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華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2277)

INSIDE INFORMATION SUBSTANTIAL DECREASE IN LOSS

This announcement is made by Huarong Investment Stock Corporation Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**Inside Information Provisions**”).

Reference is made to the joint announcement (the “**Joint Announcement**”) of the Company and Huarong International Financial Holdings Limited (“**HRIF**”) dated 6 July 2020 in relation to, inter alia, the proposed privatization of the Company by HRIF by way of a scheme of arrangement under Section 86 of the Companies Law of the Cayman Islands (the “**Proposed Privatization**”).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders (the “**Shareholders**”) of the Company and potential investors that, based on a preliminary assessment of the Group’s unaudited consolidated management accounts for the six months ended 30 June 2020 (the “**Relevant Period**”) and all information currently available to the Board, the Group is expected to record a net loss of not more than HK\$5 million for the Relevant Period, representing a substantial decrease in loss as compared with the loss of approximately HK\$316 million for the six months ended 30 June 2019 (the “**2019 Interim Period**”) (the “**Profit Warning Statement**”).

The substantial decrease in loss was mainly due to (i) a unrealised gain on financial investments recorded and (ii) a drop of impairment losses charged in the relevant period, as compare with a unrealised loss on financial investments of approximately HK\$202 million and net impairment of HK\$102 million in the 2019 Interim Period, respectively.

As the Company is still in the process of preparing and finalizing the Group’s consolidated interim results for the Relevant Period, the information contained in this announcement is only based on a preliminary assessment made by the Board with reference to the current unaudited consolidated management accounts of the Group and all information currently available to the Board, and such information has not been audited or reviewed by the independent auditors of the Company. Therefore, the actual results of the Group for the Relevant Period may differ from the information contained in this announcement. Shareholders and potential investors are advised to refer to the details of the Group’s financial results for the Relevant Period which is expected to be published by the end of August 2020.

With the publication of the Joint Announcement, the offer period has commenced since 6 July 2020. Pursuant to Rule 10 of the Hong Kong Code on Takeovers and Mergers (the “**Takeovers Code**”), the Profit Warning Statement constitutes a profit forecast and must be reported on by the financial adviser and auditors or reporting accountants of the Company. In view of the requirements of timely disclosures of the inside information under Rule 13.09 of the Listing Rules and the Inside Information Provisions, the Company is required to issue this announcement as soon as practicable and given the time constraints, the Company has encountered genuine practical difficulties (time-wise or otherwise) in meeting the requirements set out in Rule 10.4 of the Takeovers Code. The Company would like to draw the attention of its shareholders and potential investors of the Company that the Profit Warning Statement does not meet the standard required by Rule 10 of the Takeovers Code and has not been reported on in accordance with the Takeovers Code.

Thus, they are advised to exercise caution in placing reliance on the Profit Warning Statement in assessing the merits and demerits of the Proposed Privatization. It is expected that if the scheme document (the “**Scheme Document**”) in connection with the Proposed Privatization referred to in the Joint Announcement is despatched earlier than the announcement of the Company’s interim results for the six months ended 30 June 2020, reports from the financial adviser and auditors or reporting accountants of the Company on the Profit Warning Statement in accordance with Rule 10.4 of the Takeovers Code will be included in the Scheme Document. However, if the interim results announcement for the six months ended 30 June 2020 is published prior to the Scheme Document and the relevant results together with the notes to the financial statements are included in the Scheme Document, such reports are no longer required under the Takeovers Code.

WARNING

Shareholders and potential investors of the Company should note that the Profit Warning Statement has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code and does not meet the standard required by Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on the Profit Warning Statement in assessing the merits and demerits of the Proposed Privatization. Persons who are in doubt as to the action they should take should consult their licensed securities dealers or registered institutions in securities, bank managers, solicitors, professional accountants or other professional advisers. Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

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

Hong Kong, 12 August 2020

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

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