepare the information to be included in the HRIF Circular, the despatch date of the HRIF Circular is currently expected to be on or before 31 August 2020.

Mr. Yu Meng is an executive director of CHIH (an indirect parent company of HRIF and HRIV), an executive director and the chairman of HRIF and is also an executive director and the chairman of HRIV. Mr. Wang Junlai is an executive director of CHIH and is also an executive director of HRIF. Ms. Wang Qi is a non-executive director of each of HRIF and HRIV. By virtue of their overlapping executive roles in CHIH, HRIF and/or HRIV (as the case may be), each of Mr. Yu Meng, Mr. Wang Junlai and Ms. Wang Qi is deemed to have material interest in the Proposal and the Scheme and has abstained from voting on the relevant resolutions of the HRIF Board for approving the Proposal and the Scheme. Save for Mr. Yu Meng, Mr. Wang Junlai and Ms. Wang Qi, none of the other directors of HRIF has a material interest in the Proposal and the Scheme, and therefore none of the other directors of HRIF has abstained from voting on the relevant resolutions of the HRIF Board.

Camellia is holding 1,830,117,664 HRIF Shares, representing approximately 51% of issued share capital of HRIF, as at the date of this joint announcement. As Camellia, Right Select, HRIF and HRIV are fellow subsidiaries of each other by virtue of each being an indirect subsidiary of China Huarong, Camellia is deemed to have material interest in the Proposal and the Scheme and shall abstain from voting on the relevant resolution(s) to be proposed at the special general meeting of HRIF for approving the Proposal and the Scheme.

Hero Link and Tian Yuan Int'l are holding 129,000,000 HRIF Shares and 646,220,529 HRIF Shares, representing approximately 3.59% and 18.01% of the issued share capital of HRIF, respectively, as at the date of this joint announcement. As Mr. Jia indirectly controls the majority shareholding in all of Hero Link, Tian Yuan Int'l and Tian Yuan Asset Management, each of Hero Link and Tian Yuan Int'l is also deemed to have material interest in the Proposal and the Scheme and shall abstain from voting on the relevant resolution(s) to be proposed at the special general meeting of HRIF for approving the Proposal and the Scheme.

To the best knowledge, information and belief of the directors of HRIF after all reasonable enquiries have been made, save for Camellia, Tian Yuan Int'l and Hero Link, (i) no HRIF Shareholders or any of their respective associates (as defined in the Listing Rules) has any material interest in the Proposal and the Scheme; and (ii) no HRIF Shareholders would be required to abstain from voting on the resolution(s) to be proposed at the special general meeting of HRIF for approving the Proposal and the Scheme.

## **21. ARRANGEMENTS RELATING TO SALE OF ODD LOTS OF HRIF SHARES**

In order to assist Scheme Shareholders to sell their odd lots of the HRIF Shares received under the Scheme if they so wish, designated broker(s) (the “**Odd Lot Traders**”) will be appointed to provide, on a best efforts basis, a service to match the sale and purchase of odd lots of the HRIF Shares (the “**Matching Service**”) during the period of 60 days commencing from (and including) the effective date of the Scheme (the “**Matching Period**”).

In the event of successful matching, no brokerage will be charged by the Odd Lot Traders for the odd lots of the HRIF Shares sold. HRIF has agreed to absorb this cost as part of the appointment of the Odd Lot Traders. The opening of trading accounts with the Odd Lot Traders for the purpose of the Matching Service is subject to satisfactory completion of requisite account opening procedures.

Scheme Shareholders who have brokerage accounts and who wish to sell their odd lots of the HRIF Shares received under the Scheme may also approach and inform their brokers that the Odd Lot Traders will, on a best efforts basis during the Matching Period, provide liquidity for odd lots of the HRIF Shares. Scheme Shareholders selling odd lots of the HRIF Shares through their brokers to the Odd Lot Traders will be responsible for all fees (if any) payable to their brokers, but no additional brokerage will be payable by them to the Odd Lot Traders.

Scheme Shareholders should note that the successful matching of odd lots of the HRIF Shares and the provision of liquidity referred to above is not guaranteed. Scheme Shareholders are advised to consult their own professional advisers if they are in doubt about any of these arrangements.

## 22. DISCLOSURE OF DEALINGS

In accordance with Rule 3.8 of the Takeovers Code, associates of HRIF and HRIV, including persons who own or control 5% or more of any class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of either of HRIF and HRIV, are hereby reminded to disclose their dealings in the relevant securities of HRIF and HRIV pursuant to the Takeovers Code.

For this purpose, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below pursuant to Rule 3.8 of the Takeovers Code:

### *“Responsibilities of stockbrokers, banks and other intermediaries*

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates of an offeror or the offeree company and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

## 23. RESUMPTION OF TRADING

At the request of HRIV, trading in HRIV Shares on the Stock Exchange was halted with effect from 9:49 a.m. on 30 June 2020 pending the publication of this joint announcement. Application has been made by HRIV to the Stock Exchange for the resumption of trading in the HRIV Shares on the Stock Exchange with effect from 9:00 a.m. on 6 July 2020.

At the request of HRIF, trading in HRIF Shares on the Stock Exchange was halted with effect from 9:49 a.m. on 30 June 2020 pending the publication of this joint announcement. Application has been made by HRIF to the Stock Exchange for the resumption of trading in the HRIF Shares on the Stock Exchange with effect from 9:00 a.m. on 6 July 2020.

## **24. PRECAUTIONARY LANGUAGE REGARDING FORWARD-LOOKING STATEMENTS**

This joint announcement includes certain “forward-looking statements”. These statements are based on the current expectations of the management of HRIF and/or HRIV (as the case may be) and are naturally subject to uncertainty and changes in circumstances. The forward-looking statements contained in this joint announcement include statements about the expected effects of the Proposal on HRIF and/or HRIV, the expected timing and scope of the Proposal, and all other statements in this joint announcement other than historical facts.

Forward-looking statements include, without limitation, statements typically containing words such as “may”, “could”, “will”, “expect”, “intend”, “anticipate”, “seek”, “continue”, “target”, “estimate”, “envisage” and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, the satisfaction of the conditions to the Proposal, as well as additional factors, such as general, social, economic and political conditions in the countries in which the HRIF Group and/or the HRIV Group operate or other countries which have an impact on the HRIF Group and/or the HRIV Group’s business activities or investments, interest rates, the monetary and interest rate policies of the countries in which the HRIF Group and/or HRIV Group operate, inflation or deflation, foreign exchange rates, the performance of the financial markets in the countries in which the HRIF Group and/or the HRIV Group operate and globally, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environments in the countries in which the HRIF Group and/or the HRIV Group operate and regional or general changes in asset valuations. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements.

Any forward-looking statement contained in this joint announcement based on past or current trends and/or activities of the HRIF Group and the HRIV Group respectively should not be taken as a representation that such trends or activities will continue in the future. No statement in this joint announcement is intended to be a profit forecast or to imply that the earnings of HRIF or HRIV for the current year or future years will necessarily match or exceed the historical or published earnings of HRIF or HRIV.

All written and oral forward-looking statements attributable to HRIF, HRIV or persons acting on behalf of any of them are expressly qualified in their entirety by the cautionary statements above. The forward-looking statements included herein are made only as of the date of this joint announcement. Subject to the applicable requirements under the Takeovers Code, each of HRIF and HRIV expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the expectations of each of HRIF and HRIV with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

## 25. NOTICE TO UNITED STATES SECURITY HOLDERS

The Proposal is being made to cancel shares of a Cayman Islands company in exchange for shares of a Bermuda company by means of a scheme of arrangement provided for under Cayman law. The scheme of arrangement must be approved by the requisite majority of shareholders and sanctioned by the Cayman court. The shares of both the Cayman Islands company and the Bermuda company are listed on the Stock Exchange and are not listed on a United States national securities exchange or registered under the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). A transaction effected by means of such a scheme of arrangement is not subject to either the tender offer rules under the Exchange Act or the proxy solicitation rules under the Exchange Act. Accordingly, the Proposal is subject to the solicitation and disclosure requirements and practices applicable in the Cayman Islands, Bermuda and/or Hong Kong to such schemes of arrangement which differ from the solicitation and disclosure requirements and practices of the United States under the Exchange Act for tender offers and proxy solicitation.

It may be difficult for United States holders of Scheme Shares to enforce their rights and claims arising out of the United States federal or state securities laws, since HRIF and HRIV are each organized and located in a country other than the United States, some or all of their respective officers and directors may be residents of a country other than the United States, and some or all of their respective assets may be located outside the United States. United States holders of Scheme Shares may not be able to sue a non-United States company or its officers or directors in a non-United States court for violations of United States federal or state securities laws. Further, it may be difficult to compel a non-United States company and its affiliates to subject themselves to a United States court’s judgment.

Any financial information included in this joint announcement has been prepared in accordance with Hong Kong Financial Reporting Standards and thus may not be comparable to financial information of United States companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The receipt of HRIF Shares pursuant to the Proposal by a United States holder of Scheme Shares as consideration for the cancellation of its Scheme Shares pursuant to the Scheme may be a taxable transaction for United States federal income tax purposes and under applicable United States state and local, as well as foreign and other tax laws. Each holder of Scheme Shares is urged to consult his independent professional advisers immediately regarding the tax consequences of the Proposal applicable to him.

The scheme of arrangement has not been approved or disapproved by the United States Securities and Exchange Commission or the securities regulatory authority of any state of the United States, nor has the United States Securities and Exchange Commission or any such state regulatory authority passed on the adequacy or accuracy of this joint announcement. Any representation to the contrary is a criminal offence in the United States.

## 26. DEFINITIONS

In this joint announcement, the following expressions have the meaning set out below unless the context requires otherwise:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code, and “concert party(ies)” shall be construed accordingly
“Approvals”	authorizations, registrations, filings, rulings, consents, opinions, permissions and approvals
“associate(s)”	has the meaning ascribed to it under the Takeovers Code
“associated company(ies)”	has the meaning ascribed to it under the Takeovers Code
“Authority(ies)”	government, quasi-governmental and/or governmental body(ies), statutory or regulatory body(ies), court(s), or designated authorized body(ies) or agency(ies) of any of the foregoing
“Camellia”	Camellia Pacific Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which holds approximately 51% of the issued share capital of HRIF as at the date of this joint announcement
“CHIH”	China Huarong International Holdings Limited (中國華融國際控股有限公司), a company incorporated in Hong Kong with limited liability, which is an indirect parent company of HRIF and HRIV and a subsidiary of China Huarong

“China Huarong”	China Huarong Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC whose issued H shares are listed on the Main Board of the Stock Exchange (stock code: 2799)
“China Huarong Group”	China Huarong and its subsidiaries
“Companies Law”	the Companies Law (2020 Revision) of the Cayman Islands, as consolidated and revised from time to time
“Conditions”	the conditions to the implementation of the Proposal and the Scheme becoming effective, as set out in the section headed “3. Conditions of the Proposal and the Scheme” of this joint announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Court”	the Grand Court of the Cayman Islands
“Court Meeting”	a meeting of the Scheme Shareholders to be convened at the direction of the Court at which the Scheme will be voted upon
“Disinterested Shareholders”	all of the Scheme Shareholders, excluding HRIF and the HRIF Concert Parties
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Hero Link”	Hero Link Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which holds approximately 3.59% of the issued share capital of HRIF as at the date of this joint announcement
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKBridge”	HKBridge Financial Holdings Limited (港橋金融控股有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2323)
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“HRIF”	Huarong International Financial Holdings Limited (華融國際金融控股有限公司), a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (stock code: 993)
“HRIF Board”	the board of directors of HRIF
“HRIF Circular”	the circular of HRIF to be issued to all HRIF Shareholders in connection with the Proposal and the Scheme pursuant to the applicable requirements under the Listing Rules
“HRIF Concert Party(ies)”	any party(ies) acting in concert, deemed acting in concert or presumed to be acting in concert with HRIF under the definition of “acting in concert” under the Takeovers Code including, without limitation, China Huarong, its subsidiaries and its associated companies, Mr. Jia and companies controlled by him, and HKBridge and its subsidiaries (including Power Tiger)
“HRIF Group”	HRIF and its subsidiaries
“HRIF Independent Board Committee”	the independent board committee of HRIF established by HRIF to make a recommendation to the HRIF Independent Shareholders in respect of, among others, the Proposal and the Scheme
“HRIF Independent Shareholders”	all HRIF Shareholders other than the HRIF Shareholders with a material interest in the Proposal and the Scheme
“HRIF Shareholders”	registered holders of HRIF Shares
“HRIF Shares”	ordinary shares with a par value of HK\$0.001 each in the share capital of HRIF
“HRIV”	Huarong Investment Stock Corporation Limited (華融投資股份有限公司), an exempted 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)
“HRIV Board”	the board of directors of HRIV

“HRIV Group”	HRIV and its subsidiaries
“HRIV Independent Board Committee”	the independent board committee of HRIV established by the HRIV Board to make a recommendation to the Disinterested Shareholders in respect of, among others, the Proposal and the Scheme
“HRIV Shareholders”	registered holders of HRIV Shares
“HRIV Shares”	ordinary shares with a par value of HK\$0.01 each in the share capital of HRIV
“Huatai Financial”	Huatai Financial Holdings (Hong Kong) Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
“Huatai Financial Group”	Huatai Financial and/or other entities controlling, controlled by or under the same control as Huatai Financial
“Last Trading Day”	29 June 2020, being the last full trading day for the HRIV Shares and HRIF Shares immediately prior to their respective suspension in trading on the Stock Exchange pending the publication of this joint announcement
“Listing Rules”	the Rules Governing the Listing of Securities on Stock Exchange
“Long Stop Date”	31 December 2020 or such later date as HRIF and HRIV may agree or, to the extent applicable, as the Executive may consent to and the Court may direct
“Mr. Jia”	Mr. Jia Tianjiang, an indirect substantial shareholder of HRIF (controlling approximately 21.60% of the issued share capital of HRIF through Tian Yuan Int’l and Hero Link) and HRIV (controlling approximately 19.46% of the issued share capital of HRIV through Tian Yuan Asset Management) as at the date of this joint announcement

“Optima”	Optima Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
“Power Tiger”	Power Tiger Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which holds approximately 4.63% of the issued share capital of HRIV as at the date of this joint announcement
“PRC”	the People’s Republic of China, which for the purpose of this joint announcement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposal”	the proposed privatization of HRIV by HRIF by way of the Scheme involving the cancellation of the Scheme Shares, the restoration of the share capital of HRIV to the amount immediately before the cancellation of the Scheme Shares by means of the issuance of new HRIV Shares to HRIF or its wholly owned subsidiary (as the case may be), and the delisting of HRIV Shares from the Stock Exchange, on the terms and subject to the conditions set out in this joint announcement
“relevant securities”	has the meaning ascribed to it under the Takeovers Code
“Right Select”	Right Select International Limited (佳擇國際有限公司), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of China Huarong
“Scheme”	the scheme of arrangement under section 86 of the Companies Law involving, among other, the cancellation of all the Scheme Shares
“Scheme Document”	the scheme document to be despatched to all Scheme Shareholders in connection with the Scheme and containing, inter alia, further details of the Proposal
“Scheme Record Date”	the record date to be announced for determining entitlements under the Scheme

“Scheme Share(s)”	all HRIV Shares including those held by HRIF and the HRIF Concert Parties
“Scheme Shareholder(s)”	holder(s) of Scheme Share(s) as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Tian Yuan Asset Management”	China Tian Yuan Asset Management Limited (中國天元資產管理有限公司), a company incorporated in Hong Kong with limited liability, which holds approximately 19.46% of the issued share capital of HRIV as at the date of this joint announcement
“Tian Yuan Int'l”	China Tian Yuan International Finance Limited (中國天元國際金融有限公司), a company incorporated in Hong Kong with limited liability, which holds approximately 18.01% of the issued share capital of HRIF as at the date of this joint announcement
“trading day”	a day on which the Stock Exchange is open for the business of dealings in securities
“United States”	the United States of America
“%”	per cent.

By order of the board of directors of  
**Huarong International Financial  
Holdings Limited**  
**Yu Meng**  
*Chairman*

By order of the board of directors of  
**Huarong Investment Stock  
Corporation Limited**  
**Yu Meng**  
*Chairman*

Hong Kong, 6 July 2020

*As at the date of this joint announcement, the board of directors of HRIV comprises Mr. Yu Meng, Mr. Xu Xiaowu and Mr. Chen Qinghua as executive directors, Ms. Wang Qi as non-executive director, and Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G. as independent non-executive directors.*

*The directors of HRIV jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the HRIF Group and the HRIF Concert Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of HRIF) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statements in this joint announcement misleading.*

*As at the date of this joint announcement, the board of directors of HRIF comprises Mr. Yu Meng and Mr. Wang Junlai as executive directors, Ms. Wang Qi as non-executive Director, and Mr. Hung Ka Hai Clement, Mr. Ma Lishan and Mr. Guan Huanfei as independent non-executive directors.*

*The directors of the HRIF jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the HRIV Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement (other than those expressed by the directors of HRIV) have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement the omission of which would make any statements in this joint announcement misleading.*

*In the event of any inconsistency, the English text of this joint announcement shall prevail over the Chinese text.*