
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Huarong Investment Stock Corporation Limited, you should at once hand this Scheme Document and the accompanying forms of proxy to the purchaser or transferee or to the licensed securities dealer or registered securities institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**(1) PROPOSED 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;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF
HUARONG INVESTMENT STOCK CORPORATION LIMITED
ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

Financial Adviser to HRIF



Independent Financial Adviser to the HRIV Independent Board Committee



Unless the context requires otherwise, capitalized terms used in this Scheme Document (including this cover page) take the meanings ascribed to them in Part I of this Scheme Document under the section headed "Definitions". This Scheme Document is being issued jointly by HRIF and HRIV. The actions to be taken by the Scheme Shareholders are set out in Part II of this Scheme Document. Notices convening the Court Meeting to be held at 9:30 a.m. on 27 October 2020, and the EGM to be held either at 10:00 a.m. on 27 October 2020 or as soon after the Court Meeting shall have been concluded or adjourned as is practicable, are set out in Appendix VII and Appendix VIII to this Scheme Document respectively. Whether or not you are able to attend the Court Meeting and/or the EGM or any adjournment thereof, **you are strongly urged to complete and sign the enclosed pink form of proxy in respect of the Court Meeting and the enclosed white form of proxy in respect of the EGM**, in accordance with the instructions printed thereon, and return them to HRIV's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible but in any event not later than the respective times and dates as stated in Part II of this Scheme Document. If the **pink** form of proxy is not so lodged, it may also be handed to the Chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it.

This Scheme Document contains, among others, (1) a letter from the HRIV Board regarding the Proposal as set out in Part IV of this Scheme Document; (2) a letter from the HRIV Independent Board Committee, containing its advice to the Scheme Shareholders regarding the Proposal, as set out in Part V of this Scheme Document; (3) a letter from Somerley, the HRIV Independent Financial Adviser to the HRIV Independent Board Committee, containing its advice to the HRIV Independent Board Committee regarding the Proposal, as set out in Part VI of this Scheme Document; and (4) an Explanatory Statement regarding the Scheme as set out in Part VII of this Scheme Document. The English language text of this Scheme Document shall prevail over the Chinese text for the purpose of interpretation.

30 September 2020

IMPORTANT NOTICE

The Proposal is made solely through this Scheme Document, which contains the full terms and conditions of the Proposal, including details of how to vote on the Proposal. Any acceptance, rejection or other response to the Proposal should be made only on the basis of information in this Scheme Document or any other document by which the Proposal is made.

The availability of the Proposal to persons who are not resident in Hong Kong may be affected by the laws of the relevant jurisdictions in which they are located or of which they are nationals. Persons who are not so resident in Hong Kong should inform themselves about, and observe, any applicable legal or regulatory requirements of their jurisdictions.

NOTICE TO UNITED STATES SECURITIES 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 Islands law. The scheme of arrangement must be approved by the requisite majority of shareholders and sanctioned by the 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 Scheme Document 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.

IMPORTANT NOTICE

The receipt of HRIF Shares pursuant to the Proposal by a United States holder of Scheme Shares as consideration for the cancellation of such holder's 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 Scheme Document. Any representation to the contrary is a criminal offence in the United States.

This Scheme Document is provided for information purposes only and is not intended to and does not constitute, or form part of, any offer to purchase or subscribe for or an invitation to purchase or subscribe for any securities of HRIV or HRIF in the United States or any other jurisdiction.

Scheme Shareholders and HRIV Shareholders may obtain free copies of this Scheme Document at the websites maintained by the Stock Exchange at <http://www.hkexnews.hk> and by HRIV at <http://www.hriv.com.hk/>.

PRECAUTIONARY MEASURES FOR THE COURT MEETING AND THE EGM

In view of the ongoing coronavirus disease (COVID-19) pandemic, HRIV will implement the following precautionary measures at the Court Meeting and the EGM to protect attending HRIV Shareholders, staff and stakeholders from the risk of infection including, without limitation:

- (1) compulsory body temperature checks will be conducted for every attending HRIV Shareholder or proxy or other attendee at the entrance of the venue. Any person with a body temperature of over 37.3 degree Celsius will not be admitted to the venue;
- (2) every attending HRIV Shareholder or proxy or other attendee is required to wear a surgical face mask throughout the Court Meeting and the EGM;
- (3) no refreshments will be served at the Court Meeting and the EGM; and
- (4) each attendee may be asked whether (a) he/she has travelled outside of Hong Kong within the 14-day period immediately before the Court Meeting and/or the EGM (as the case may be); and (b) he/she is subject to any Hong Kong Government prescribed quarantine. Anyone who responds positively to any of these questions may be denied entry into the venue or be required to leave the venue.

Any person who does not comply with the precautionary measures, is with a body temperature above 37.3 degree Celsius or is subject to any Hong Kong Government prescribed quarantine may be denied entry into the meeting venue. HRIV reminds the Scheme Shareholders and the HRIV Shareholders that they may appoint the chairman of the relevant meeting as their proxy to vote on the relevant resolutions at the Court Meeting and/or the EGM (as the case may be) as an alternative to attending the Court Meeting and/or the EGM (as the case may be) in person. Subject to the development of COVID-19, HRIV may implement further changes and precautionary measures and may issue further announcement(s) on such measures as appropriate.

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In this Scheme Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code and “concert party(ies)” shall be construed accordingly
“Announcement”	the announcement dated 6 July 2020 jointly issued by HRIF and HRIV pursuant to, among others, Rule 3.5 of the Takeovers Code in relation to the Proposal
“Announcement Date”	6 July 2020, being the date of the Announcement
“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
“Beneficial Owner”	any beneficial owner of the HRIV Shares whose HRIV Shares are registered in the name of a Registered Owner
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange is open for the transaction of business
“Camellia”	Camellia Pacific Investment Holding Limited, a company incorporated in the British Virgin Islands with limited liability, which held approximately 51% of the issued share capital of HRIF as at the Latest Practicable Date
“Capital Reduction”	the reduction in issued share capital of HRIV by cancelling and extinguishing the Scheme Shares
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

“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. (中國華融資產管理股份有限公司), 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” in Part VII of this Scheme Document
“controlling shareholder(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 convened at the direction of the Court for the purpose of voting on the Scheme (with or without modifications), which is to be held at Level 16, Two Pacific Place, 88 Queensway, Hong Kong, at 9:30 a.m. on 27 October 2020, notice of which is set out in Appendix VII to this Scheme Document, or any adjournment thereof
“Disinterested Shareholders”	all of the Scheme Shareholders, excluding HRIF and the HRIF Concert Parties
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, and which is expected to be 9 November 2020 (Cayman Islands time)

“EGM”	an extraordinary general meeting of HRIV to be held at Level 16, Two Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on 27 October 2020 (or immediately on the same day and at the same place after the Court Meeting shall have been concluded or adjourned) for the purpose of voting on all necessary resolutions for the implementation of the Proposal, notice of which is set out in Appendix VIII to this Scheme Document, or any adjournment thereof
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
“Explanatory Statement”	the explanatory statement set out in Part VII of this Scheme Document and issued in compliance with the Rules of the Grand Court of the Cayman Islands 1995 (revised)
“Hero Link”	Hero Link Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, which held approximately 3.59% of the issued share capital of HRIF as at the Latest Practicable Date
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“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 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 in relation to the Proposal and the Scheme including, without limitation, China Huarong, its subsidiaries and its associated companies, Mr. Jia and companies controlled by him, and Renco and its subsidiaries (including Power Tiger)
“HRIF Group”	HRIF and its subsidiaries
“HRIF Independent Shareholders”	all HRIF Shareholders other than the HRIF Shareholders with a material interest in the Proposal and the Scheme
“HRIF SGM”	the special general meeting of HRIF to be held at Level 16, Two Pacific Place, 88 Queensway, Hong Kong at 11:30 a.m. on 27 October 2020 for the purpose of considering and, if thought fit, approving, among other things, the Proposal and the Scheme, or any adjournment thereof
“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 Independent Financial Adviser” or “Somerley”	Somerley Capital Limited, a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the HRIV Independent Board Committee and the Disinterested Shareholders in connection with 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 under the SFO 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 and the financial adviser to HRIF in connection with the Proposal and the Scheme
“Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“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 the Announcement
“Latest Practicable Date”	25 September 2020, being the latest practicable date for the purpose of ascertaining certain information for inclusion in this Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“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

“Meeting Record Date”	27 October 2020 (Hong Kong time), or such other date as shall have been announced by HRIV, being the record date for the purpose of determining the entitlement of Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of HRIV Shareholders to attend and vote at the EGM
“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 Latest Practicable Date
“Offer Period”	the period commencing on the Announcement Date and as defined in the Takeovers Code
“Other CCASS Participant”	a broker, custodian, nominee or other relevant person who is, or has deposited HRIV Share(s) with, a CCASS participant
“Power Tiger”	Power Tiger Investments Limited, a company incorporated in the British Virgin Islands with limited liability, which held approximately 4.63% of the issued share capital of HRIV as at the Latest Practicable Date
“PRC”	the People’s Republic of China, and for the purpose of this Scheme Document, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposal”	the proposal for the privatization of HRIV by HRIF by way of the Scheme
“Registered Owner”	any owner of HRIV Shares (including without limitation a nominee, trustee, depositary or any other authorized custodian or third party) whose name is entered in the register of members of HRIV
“Relevant Period”	the period commencing on 6 January 2020 (being the date falling six (6) months prior to the Announcement Date) and ending on the Latest Practicable Date, both dates inclusive
“relevant securities”	has the meaning ascribed to it under the Takeovers Code

“Renco”	Renco Holdings Group Limited 融科控股集團有限公司 (formerly known as 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)
“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”	a scheme of arrangement under Section 86 of the Companies Law set out in Appendix VI to this Scheme Document (subject to any modifications or additions or conditions as may be approved or imposed by the Court and agreed by HRIF) involving, among other matters, the allotment and issuance to HRIF or (as HRIF may direct) its wholly owned subsidiary one HRIV Share, the cancellation of all the Scheme Shares and 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 under the Scheme) minus one to HRIF or (as HRIF may direct) its wholly owned subsidiary credited as fully paid out of the credit arising in HRIV’s books of accounts as a result of the reduction in issued share capital of HRIV by cancelling and extinguishing the Scheme Shares
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it
“Scheme Record Date”	9 November 2020 (Hong Kong time), or such other date as shall have been announced by HRIV, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	all HRIV Share(s) in issue as at the Scheme Record Date including those held by HRIF and the HRIF Concert Parties but not including the one HRIV Share to be allotted and issued to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) referred to in Condition (c)(i)

“Scheme Shareholder(s)”	holder(s) of the Scheme Share(s)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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 Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“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 held approximately 19.46% of the issued share capital of HRIV as at the Latest Practicable Date
“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 held approximately 18.01% of the issued share capital of HRIF as at the Latest Practicable Date
“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.

All references in this Scheme Document to times and dates are references to Hong Kong times and dates, except as otherwise specified and other than references to the expected date of the Court hearing of the petitions to sanction the Scheme and to confirm the Capital Reduction and the Effective Date, which are the relevant dates in the Cayman Islands. For reference only, Cayman Islands time is 13 hours behind Hong Kong time as at the date of this Scheme Document.

All percentages stated in this Scheme Document are approximations and certain amounts and percentage figures included in this Scheme Document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

This Scheme Document is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

ACTIONS TO BE TAKEN BY HRIV SHAREHOLDERS

For the purpose of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the HRIV Shareholders to attend and vote at the EGM, the register of members of HRIV will be closed from 22 October 2020 to 27 October 2020 (both days inclusive) (or such other dates as may be notified by HRIV by way of announcement(s)), and during such period, no transfer of HRIV Shares will be effected. In order to qualify to attend and vote at the Court Meeting and the EGM, the relevant forms of transfer of your HRIV Shares accompanied by the relevant share certificates shall be lodged with HRIV's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Wednesday, 21 October 2020 (Hong Kong time).

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a Scheme Shareholder, we strongly urge you to complete and sign the enclosed **pink** form of proxy in respect of the Court Meeting, and if you are a HRIV Shareholder, we strongly urge you to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of HRIV's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. **The pink form of proxy for use at the Court Meeting should be lodged not later than 9:30 a.m. on 25 October 2020 or alternatively, be handed to the Chairman of the Court Meeting at the Court Meeting, who shall have absolute discretion as to whether or not to accept it. The white form of proxy for use at the EGM must be lodged not later than 10:00 a.m. on 25 October 2020 to be valid.** The completion and return of a form of proxy for the Court Meeting and/or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the resolutions proposed at the Court Meeting and the EGM are passed by the requisite majorities of Scheme Shareholders or HRIV Shareholders (as the case may be). You are strongly urged to attend and vote at the Court Meeting and the EGM in person or by proxy.

HRIV will make an announcement in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast in favour of the Scheme and the number of CCASS participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS participants on whose instructions they are cast will be included in such announcement. If all the resolutions are passed at those meetings, further announcement(s) will be made by HRIV of the results of the hearing by the Court of the petitions to, among other

things, sanction the Scheme and confirm the Capital Reduction and, if the Scheme is sanctioned and the Capital Reduction is confirmed, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the HRIV Shares on the Stock Exchange in accordance with the requirements of the Takeovers Code and the Listing Rules.

ACTIONS TO BE TAKEN BY PERSONS HOLDING SHARES THROUGH TRUST OR CCASS

HRIV will not recognize any person as holding any HRIV Shares through any trust. If you are a Beneficial Owner whose HRIV Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the manner in which your HRIV Shares should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner in advance of the aforementioned latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose HRIV Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee or other relevant person who is, or has, in turn, deposited such HRIV Shares with an Other CCASS Participant regarding voting instructions to be given to such person(s) if you wish to vote at the Court Meeting and/or the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for the lodgment of forms of proxy in respect of the Court Meeting and/or the EGM, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which the HRIV Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedure for voting in respect of the Scheme by HKSCC Nominees Limited with respect to the HRIV Shares shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time. HKSCC Nominees Limited may vote once for and once against the Scheme in accordance with instructions received from CCASS participants for the purposes of determining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under Section 86(2) of the Companies Law has been satisfied. The number of votes cast in favour of the Scheme and the number of CCASS participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS participants on whose instructions they are cast will be disclosed to the Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

If you are a Beneficial Owner whose HRIV Shares are deposited in CCASS, you may also elect to become a HRIV Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (as a Scheme Shareholder) and the EGM (as a HRIV Shareholder). You can become a HRIV Shareholder of record by withdrawing all or any of your HRIV Shares from CCASS and becoming a Registered Owner of such HRIV Shares. For withdrawal of HRIV Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your HRIV Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the HRIV Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the HRIV Shares from CCASS and register them in your name.

EXERCISE YOUR RIGHT TO VOTE

IF YOU ARE A HRIV SHAREHOLDER OR A BENEFICIAL OWNER, HRIV AND HRIF STRONGLY ENCOURAGE YOU TO EXERCISE YOUR RIGHT TO VOTE OR GIVE INSTRUCTIONS TO THE RELEVANT REGISTERED OWNER TO VOTE IN PERSON OR BY PROXY AT THE COURT MEETING AND AT THE EGM. IF YOU KEEP ANY HRIV SHARES IN A SHARE LENDING PROGRAMME, HRIV AND HRIF URGE YOU TO RECALL ANY OUTSTANDING HRIV SHARES ON LOAN TO AVOID MARKET PARTICIPANTS USING BORROWED HRIV SHARES TO VOTE.

IF YOU ARE A REGISTERED OWNER HOLDING HRIV SHARES ON BEHALF OF BENEFICIAL OWNERS, HRIV AND HRIF WOULD BE GRATEFUL IF YOU WOULD INFORM THE RELEVANT BENEFICIAL OWNERS ABOUT THE IMPORTANCE OF EXERCISING THEIR VOTE.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU ARE ENCOURAGED TO AND SHOULD CONSULT YOUR LICENSED SECURITIES DEALER, BANK MANAGER, SOLICITOR, PROFESSIONAL ACCOUNTANT OR OTHER PROFESSIONAL ADVISER.

The following timetable takes into account the procedures of the Court for the Scheme. The expected timetable is indicative only and is subject to change. Further announcement(s) will be made if there is any change to the following expected timetable.

Despatch of this Scheme Document Wednesday, 30 September 2020

Latest time for lodging transfers of HRIV Shares
in order to become entitled to
vote at the Court Meeting and the EGM 4:30 p.m. on
Wednesday, 21 October 2020

Register of members of HRIV
closed for determining the entitlement
of relevant Scheme Shareholders
to attend and vote at the Court Meeting and the
entitlement of the HRIV Shareholders to
attend and vote at the EGM (*Note 1*) Thursday, 22 October 2020 to
Tuesday, 27 October 2020
(both dates inclusive)

Latest time for lodging the **pink** form
of proxy in respect of the
Court Meeting (*Note 2*) 9:30 a.m. on
Sunday, 25 October 2020

Latest time for lodging the **white** form
of proxy in respect of the EGM (*Note 2*) 10:00 a.m. on
Sunday, 25 October 2020

Latest time for lodging the form
of proxy in respect of the HRIF SGM (*Note 3*) 11:30 a.m. on
Sunday, 25 October 2020

Meeting Record Date Tuesday, 27 October 2020

Court Meeting (*Notes 4 and 5*) 9:30 a.m. on
Tuesday, 27 October 2020

EGM (*Notes 4 and 5*) 10:00 a.m. on
Tuesday, 27 October 2020
(or immediately after the conclusion or
adjournment of the Court Meeting)

HRIF SGM (*Note 3*) 11:30 a.m. on
Tuesday, 27 October 2020

Announcement of the results of the Court Meeting and the EGM posted on the website of the Stock Exchange	no later than 7:00 p.m. on Tuesday, 27 October 2020
Announcement of the results of the HRIF SGM posted on the website of the Stock Exchange	no later than 8:30 a.m. on Wednesday, 28 October 2020
Expected last day for trading in the HRIV Shares on the Stock Exchange	Tuesday, 3 November 2020
Court hearing of the petitions to sanction the Scheme and to confirm the Capital Reduction.	Friday, 6 November 2020 (Cayman Islands time)
Latest time for lodging transfers of HRIV Shares in order to qualify for entitlements under the Scheme	4:30 p.m. on Friday, 6 November 2020
Register of members of HRIV closed for determining entitlements to qualify under the Scheme (<i>Note 6</i>)	from Monday, 9 November 2020 onwards
Announcement of the result of the Court hearing, the expected Effective Date and the expected date of withdrawal of listing of the HRIV Shares on the Stock Exchange	no later than 8:30 a.m. on Monday, 9 November 2020
Scheme Record Date.	Monday, 9 November 2020
Effective Date (<i>Note 7</i>).	Monday, 9 November 2020 (Cayman Islands time)
Announcement of the Effective Date and the withdrawal of listing of the HRIV Shares on the Stock Exchange	no later than 8:30 a.m. on Wednesday, 11 November 2020
Matching service to Scheme Shareholders for odd lots of HRIF Shares begins (<i>Note 8</i>).	9:30 a.m. on Wednesday, 11 November 2020

Expected withdrawal of listing of the HRIV Shares on the Stock Exchange becomes effective (<i>Note 9</i>)	4:00 p.m. on Thursday, 12 November 2020
Despatch of share certificates in respect of new HRIF Shares to be allotted and issued to the Scheme Shareholders (<i>Note 10</i>)	Wednesday, 18 November 2020
First day of dealings of the new HRIF Shares issued to the Scheme Shareholders on the Stock Exchange	9:00 a.m. on Thursday, 19 November 2020
Matching service to Scheme Shareholders for odd lots of HRIF Shares ends (<i>Note 8</i>)	4:30 p.m. on Monday, 11 January 2021

HRIV Shareholders should note that the above timetable is subject to change. Further announcement(s) will be made in the event that there is any change.

Notes:

1. The register of members of HRIV will be closed during such period for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the HRIV Shareholders to attend and vote at the EGM. This book close period is not for determining entitlements under the Scheme.
2. Forms of proxy should be lodged with HRIV's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than the respective times and dates stated above or, in the case of the **pink** form of proxy for use at the Court Meeting, they may be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it. Completion and return of the relevant form of proxy for the Court Meeting or the EGM will not preclude a Scheme Shareholder or a HRIV Shareholder, respectively, from attending the relevant meeting and voting in person. In such event, the relevant form of proxy returned will be deemed to have been revoked.
3. The HRIF SGM will be held at 11:30 a.m. at Level 16, Two Pacific Place, 88 Queensway, Hong Kong on Tuesday, 27 October 2020. Please see the notice convening the HRIF SGM published by HRIF on 25 September 2020 for details.
4. The Court Meeting and the EGM will be held at Level 16, Two Pacific Place, 88 Queensway, Hong Kong at the times and dates specified above. Please see the notice of the Court Meeting set out in Appendix VII to this Scheme Document and the notice of the EGM set out in Appendix VIII to this Scheme Document for details.

5. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:00 a.m. on 27 October 2020 and/or the Hong Kong Observatory has announced at or before 8:00 a.m. on 27 October 2020 that any of the above mentioned warnings is to be issued within the next two hours, the Court Meeting and the EGM shall automatically be postponed to the next Business Day on which no “black” rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted and no post-super typhoon extreme conditions are in force between the hours from 8:00 a.m. to 10:00 a.m. and in such case the Court Meeting and the EGM shall be held at 9:30 a.m. and 10:00 a.m., respectively, on that Business Day at Level 16, Two Pacific Place, 88 Queensway, Hong Kong. The Court Meeting and the EGM will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force. Scheme Shareholders and HRIV Shareholders (as the case may be) should make their own decision as to whether to attend the Court Meeting and the EGM under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.
6. The register of members of HRIV will be closed during such period for the purpose of determining which Scheme Shareholders are qualified for the entitlements under the Scheme.
7. The Scheme will become effective upon all the Conditions having been fulfilled or waived (as applicable).
8. Details of the odd lot matching service to be provided to the Scheme Shareholders are set out in Part VII of this Scheme Document. Further announcement(s) setting out, among other things, the contact information of the designated broker to be appointed to provide odd lot matching service and further information of the odd lot matching service, will be made upon the appointment of the relevant designated broker.
9. If the Proposal becomes unconditional and the Scheme becomes effective, it is expected that the listing of the HRIV Shares on the Stock Exchange will be withdrawn at 4:00 p.m. on 12 November 2020.
10. Share certificates for the new HRIF Shares to be allotted and issued to the Scheme Shareholders under the Scheme will be despatched by ordinary post at the risk of the recipients to their registered addresses shown in the register of members of HRIV as at the Scheme Record Date as soon as possible and in any event within seven (7) business days (as defined in the Takeovers Code) after the Effective Date. None of HRIF, HRIV, Huatai Financial, Somerley, HRIV’s branch share registrar in Hong Kong and their respective directors, employees, officers, agents, advisers, associates and affiliates and any other persons involved in the Proposal shall be responsible for any loss or delay in the despatch of the same.

All references to times and dates are references to Hong Kong times and dates, except as otherwise specified.



華融投資股份有限公司

HUARONG INVESTMENT STOCK CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2277)

Executive Directors:

Mr. Yang Rungui (*Chairman*)
Mr. Xu Xiaowu (*Chief Executive Officer*)
Mr. Chen Qinghua

Registered office:

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

Non-executive Director:

Ms. Wang Qi

Principal place of business in Hong Kong:

Independent non-executive Directors:

Mr. Chan Kee Huen Michael
Mr. Tse Chi Wai
Dr. Lam Lee G.

Suite B, Levels 16–17
Two Pacific Place
88 Queensway
Hong Kong

30 September 2020

To the Scheme Shareholders and the HRIV Shareholders

Dear Sir or Madam,

**(1) PROPOSED 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;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF
HUARONG INVESTMENT STOCK CORPORATION LIMITED
ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

1. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Scheme and the Proposal. As set out in the Announcement, 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. The Scheme upon becoming effective will involve (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) for cash at par, (ii)

subject to and forthwith upon the allotment and issuance of the HRIV Share referred to in (i) above, the reduction of the issued share capital of HRIV by the cancellation of the Scheme Shares on the Effective Date, and in consideration therefor, 2.82 HRIF Shares will be allotted and issued to the Scheme Shareholders for each Scheme Share so cancelled, (iii) forthwith upon the issued share capital reduction referred to in (ii) 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) minus one to HRIF (or, as HRIF may direct, a wholly owned subsidiary of 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 (ii) above, and (iv) the withdrawal of the listing of the HRIV Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules.

If the Proposal is approved by the Scheme Shareholders, the Scheme is sanctioned by the Court and 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 EGM. 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.

The purpose of this Scheme Document is to provide you with further information regarding, among others, the Proposal, the Scheme, HRIV, HRIF and the expected timetable, and to give you notices of the Court Meeting and the EGM (together with proxy forms in relation thereto). Your attention is also drawn to the letter from the HRIV Independent Board Committee set out in Part V of this Scheme Document, the letter from the HRIV Independent Financial Adviser, set out in Part VI of this Scheme Document, the Explanatory Statement set out in Part VII of this Scheme Document and the terms of the Scheme set out in Appendix VI to this Scheme Document.

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, in exchange for newly issued HRIF Shares in the following ratio, based on the holding of Scheme Shares as at 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 the Latest Practicable Date and in various historical periods, are as follows:

	Latest Practicable Date	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\$)	0.25	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\$)	0.38	0.31	0.28	0.29	0.29
(C) Premium = $2.82 \times (A) / (B) - 1$	85.53%	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 unaudited consolidated net asset value per HRIF Share of approximately HK\$0.65 as at 30 June 2020 (based on the unaudited consolidated net asset value of the HRIF Group of approximately HK\$2,336,781,000 as at 30 June 2020 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\$1.83, which represents a premium of approximately 157.75% over the unaudited consolidated net asset value per HRIV Share of approximately HK\$0.71 as at 30 June 2020 (based on the unaudited consolidated net asset value of the HRIV Group of approximately HK\$1,284,967,000 as at 30 June 2020 and 1,816,000,000 HRIV Shares in issue as at the same date).

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 the HRIF Group 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 46.48% 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 the HRIV Group 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).

New HRIF Shares to be issued pursuant to the Scheme

As at the Latest Practicable Date, (i) the issued share capital of HRIF comprised 1,816,000,000 HRIV Shares, all of which would constitute the Scheme Shares; and (ii) there were 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 were 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 Latest Practicable Date to the Effective Date 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 Latest Practicable Date 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.

The Scheme Shareholders may receive odd lots of HRIF Shares under the Scheme. A designated broker 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 from Wednesday, 11 November 2020 to Monday, 11 January 2021, both days inclusive. Details of the odd lot matching service is set out in the section headed "22. Arrangements relating to sale of odd lots of HRIF Shares" in the Explanatory Statement set out in Part VII of this Scheme Document.

The HRIF Shares to be issued pursuant to the Scheme as consideration for the cancellation and extinguishment of the Scheme Shares 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.

3. CONDITIONS OF THE PROPOSAL AND THE SCHEME

Your attention is drawn to the section headed “3. Conditions of the Proposal and the Scheme” in the Explanatory Statement set out in Part VII of this Scheme Document.

4. HRIV INDEPENDENT BOARD COMMITTEE

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 a non-executive director of HRIF.

The full text of the letter from the HRIV Independent Board Committee in relation to recommendations with respect to the Proposal and the Scheme is set out in Part V of this Scheme Document.

5. HRIV INDEPENDENT FINANCIAL ADVISER

Somerley has been 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.

The full text of the letter from the HRIV Independent Financial Adviser in relation to recommendations with respect to the Proposal and the Scheme is set out in Part VI of this Scheme Document.

6. REASONS FOR AND BENEFITS OF THE PROPOSAL AND HRIF’S INTENTION REGARDING THE HRIV GROUP

You are urged to read carefully the sections headed “11. Reasons for and benefits of the Proposal” and “12. HRIF’s intention regarding the HRIV Group” in the Explanatory Statement set out in Part VII of this Scheme Document.

7. 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.

As at the Latest Practicable Date, HRIV was able to pay its debts as they fall due in the ordinary course of business and would not be unable to do so immediately after the Latest Practicable Date.

8. 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 (the “**PRC Ministry of Finance**”).

9. 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(2) 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 has been included in Part III of this Scheme Document.

10. 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.

11. OVERSEAS SCHEME SHAREHOLDERS

Your attention is drawn to the section headed “17. Overseas Scheme Shareholders” in the Explanatory Statement set out in Part VII of this Scheme Document.

12. COURT MEETING AND EGM

Your attention is drawn to the section headed “19. Court Meeting and EGM” in the Explanatory Statement set out in Part VII of this Scheme Document.

In accordance with the direction of the Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). Scheme Shareholders whose names appear on the register of members of HRIV as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting. The Scheme will be subject to the approval by the Scheme Shareholders and the Disinterested Shareholders (as the case may be) at the Court Meeting in the manner referred to in the sections headed “4. The Scheme and the Court Meeting” and “5. Additional requirements as imposed by Rule 2.10 of the Takeovers Code” in the Explanatory Statement set out in Part VII of this Scheme Document.

The EGM will be held immediately after the conclusion or adjournment of the Court Meeting for the purpose of considering and, if thought fit, passing the special resolution to approve and give effect to (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF); (ii) the reduction of the issued share capital of HRIV by cancelling and extinguishing the Scheme Shares; (iii) 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, as HRIF may direct, a wholly owned subsidiary of HRIF) such number of new HRIV Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme minus one; (iv) 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, as HRIF may direct, a wholly owned subsidiary of HRIF); and (v) the withdrawal of listing of HRIV Shares on the Stock Exchange, upon the Scheme becoming effective. All HRIV Shareholders whose names appear on the register of members of HRIV as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, on such resolution at the EGM. 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 such resolution at the EGM.

As at the Latest Practicable Date, neither HRIF nor any of the HRIF Concert Parties has received any irrevocable commitment to accept the offer to cancel the Scheme Shares or to vote for or against the Scheme.

Notices of the Court Meeting and the EGM are set out in Appendix VII and Appendix VIII to this Scheme Document. The Court Meeting and the EGM will be held on Tuesday, 27 October 2020 at the respective times specified in such notices at Level 16, Two Pacific Place, 88 Queensway, Hong Kong.

13. ACTIONS TO BE TAKEN

Your attention is drawn to “Part II – Actions to be taken” and the section headed “21. Actions to be taken” in the Explanatory Statement set out in Part VII of this Scheme Document.

14. RECOMMENDATION

Your attention is drawn to the recommendations of Somerley to the HRIV Independent Board Committee in respect of the Proposal in the letter from Somerley set out in Part VI of this Scheme Document. Your attention is also drawn to the recommendation of the HRIV Independent Board Committee in respect of the Proposal in the letter from the HRIV Independent Board Committee set out in Part V of this Scheme Document.

In the letter from Somerley set out in Part VI of this Scheme Document, Somerley states that it considers the terms of the Scheme to be fair and reasonable so far as the Scheme Shareholders are concerned. Accordingly, it advises the HRIV Independent Board Committee to recommend (i) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and (ii) the HRIV Shareholders to vote in favour of the special resolution at the EGM to approve and implement the Proposal and the Scheme.

The HRIV Independent Board Committee, having considered the terms of the Proposal, and having taken into account the advice of Somerley, and in particular the factors, reasons and recommendations set out in its letter, considers that the terms of the Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, the HRIV Independent Board Committee recommends (i) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting and (ii) the HRIV Shareholders to vote in favour of the special resolution at the EGM to approve and implement the Proposal and the Scheme.

Mr. Yang Rungui 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. Ms. Wang Qi is a non-executive director of each of HRIF and HRIV and she holds senior management position in CHIH. Mr. Chen Qinghua, an executive director of HRIV, is the sole director of Right Select, being one of the HRIF Concert Parties. Mr. Xu Xiaowu is an executive director of each of HRIV and CHIH. By virtue of their overlapping executive roles in CHIH, HRIF, HRIV and/or the HRIF Concert Parties (as the case may be), each of Mr. Yang Rungui, Ms. Wang Qi, Mr. Chen Qinghua and Mr. Xu Xiaowu is deemed to have material interest in the Proposal and the Scheme and has abstained from voting on the relevant resolutions of the HRIV Board in relation to the Proposal and the Scheme. Save for Mr. Yang Rungui, Ms. Wang Qi, Mr. Chen Qinghua and Mr. Xu Xiaowu, none of the other directors of HRIV has a material interest in the Proposal and the Scheme, and therefore none of the other directors of HRIV has abstained from voting on the relevant resolutions of the HRIV Board.

The directors of HRIV (including members of the HRIV Independent Board Committee whose view are set out in Part V of this Scheme Document, and Mr. Yang Rungui who has become a director of HRIV on 25 August 2020 and concurs with the view of the other directors of HRIV) believe that the terms of the Proposal and the Scheme are fair and reasonable and in the interests of the Disinterested Shareholders as a whole.

15. REGISTRATION AND DESPATCH OF NEW HRIF SHARE CERTIFICATES

Your attention is drawn to the section headed “16. Registration and despatch of new HRIF Share certificates” in the Explanatory Statement set out in Part VII of this Scheme Document.

16. TAXATION AND INDEPENDENT ADVICE

Your attention is drawn to the section headed “18. Taxation” in the Explanatory Statement set out in Part VII of this Scheme Document.

It is emphasized that none of HRIF, HRIV, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers (including Huatai Financial and Somerley) and share registrars and any of their respective directors, employees, officers, agents or associates or any other person involved in the Proposal accepts any responsibility whatsoever for any taxation effects on, or liabilities of, any persons in connection with the Proposal in Hong Kong or any other jurisdiction. All Scheme Shareholders and HRIV Shareholders are recommended to consult their professional advisers if in any doubt as to the taxation implications of the Proposal.

17. FURTHER INFORMATION

You are urged to read carefully the letters from the HRIV Independent Board Committee and from the HRIV Independent Financial Adviser set out in Parts V and VI of this Scheme Document, respectively, the Explanatory Statement set out in Part VII of this Scheme Document, the Appendices to this Scheme Document, the terms of the Scheme set out in Appendix VI to this Scheme Document, the notice of the Court Meeting set out in Appendix VII to this Scheme Document and the notice of the EGM set out in Appendix VIII to this Scheme Document. In addition, a **pink** form of proxy for the Court Meeting and a **white** form of proxy for the EGM are enclosed with copies of this Scheme Document sent to Registered Owners.

Yours faithfully,

By order of the board of directors of
Huarong Investment Stock Corporation Limited
Mr. Yang Rungui
Chairman



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)

30 September 2020

To the Disinterested Shareholders

Dear Sir or Madam,

**(1) PROPOSED 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;
AND
(2) PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF
HUARONG INVESTMENT STOCK CORPORATION LIMITED
ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

We refer to the scheme document (the “**Scheme Document**”) dated 30 September 2020 jointly issued by HRIF and HRIV in relation to the Proposal and the Scheme, of which this letter forms part. Unless the context requires otherwise, terms used in this letter shall have the same meaning as given to them in the Scheme Document.

We have been appointed by the HRIV Board as the HRIV Independent Board Committee to advise the Disinterested Shareholders in respect of the Proposal and the Scheme.

Somerley has been appointed, with our approval, as the HRIV Independent Financial Adviser in respect of the Proposal and the Scheme.

We wish to draw your attention to (a) the letter from the HRIV Board as set out in Part IV of the Scheme Document; (b) the letter from Somerley as set out in Part VI of the Scheme Document which sets out the factors and reasons taken into account by the HRIV Independent Financial Adviser in arriving at its recommendations; and (c) the Explanatory Statement as set out in Part VII of the Scheme Document.

Having considered the terms of the Proposal and the Scheme and having taken into account the advice of the HRIV Independent Financial Adviser, in particular, the factors, reasons and recommendations as set out in the letter from Somerley as set out in Part VI of the Scheme Document, we consider the terms of the Scheme to be fair and reasonable so far as the Disinterested Shareholders are concerned.

Accordingly, we recommend:

- (a) the Disinterested Shareholders to vote in favour of the resolution to approve the Scheme at the Court Meeting; and
- (b) the HRIV Shareholders to vote in favour of the special resolution at the EGM (i) to allot and issue one HRIV Share to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF), (ii) to reduce the issued share capital of HRIV by cancelling and extinguishing the Scheme Shares, (iii) to restore immediately the issued share capital of HRIV to its former amount by the issue of the same number of HRIV Shares as the number of Scheme Shares cancelled minus one, credited as fully paid, to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF), and (iv) to approve the withdrawal of listing of HRIV Shares on the Stock Exchange upon the Scheme becoming effective.

Yours faithfully,

HRIV Independent Board Committee

Dr. Lam Lee G.
*Independent non-executive
director*

Mr. Chan Kee Huen Michael
*Independent non-executive
director*

Mr. Tse Chi Wai
*Independent non-executive
director*

Set out below is the letter of advice from Somerley Capital Limited, the Independent Financial Adviser to the HRIV Independent Board Committee regarding the Proposal and the Scheme prepared for the purpose of incorporation in this Scheme Document.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

30 September 2020

To: the HRIV Independent Board Committee

Dear Sirs,

**PROPOSED PRIVATISATION 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
AND
PROPOSED WITHDRAWAL OF LISTING OF THE SHARES OF
HUARONG INVESTMENT STOCK CORPORATION LIMITED
ON THE STOCK EXCHANGE OF HONG KONG LIMITED**

INTRODUCTION

We refer to our appointment to advise the HRIV Independent Board Committee in connection with the Proposal and the Scheme. Details of the Proposal and the Scheme are set out in the Scheme Document dated 30 September 2020, of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Scheme Document unless the context otherwise requires.

The HRIF Board and the HRIV Board jointly announced that on 3 July 2020, the HRIF Board requested the HRIV Board to put forward to the Scheme Shareholders the Proposal regarding the privatisation of HRIV by HRIF by way of a scheme of arrangement under section 86 of the Companies Law. The Scheme upon becoming effective will involve (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly-owned subsidiary of HRIF) for cash at par, (ii) subject to and forthwith upon the allotment and issuance of the HRIV Share referred to in (i) above, the reduction of the issued share capital of HRIV by the cancellation of the Scheme Shares on the Effective Date, and in consideration therefor, 2.82 HRIF Shares will be allotted and issued to the Scheme Shareholders for each Scheme Share so cancelled, (iii) forthwith upon the issued share capital reduction referred to in (ii) 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) minus one to HRIF (or, as HRIF may direct, a wholly-owned subsidiary of 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 (ii), and (iv) the withdrawal of the listing of the HRIV Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules.

The HRIV Independent Board Committee comprising all the independent non-executive Directors namely Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G., has been established to make a recommendation (i) to the Disinterested Shareholders as to whether the terms of the Proposal and the Scheme are, or are not, fair and reasonable, and whether to vote in favour of the relevant resolution(s) to approve the Scheme at the Court Meeting and (ii) the HRIV Shareholders whether to vote in favour of the special resolution at the EGM to approve and implement the Proposal and the Scheme. The HRIV Independent Board Committee has approved our appointment as the independent financial adviser to advise the HRIV Independent Board Committee in these regards.

We are not associated with HRIV, HRIF, or any party acting, or presumed to be acting, in concert with any of them. In the two years prior to this appointment, we did not have other engagement with HRIV, HRIF or their associates except for having been the independent financial adviser (i) to HRIV relating to HRIV's disposal of the Foundation Business (as defined below), details of which were set out in HRIV's announcement dated 27 September 2019; and (ii) to HRIF relating to the disposal of subsidiaries by HRIF to China Huarong, details for which were contained in HRIF's announcement dated 20 October 2019. Accordingly, we are considered eligible to give independent advice on the Proposal and the Scheme. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from HRIV, HRIF or any party acting, or presumed to be acting, in concert with any of them.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the directors and management of the HRIV Group ("**HRIV Management**"), which we have assumed to be true, accurate and complete. We have reviewed, among other things, the annual reports of HRIV for each of the two years ended 31 December 2018 (the "**HRIV 2018 Annual Report**") and 31 December 2019 (the "**HRIV 2019 Annual Report**"), the interim results announcement of the HRIV for the six months ended 30 June 2020 (the "**HRIV 2020 IR**"), the annual reports of HRIF for each of the two years ended 31 December 2018 (the "**HRIF 2018 Annual Report**") and 31 December 2019 (the "**HRIF 2019 Annual Report**"), the interim results announcement of the HRIF for the six months ended 30 June 2020 (the "**HRIF 2020 IR**"), the circular of HRIF dated 25 September 2020 in connection with the very substantial acquisition and non-exempt connected transaction in relation to the Proposal (the "**HRIF Circular**"), the trading performance of the HRIV Shares and HRIF Shares on the Stock Exchange and information set out in the Scheme Document. We have sought and received confirmation from the HRIV Board that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have

received is sufficient for us to reach our opinion and give our advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or to doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the HRIV Group, the HRIF Group, or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We have also assumed that all representations contained or referred to in the Scheme Document were true at the time they were made and at the date of the Scheme Document and will continue to be true up to the respective time of the Court Meeting and the EGM, and Disinterested Shareholders will be informed of any material change as soon as possible.

We have not considered the tax and regulatory implications on the Disinterested Shareholders of the implementation of the Proposal since these are particular to their individual circumstances. In particular, the Disinterested Shareholders who are overseas residents or subject to overseas taxation or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

PRINCIPAL TERMS OF THE PROPOSAL AND THE SCHEME

The Proposal and the Scheme

The HRIF Board and the HRIV Board jointly announced that on 3 July 2020, the HRIF Board requested the HRIV Board to put forward the Proposal to the Scheme Shareholders regarding the privatisation of HRIV by HRIF by way of a scheme of arrangement under section 86 of the Companies Law. The Scheme upon becoming effective will involve (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly-owned subsidiary of HRIF) for cash at par, (ii) subject to and forthwith upon the allotment and issuance of the HRIV Share referred to in (i) above, the reduction of the issued share capital of HRIV by the cancellation of the Scheme Shares on the Effective Date, and in consideration therefor, 2.82 HRIF Shares will be allotted and issued to the Scheme Shareholders for each Scheme Share so cancelled, (iii) forthwith upon the issued share capital reduction referred to in (ii) 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 minus one HRIF (or, as HRIF may direct, a wholly-owned subsidiary of 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 (ii), and (iv) the withdrawal of the listing of the HRIV Shares on the Stock Exchange immediately following the Effective Date pursuant to Rule 6.15(2) of the Listing Rules.

If the Proposal is approved by the Scheme Shareholders, the Scheme is sanctioned by the Court and 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 EGM. 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.

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 accordance with an exchange ratio of 2.82 newly issued HRIF Shares for each Scheme Share so cancelled based on the holding of Scheme Shares on the Scheme Record Date (“**Exchange Ratio**”).

As stated in the Explanatory Statement in the Scheme Document, the Exchange Ratio has been determined on a commercial basis after taking into account the prevailing and historical market price levels of both 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 privatisation transactions in Hong Kong in recent years.

During the Relevant Period, the highest closing price of the HRIV Shares as quoted on the Stock Exchange was HK\$0.540 per HRIV Share on 7 July 2020 and the lowest closing price of the HRIV Shares as quoted on the Stock Exchange was HK\$0.220 per HRIV Share on 31 March 2020 and 1 April 2020.

Comparison to net asset value per share

Based on the unaudited consolidated net asset value per HRIF Share of approximately HK\$0.65 as at 30 June 2020 (based on the unaudited consolidated net asset value of the HRIF Group of approximately HK\$2,336,781,000 as at 30 June 2020 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\$1.83, which represents a premium of approximately 157.75% over the unaudited consolidated net asset value per HRIV Share of approximately HK\$0.71 as at 30 June 2020 (based on the unaudited consolidated net asset value of the HRIV Group of approximately HK\$1,284,967,000 as at 30 June 2020 and 1,816,000,000 HRIV Shares in issue as at the same date).

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 the HRIF Group 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 46.48% 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 Group 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).

New HRIF Shares to be issued pursuant to the Scheme

As at the Latest Practicable Date, (i) the issued share capital of HRIV comprises 1,816,000,000 HRIV Shares, all of which would constitute the Scheme Shares; and (ii) there were 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 Exchange Ratio, assuming no changes to either HRIF's issued share capital or HRIV's issued share capital from the Latest Practicable Date to the Effective Date 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 Latest Practicable Date 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.

The Scheme Shareholders may receive odd lots of HRIF Shares under the Scheme. A designated broker 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 from Wednesday, 11 November 2020 to Monday, 11 January 2021, both days inclusive. Details of the odd lot matching service is set out in the Scheme Document under the section headed "22. Arrangements relating to sale of odd lots of HRIF Shares" in the Explanatory Statement set out in Part VII of the Scheme Document.

The HRIF Shares to be issued pursuant to the Scheme 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.

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 the EGM to approve and give effect to (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly-owned subsidiary of HRIF) for cash at par; (ii) the reduction of the issued share capital of HRIV by cancelling and extinguishing the Scheme Shares; (iii) 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 minus one; (iv) 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; and (v) the withdrawal of listing of the HRIV Shares on the Stock Exchange upon the Scheme becoming effective;
- (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 PRC Ministry of Finance (as defined below));
- (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 Announcement Date (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

PART VI LETTER FROM THE HRIV INDEPENDENT FINANCIAL ADVISER

Group up to the date immediately preceding the Effective Date, 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 “**PRC Ministry of Finance**”). As 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 in each case, pursuant to the Proposal and the Scheme will be considered a transaction in state-owned assets, the Proposal and the Scheme are subject to the Condition that no objection having been raised by the PRC Ministry of Finance, which will be an Approval for the purpose of the Conditions set out in paragraphs (e) and (f) above. Based on the enquiries with the PRC Ministry of Finance, HRIF understands that the PRC Ministry of Finance has no objection to the Proposal and the Scheme, and no further Approval is required from the PRC Ministry of Finance. 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 from the PRC Ministry of Finance and the consents or waivers as aforementioned in this paragraph and save to the extent required under Conditions (d) and (h), 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 (j) and/or (k) 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.

As at the Latest Practicable Date, save for Condition (e) (to the extent not required under Conditions (d) and (h)), none of the Conditions has been fulfilled or waived.

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 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.

Scheme of Arrangement under Section 86 of the Companies Law and the Court Meeting

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on all members or class of members, as the case may be, and also on the company.

The Court has been requested to order the convening of the Court Meeting, which is a meeting of all the members of HRIV (i.e. the Scheme Shareholders) for approving the Scheme. Upon the Scheme becoming effective, it will be binding on HRIV and each Scheme Shareholder, irrespective of whether or not he, she or it attends or votes, or how they vote, at the Court Meeting and the EGM.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation with regard to the Proposal and the Scheme, we have taken into account the following principal factors and reasons:

1. Information and prospects of the HRIV Group

1.1 Background information of the HRIV Group

HRIV is a limited liability company incorporated in the Cayman Islands whose shares have been listed on the Stock Exchange since 29 December 2014. HRIV is an indirect subsidiary of China Huarong which is controlled by the PRC Ministry of Finance.

The HRIV Group is principally engaged in two business segments, namely the direct investment segment which involves direct investment in equities, bonds, funds, derivative instruments and other financial products (“**HRIV Direct Investment Business**”), and the financial services and others segment which is involved in the provision of finance lease, finance lease arrangement services, financial arrangement services and other related services (“**HRIV Financial Services Business**”).

HRIV Direct Investment Business is divided into four major categories, namely fixed returns investments, fund investments, equity investments and proprietary trading and treasury. Fixed returns investments mainly represent investment in private bonds, loans, convertible bonds and fixed income funds, which accounted for approximately 47% of the total investment assets as at 30 June 2020. Such investment can provide HRIV with stable income and cash flow. The fund investments mainly represent investments in various funds that in turn invest in equity, which accounted for approximately 25% of the total investment assets. Equity investments accounted for approximately 6% of the total investment assets, mainly comprising shares of listed companies and equity investment of unlisted companies with potential. The proprietary trading and treasury accounted for approximately 22% of the total investment assets as at 30 June 2020, which mainly invested in global bonds and conducted liquidity management and foreign exchange risk management for the HRIV Group through bond market, financing arrangement with banks and other financial instruments.

Through the HRIV Financial Services Business, the HRIV Group provides finance lease services to companies covering industries such as logistics, automobile, aviation, solar energy and wind power generation and liquified natural gas. The HRIV Group also provides consulting services on macro-economy, industry analysis, financial product design and other aspects for customers leveraging on its domestic and overseas business network and the experience of investing in various industries.

1.2 Financial information of the HRIV Group

(i) Financial performance

Set out below is a summary of the HRIV Group’s consolidated financial performance for the three years ended 31 December 2017, 2018 and 2019 (“FY2017”, “FY2018” and “FY2019” respectively), and for the six months ended 30 June 2019 and 2020 (“1H2019” and “1H2020” respectively) (collectively, the “Period”) as extracted from the HRIV 2018 Annual Report, the HRIV 2019 Annual Report and the HRIV 2020 IR:

	For the six months ended 30 June		For the financial year ended 31 December		
	2020 (Restated) <i>(Note 1)</i> HK\$'000	2019 (Restated) <i>(Note 1)</i> HK\$'000	2019 (Restated) <i>(Note 1)</i> HK\$'000	2018 (Restated) <i>(Note 1)</i> HK\$'000	2017 HK\$'000
Continuing operations					
Revenue					
<i>HRIV Direct</i>					
<i>Investments Business</i>	73,350	175,597	363,155	607,835	229,216
<i>HRIV Financial</i>					
<i>Services Business</i>	38,217	75,495	148,035	302,811	376,903
<i>Foundation Business</i>	–	–	–	–	303,564
	<u>111,567</u>	<u>251,092</u>	<u>511,190</u>	<u>910,646</u>	<u>909,683</u>
Net gains/(losses) on fair value changes of financial investments and derivatives <i>(Note 2)</i>	82,970	(178,915)	(216,431)	(167,268)	267,125
Other (losses)/gains	(9,129)	(3,659)	(45,460)	(54,411)	5,388
Net (recognition)/ reversal of impairment losses under credit loss model	(39,495)	(100,557)	(937,067)	30,250	(86,003)
Other income	2,398	1,646	10,375	43,227	18,795
Labour costs for construction business	–	–	–	–	(45,278)
Staff costs	(10,855)	(20,464)	(49,024)	(81,378)	(60,592)
Material and subcontractor costs	–	–	–	–	(182,548)
Other construction costs	–	–	–	–	(51,513)
Other operating expenses	(46,028)	(83,598)	(177,591)	(197,764)	(151,007)
Finance costs	(93,735)	(159,995)	(305,845)	(404,567)	(229,845)

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	For the six months ended 30 June		For the financial year ended 31 December		
	2020 (Restated) (Note 1) HK\$'000	2019 (Restated) (Note 1) HK\$'000	2019 HK\$'000	2018 (Restated) (Note 1) HK\$'000	2017 HK\$'000
(Loss)/profit before tax	(2,307)	(294,450)	(1,209,853)	78,735	394,205
Income tax credit/(expense)	–	(10,272)	5,834	13,871	(124,609)
(Loss)/profit for the period/year from continuing operations	<u>(2,307)</u>	<u>(304,722)</u>	<u>(1,204,019)</u>	<u>92,606</u>	<u>269,596</u>
Discontinued operations					
(Loss)/profit for the period/year from a discontinued operation	<u>–</u>	<u>(10,817)</u>	<u>277,037</u>	<u>(20,113)</u>	<u>–</u>
(Loss)/profit for the period/year	<u><u>(2,307)</u></u>	<u><u>(315,539)</u></u>	<u><u>(926,982)</u></u>	<u><u>72,493</u></u>	<u><u>269,596</u></u>
(Loss)/profit attributable to:					
Ordinary shareholders of the HRIV	(33,628)	(347,177)	(990,200)	9,250	269,596
Holder of perpetual bond instruments	<u>31,321</u>	<u>31,638</u>	<u>63,218</u>	<u>63,243</u>	<u>–</u>
	<u><u>(2,307)</u></u>	<u><u>(315,539)</u></u>	<u><u>(926,982)</u></u>	<u><u>72,493</u></u>	<u><u>269,596</u></u>

Note 1: the presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and six months ended 30 June 2019 have been restated in order to disclose the discontinued operation separately from continuing operations.

Note 2: the respective figures of FY2017, 1H2019 and 1H2020 are equivalent to the sum of net unrealised gains/losses on financial investments and net realised gains/losses on financial investments as appeared in the respective reports/announcements.

Revenue

During the Period, total revenue of the HRIV Group have been mainly contributed by its HRIV Direct Investment Business and HRIV Financial Services Business (together, the “**Continuing Operations**”). Prior to the end of 2019, in addition to the Continuing Operations, HRIV Group was also involved in the foundation and substructure construction services business segment (“**Foundation Business**”) including the excavation and lateral support works, pile cap construction and substructure construction for residential, commercial and infrastructure projects and rental of relevant equipment. As disclosed in the HRIV 2019 Annual Report, in order to put more emphasis on developing the Continuing Operations, the HRIV Group disposed of and ceased its Foundation Business in December 2019. As a result, the presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for FY2018 and 1H2019 were restated in order to disclose the financial performance of the Foundation Business separately from the Continuing Operations. Total revenue from Continuing Operations for FY2018 was approximately HK\$910.6 million, which represented an increase of around 50.2% or approximately HK\$304.5 million as compared to the aggregated segment revenue from the HRIV Direct Investment Business and the HRIV Financial Services Business in FY2017. Such increase were mainly attributable to the remarkable increase in revenue contribution from the HRIV Direct Investment Business as a result of the increase in, among others, interest income from financial assets at fair value.

Total revenue from Continuing Operations of the HRIV Group decreased from approximately HK\$910.6 million in FY2018 to approximately HK\$511.2 million in FY2019. Such 43.9% decrease was mainly due to the drop in revenue from both the HRIV Direct Investment Business and the HRIV Financial Services Business as a result of, among others, lower income generated from investments held by the HRIV Group as a result of less total investments held as well as lower service income derived from the provision of financial services in FY2019.

Total revenue from Continuing Operations declined by approximately 55.6% from approximately HK\$251.1 million in 1H2019 to approximately HK\$111.6 million in 1H2020. The decline in total revenue from Continuing Operations was mainly because of reduction in dividend income, income from loan and debt instruments and financial assets at fair value through profit or loss.

Net gains/losses on fair value changes of financial investments and derivatives

HRIV reported net losses on fair value changes of financial investments and derivatives in FY2018 of approximately HK\$167.3 million as compared to net gains on fair value changes of financial investments and derivatives of approximately HK\$267.1 million in FY2017. The main reason for the losses reported in FY2018 was the reporting of a HK\$172.2 million unrealised loss on financial assets at fair value through profit and loss as compared to the gains in FY2017. Net losses on fair value changes of financial investments and derivatives enlarged to approximately HK\$216.4 million in FY2019, which was mainly due to a drop in fair value of listed bonds and funds.

HRIV reported with net gains on fair value changes of financial investments and derivatives of approximately HK\$83.0 million in 1H2020 as compared to net losses on fair value changes of financial investments and derivatives of approximately HK\$178.9 million in 1H2019. The net gain in 1H2020 was mainly attributable to the net unrealised gains on financial investments attributable to the growth in their fair value during 1H2020.

Net recognition/reversal of impairment losses under credit loss model

HRIV reported a net reversal of impairment loss of approximately HK\$30.3 million in FY2018 as compared to the net recognition of impairment losses of approximately HK\$86.0 million in FY2017. The net reversal of impairment losses made in FY2018 was mainly attributable to, among others, the absence of impairment losses recognition on the discontinued Foundation Business for FY2018, the net reversal of impairment loss made on loan and debt instruments of around HK\$73.5 million partly set off by the net recognition of impairment losses on finance lease receivables of around HK\$43.3 million for the year. In FY2019, the Group recorded impairment losses of approximately HK\$937.1 million, among which the impairment losses recognition for investment on loan and debt instruments and finance leases receivables amounted to approximately HK\$889.6 million.

HRIV recognised net impairment losses of approximately HK\$39.5 million in 1H2020 as compared to net impairment losses of approximately HK\$100.6 million in 1H2019. The narrowed impairment losses were mainly attributable to the drop of impairment loss recognition of finance lease receivables, loan and debt instruments and trade and other receivables of approximately HK\$13.1 million, approximately HK\$18.8 million and approximately HK\$29.2 million respectively.

Finance costs

HRIV's finance costs for FY2018 was approximately HK\$404.6 million. This represented an increase of approximately 76.1% compared to the total finance costs of approximately HK\$229.8 million incurred in FY2017. The increase in finance costs was mainly due to increase in interest-bearing borrowings from approximately HK\$229.4 million in FY2017 to approximately HK\$399.0 million (excluding the finance costs of interest-bearing borrowings attributable to the Foundation Business) in FY2018 pursuant to business expansion.

HRIV's finance costs for FY2019 decreased by approximately 24.4% to approximately HK\$305.8 million. Such decrease was due to lower finance costs associated with less interest-bearing borrowings following certain repayment of interest-bearing borrowings.

HRIV's finance costs for 1H2020 decreased to approximately HK\$93.7 million from approximately HK\$160.0 million in 1H2019. The decrease was also due to lower finance costs associated with less interest-bearing borrowings.

Net profit/loss attributable to ordinary shareholders of HRIV

Net profit attributable to HRIV Shareholders declined from approximately HK\$269.6 million in FY2017 to approximately HK\$9.3 million in FY2018. Such decrease of approximately HK\$260.3 million was mainly a result of (i) the net losses on fair value changes of financial investments and derivatives of approximately HK\$167.3 million in FY2018 as compared to the net gain of approximately HK\$267.1 million in FY2017; (ii) increase in finance costs of approximately HK\$174.7 million primarily due to more interest-bearing borrowings attributable to the business expansion; and (iii) the payment of distribution to Blossom Direction Limited, being the holder of the perpetual capital bond with the face value of US\$162 million issued by HRIV on 27 December 2017 (the "**HRIV Perpetual Bond**"). Blossom Direction Limited is a fellow subsidiary of HRIV.

Net profit attributable to HRIV Shareholders further decreased from approximately HK\$9.3 million in FY2018 to a net loss attributable to HRIV Shareholders of approximately HK\$990.2 million in FY2019. The deterioration in financial performance in FY2019 was mainly due to the net recognition of impairment losses relating to Continuing Operations of approximately HK\$937.1 million as compared to a net reversal of impairment losses of approximately HK\$30.3 million in FY2018 as discussed in details above, partly off-set by the gain on disposal of the Foundation Business of approximately HK\$283.8 million following completion of such disposal in December 2019.

Net loss attributable to HRIV Shareholders narrowed to around HK\$33.6 million in 1H2020 as compared to a loss of approximately HK\$347.2 million in 1H2019. The improvement in net loss attributable to HRIV Shareholders were mainly due to, as discussed in details above, lower net impairment losses under credit loss model of approximately HK\$39.5 million as compared to that of approximately HK\$100.6 million in 1H2019, lower financing costs incurred in 1H2020 of approximately HK\$93.7 million as compared to that in 1H2019 of approximately HK\$160.0 million, and net gains on fair value changes of financial investments and derivatives of approximately HK\$83.0 million in 1H2020 as compared to net losses of approximately HK\$178.9 million in 1H2019.

(ii) *Financial position*

Set out below is a summary of the consolidated financial position of the HRIV Group as at 31 December 2018, 31 December 2019 and 30 June 2020, as extracted from the HRIV 2019 Annual Report and HRIV 2020 IR:

	30 June	As at	
	2020	31 December	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Right-of-use assets	79,870	131,685	–
Financial investments	938,000	885,225	1,746,740
Finance lease receivables	572,338	534,180	988,144
Loan and debt instruments	–	–	1,268,288
Other non-current assets	48,802	56,471	107,435
	<u>1,639,010</u>	<u>1,607,561</u>	<u>4,110,607</u>
Current assets			
Trade and other receivables	27,169	43,490	279,909
Financial investments	1,535,363	1,839,809	2,975,962
Finance lease receivables	464,641	552,020	463,767
Loan and debt instruments	1,184,247	1,285,548	1,568,867
Deposits in other financial institutions	127,929	89,957	139,749
Pledged bank deposits	13,000	–	–
Bank balances and cash	823,799	927,246	738,955
Other current assets	5,658	4,563	140,420
	<u>4,181,806</u>	<u>4,742,633</u>	<u>6,307,629</u>
TOTAL ASSETS	<u>5,820,816</u>	<u>6,350,194</u>	<u>10,418,236</u>

	30 June	As at	
	2020	31 December	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade and other payables	36,505	39,065	331,651
Interest-bearing borrowings	1,332,664	676,218	2,221,381
Financial assets sold under repurchase agreements	–	97,101	511,853
Other current liabilities	<u>147,857</u>	<u>160,675</u>	<u>303,972</u>
	<u>1,517,026</u>	<u>973,059</u>	<u>3,368,857</u>
Non-current liabilities			
Interest-bearing borrowings	2,893,010	3,903,905	4,784,454
Lease liabilities	109,479	172,824	–
Other non-current liabilities	<u>16,334</u>	<u>18,035</u>	<u>49,146</u>
	<u>3,018,823</u>	<u>4,094,764</u>	<u>4,833,600</u>
TOTAL LIABILITIES	<u>4,535,849</u>	<u>5,067,823</u>	<u>8,202,457</u>
NET ASSETS	<u>1,284,967</u>	<u>1,282,371</u>	<u>2,215,779</u>
Capital and reserves			
Share capital	18,160	18,160	18,160
Perpetual capital instrument	1,424,115	1,392,794	1,329,576
Reserves	<u>(157,308)</u>	<u>(128,583)</u>	<u>868,043</u>
TOTAL EQUITY	<u>1,284,967</u>	<u>1,282,371</u>	<u>2,215,779</u>

Non-current assets of the HRIV Group as at 31 December 2019 and 30 June 2020 mainly comprised, among others, financial investments (which were mainly unlisted fund and debt investments) and finance lease receivables. Total non-current assets substantially decreased by approximately 60.9% as at 31 December 2019 from approximately HK\$4,110.6 million as at 31 December 2018 to approximately HK\$1,607.6 million. Such decrease was mainly resulted from, amongst others, (a) a decline in the carrying value of financial investments from approximately HK\$1,746.7 million as at 31 December 2018 to approximately HK\$885.2 million as at 31 December 2019 which was due to (i) the put back of the HRIV Group's holding of certain investment fund's subordinated units to its general partner with a carrying value of approximately RMB80.0 million as at 31 December 2018; (ii) the full settlement of debt investment with the principal amount of US\$64.0 million on 14 August 2019; and (iii) the realisation of the HRIV Group's underlying assets in a structured asset management plan of a financial institution with a carrying value of approximately HK\$61.8 million as at 31 December 2018; (b) a decline in the balance of finance lease receivables (non-current portion) of approximately HK\$454.0 million from approximately HK\$988.1 million as at 31 December 2018 to approximately HK\$534.2 million as at 31 December 2019; and (c) a decline in the balance of loan and debt instruments (non-current portion) from approximately HK\$1,268.3 million as at 31 December 2018 to nil as at 31 December 2019 which were predominately attributable to the reclassification to loan and debt instruments (current portion) as the maturity period became less than a year. As at 30 June 2020, non-current assets of the HRIV Group slightly increased by around 2.0% to approximately HK\$1,639.0 million, mainly as a result of the increase in financial investments by around 6.0% to approximately HK\$938.0 million as at 30 June 2020.

Current assets of the HRIV Group as at 31 December 2019 and 30 June 2020 comprised mainly of financial investments (which mainly included but not limited to, listed debt instruments, unlisted bonds and convertible bonds and listed equity securities), finance lease receivables, loan and debt instruments and bank balances and cash. Current assets of the HRIV Group declined from approximately HK\$6,307.6 million as at 31 December 2018 to approximately HK\$4,742.6 million as at 31 December 2019, representing a drop of approximately HK\$1,565.0 million. The decline was mainly resulted from a decrease in the carrying value of financial investments by approximately HK\$1,136.2 million as a result of (i) realisation of listed debt instruments with carrying amount of approximately HK\$131.0 million; (ii) drop in fair value of the put options on the Australian listed equity securities; and (iii) drop in fair value of the unlisted fund investments. As at 30 June 2020, current assets of the HRIV Group further decreased by around 11.8% to approximately HK\$4,181.8 million, which was mainly due to the drop of financial investments by approximately HK\$304.4 million primarily resulting from the disposal of listed debt instruments of approximately HK\$253.7 million during 1H2020.

Current liabilities of the HRIV Group as at 31 December 2019 and 30 June 2020 mainly comprised, among other things, current portion of interest-bearing borrowings. Current liabilities declined from approximately HK\$3,368.9 million as at 31 December 2018 to approximately HK\$973.1 million as at 31 December 2019, primarily as a result of the decline in (i) the carrying value of interest-bearing borrowings by approximately HK\$1,545.2 million or 69.6% as a result of repayments during the year; and (ii) the carrying value of financial assets sold under repurchase agreements by approximately HK\$414.8 million or around 81.0% which was a result of the disposal of listed debt instruments and repayment of loans to financial institutions under repurchase agreements. As at 30 June 2020, current liabilities of the HRIV Group increased by around 55.9% to approximately HK\$1,517.0 million mainly due to the increment of interest-bearing borrowings (current portion) by around 97.1% from approximately HK\$676.2 million as at 31 December 2019 to approximately HK\$1,332.7 million as at 30 June 2020. Such growth was mainly because of the reclassification of certain interest-bearing borrowings from non-current portion to current portion due to their maturities becoming less than a year.

Non-current liabilities of the HRIV Group as at 31 December 2019 and 30 June 2020 mainly comprised non-current portion of interest-bearing borrowings. Total non-current liabilities of the HRIV Group decreased from approximately HK\$4,833.6 million as at 31 December 2018 to approximately HK\$4,094.8 million as at 31 December 2019 mainly as a result of the decrease in interest-bearing borrowings (non-current portion) due to repayments during the year. As at 30 June 2020, non-current liabilities of the HRIV Group further decreased by around 26.3% to approximately HK\$3,018.8 million which was primarily attributable to the reclassification of certain non-current interest-bearing borrowings to current portion due to their maturities becoming less than a year.

HRIV Group had total interest-bearing borrowings (current and non-current) of approximately HK\$4,225.7 million as at 30 June 2020, which comprised, among others, bank loans of approximately HK\$773.3 million and shareholder's loan of approximately HK\$2,821.0 million. The gearing ratio (defined as total interest-bearing borrowings divided by the HRIV Group's total equity) was approximately 3.6 times as at 31 December 2019, representing an increase of around 12.5% as compared to the gearing ratio of approximately 3.2 times as at 31 December 2018. Such increase was mainly due to the decline in the balance for total equity by approximately 42.1% from approximately HK\$2,215.8 million as at 31 December 2018 to approximately HK\$1,282.4 million as at 31 December 2019. Gearing ratio of the HRIV Group as at 30 June 2020 decreased by around 8.3% to around 3.3 times, which was mainly as a result of a drop in the total interest-bearing borrowings by approximately 7.7% from approximately HK\$4,580.1 million as at 31 December 2019 to approximately HK\$4,225.7 million as at 30 June 2020.

Net asset value (“NAV”) of the HRIV Group decreased significantly from approximately HK\$2,215.8 million at 31 December 2018 to approximately HK\$1,282.4 million as at 31 December 2019 mainly due to the net loss incurred by the HRIV Group for FY2019. NAV of the HRIV Group as at 30 June 2020 was approximately HK\$1,285.0 million, which was comparable to that as at 31 December 2019, and based on the total number of issued Shares of 1,816,000,000 as at the Latest Practicable Date, the NAV per HRIV Share was approximately HK\$0.71 as at 30 June 2020.

Disinterested Shareholders should note that NAV of the HRIV Group as at 30 June 2020 indeed comprised net liabilities attributable to HRIV Shareholders of approximately HK\$139.1 million and equity attributable to holder(s) of the HRIV Perpetual Bond of approximately HK\$1,424.1 million. As disclosed in the announcement of HRIV dated 27 December 2017 and the HRIV 2019 Annual Report, the HRIV Perpetual Bond was issued by HRIV to China Huarong Group in December 2017 with face value of US\$162 million and constitute direct, unconditional, unsubordinated and unsecured obligations of HRIV. It has no maturity and the payment of distribution can be deferred indefinitely at the discretion of HRIV, and has been accounted for as equity instrument in the consolidated accounts of HRIV since its issuance. Against such backdrop and only if equity that attributable to HRIV Shareholder is considered, the HRIV Group reported net liabilities attributable to HRIV Shareholder per HRIV Share of approximately HK\$0.08 as at 30 June 2020, based on the total number of issued Shares of 1,816,000,000 as at the Latest Practicable Date.

No dividend has been declared and paid by HRIV to its shareholders during the entire Period.

1.3 Prospects of the HRIV Group

As discussed in detail in the section headed “1.1 Background information of the HRIV Group” above, the HRIV Group is principally engaged in the HRIV Direct Investment Business and the HRIV Financial Services Business.

Having reviewed the nature of the two main business segments and having discussed with the HRIV Management, we understand that business performance of the HRIV Group as a whole is highly dependent on the overall national economic conditions in China and the global macro-economic environment. In 2020, economic recovery has faced enormous challenges as a result of negative factors such as the rising trade protectionism, the deteriorating global investment environment, geopolitical issues such as China-US trade disputes as well as other political risks. The global outbreak of the COVID-19 has accelerated global economic downturn and the resultant panic chain effect has led to the recent volatility in global stock markets and financial markets. In particular, according to the national data published by the National Bureau of Statistics of China, gross domestic product (“GDP”) of China have

recorded a drop of around 5.3% in the first quarter of 2020 as compared to the corresponding period last year. On 22 May 2020, China government further announced in 中國第十三屆全國人民代表大會第三次會議中國總理李克強作政府工作報告 that no GDP target will be set for the year 2020, which was the first time since 1990. In addition, on a global scale, we noted that according to an advance estimate published by the Bureau of Economic Analysis, United States Department of Commerce, real GDP decreased at an annual rate of around 31.7% in the second quarter of 2020, and for the first quarter of 2020, real GDP decreased by around 5.0%.

We have discussed the aforementioned findings with the HRIV Management and noted that in view of the uncertainties in the global market and the evidently weaker PRC economic indicators, the HRIV Group has been continuously executing a series of risk control procedures to manage, react and adapt to the changing economic conditions, however in view of the recent uncertainties, including but not limited to China-US trade disputes and the evolving political risks and the fact that such implications have cast uncertainties on the business prospects, whether the HRIV Group will be able to recover the losses from its investments and main business segments and regain shareholder value, would be highly uncertain. Given the above, the business prospects of HRIV in the near future could be subject to challenges and it is uncertain whether the continuing losses of the HRIV Group would extend, if not enlarge.

2. Information and prospects of the HRIF Group

2.1 Background information of the HRIF Group

HRIF is a limited liability company incorporated in the Bermuda. HRIF is also an indirect subsidiary of China Huarong which is controlled by the PRC Ministry of Finance.

The HRIF Group primarily focuses on its licensed 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 (“**HRIF Securities Business**”); (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 (“**HRIF Corporate Finance Business**”); and (iii) Huarong International Asset Management Limited, being a licensed corporation to conduct Type 9 (asset management) regulated activity under the SFO (“**HRIF Asset Management and Direct Investment Business**”).

As disclosed in the HRIF 2019 Annual Report, the HRIF Asset Management and Direct Investment Business provides asset management services, direct investments in stocks, bonds, funds, derivative instruments and other financial products. Whilst the HRIF Securities Business includes provision of brokerage services, margin financing

and stocks, futures and options trading services, the HRIF Corporate Finance Business mainly provides institutional clients with comprehensive securities issuance and underwriting and financing advisory services.

2.2 Financial information of the HRIF Group

(i) Financial performance

Set out below is a summary of the HRIF Group's consolidated financial performance for the three years ended 31 December 2017, 2018 and 2019, and for the six months ended 30 June 2019 and 2020 as extracted from the HRIF 2018 Annual Report, the HRIF 2019 Annual Report and the HRIF 2020 IR:

	For the six months ended 30 June		For the financial year ended 31 December		
	2020	2019	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
HRIF Asset Management and Direct Investment Business:					
– Commission and fee income	1,298	35,586	81,833	110,917	115,941
– Interest income	213,721	573,223	1,042,905	1,288,479	982,101
– Investment income	31,188	112,325	117,832	355,200	209,397
HRIF Securities Business:					
– Commission and fee income	14,356	25,436	30,280	59,602	42,598
– Interest income	101,054	194,323	385,432	426,463	358,632
HRIF Corporate Finance Business:					
– Commission and fee income	235	13,261	8,907	30,894	314,361
	<u>361,852</u>	<u>954,154</u>	<u>1,667,189</u>	<u>2,271,555</u>	<u>2,023,030</u>

PART VI LETTER FROM THE HRIV INDEPENDENT FINANCIAL ADVISER

	For the six months		For the financial year ended		
	ended 30 June		31 December		
	2020	2019	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net (loss)/gain on financial assets at fair value through profit or loss	(276,054)	378,252	(9,802)	(1,347,321)	756,502
Net loss arising from disposal of financial assets at fair value through other comprehensive income	(16,166)	(9,667)	(18,715)	(55,629)	–
Gain on disposal of available-for-sale investments	–	–	–	–	55,358
Other income and gains or losses, net	(45,753)	(27,034)	(28,295)	(4,345)	(144,210)
Brokerage and commission expenses	(4,543)	(4,614)	(8,839)	(15,953)	(10,375)
Administrative and other operating expenses	(75,089)	(75,526)	(152,353)	(225,845)	(288,907)
Net gain on deemed disposal of a joint venture entity	–	–	–	–	200,705
Net gain on disposal of subsidiaries	–	–	–	5,435	(292)
Impairment losses, net of reversal	(93,164)	(685,703)	(1,641,959)	(522,042)	(170,671)
Finance costs	(317,657)	(696,297)	(1,286,755)	(1,683,892)	(1,158,237)
Share of result of associates	–	13,314	14,327	19,444	1,126
(Loss)/profit before tax	(466,574)	(153,121)	(1,465,202)	(1,558,593)	1,264,029
Income tax (expense)/credit	(8,446)	(77,631)	(14,658)	76,454	(258,386)
(Loss)/profit for the period/year	<u>(475,020)</u>	<u>(230,752)</u>	<u>(1,479,860)</u>	<u>(1,482,139)</u>	<u>1,005,643</u>
(Loss)/profit attributable to:					
Owners of HRIF	(507,975)	(263,806)	(1,545,885)	(1,548,222)	964,093
Holder of perpetual capital instrument	<u>32,955</u>	<u>33,054</u>	<u>66,025</u>	<u>66,083</u>	<u>41,550</u>
	<u>(475,020)</u>	<u>(230,752)</u>	<u>(1,479,860)</u>	<u>(1,482,139)</u>	<u>1,005,643</u>

Revenue

During the Period, total revenue of the HRIF Group has been mainly contributed by revenue from the HRIF Asset Management and Direct Investment Business as to over 60% of the HRIF Group's total revenue for each of above-stated financial periods in the Period. Total revenue of the HRIF Group increased by 12.3% in FY2018 from approximately HK\$2,023.0 million in FY2017 to approximately HK\$2,271.6 million in FY2018 mainly due to the increase in interest income from HRIF Asset Management and Direct Investment Business and HRIF Securities Business in aggregate from approximately HK\$1,340.7 million in FY2017 to approximately HK\$1,714.9 million in FY2018 which was a result of increase in interest income from financial assets at fair value through profit or loss and interest income received from financial assets at fair value through other comprehensive income, partly off-set by the decrease in revenue from HRIF Corporate Finance Business during FY2018.

Total revenue of the HRIF Group decreased by around 26.6% to approximately HK\$1,667.2 million in FY2019 mainly as a result of the drop in revenue across all segments in particular, the HRIF Asset Management and Direct Investment Business during FY2019. Segment revenue from the HRIF Asset Management and Direct Investment Business dropped by around 29.2% or approximately HK\$512.0 million in FY2019 to approximately HK\$1,242.6 million, which was attributable to, amongst others, the decrease in interest income by approximately HK\$245.6 million and the decline in investment income by approximately 66.8% due to lower dividend income received during FY2019. Segment revenue from the HRIF Securities Business also declined by around 14.5% or approximately HK\$70.4 million as a result of the lower consultancy and financing advisory fee income and lower interest income received during the year. Segment revenue from the HRIF Corporate Finance Business, being its commission and fee income, also dropped by around 71.2% or approximately HK\$22.0 million to approximately HK\$8.9 million for FY2019.

During 1H2020, total revenue of the HRIF Group decreased by around 62.1% to approximately HK\$361.9 million in 1H2020 from approximately HK\$954.2 million in 1H2019 mainly as a result of a drop in revenue from the HRIF Asset Management and Direct Investment Business by approximately HK\$474.9 million or around 65.9% from approximately HK\$721.1 million in 1H2019 to approximately HK\$246.2 million in 1H2020, which was attributable to, amongst others, the decrease in interest income by approximately HK\$359.5 million and the decline in investment income by approximately HK\$81.1 million due to the disposal of investment projects involving provision of loan facilities and listed debt investments. Segment revenue from the HRIF Securities Business also declined by

around 47.5% or approximately HK\$104.3 million. Segment revenue from the HRIF Corporate Finance Business, being its commission and fee income, also dropped by around 98.2% or approximately HK\$13.0 million to approximately HK\$0.2 million for 1H2020.

Net loss/gain on financial assets at fair value through profit or loss

HRIF reported net loss on financial assets at fair value through profit or loss in FY2018 of approximately HK\$1,347.3 million as compared to net gain of approximately HK\$756.5 million in FY2017. The main reason for such loss reported in FY2018 was mainly due to a decline in fair value of listed equity and debt investments held by the HRIF Group.

HRIF reported a narrowed net loss on financial assets of approximately HK\$9.8 million in FY2019, which was mainly due to an improvement in fair value of listed equity and debt investments.

During 1H2020, HRIF reported a net loss on financial assets of approximately HK\$276.1 million as compared to a net gain of approximately HK\$378.3 million in 1H2019. The main reason for such loss was due to a decline in fair value of listed equity and debt investments due to the market instability caused by the COVID-19 pandemic.

Impairment losses, net of reversal

HRIF reported impairment losses of approximately HK\$522.0 million in FY2018 as compared to approximately HK\$170.7 million in FY2017. The larger net impairment charge was attributable to the recognition of approximately HK\$399.2 million provision relating to advances to customers in margin financing and accounts receivable. HRIF recognised larger impairment losses of approximately HK\$1,642.0 million in FY2019 mainly due to (i) around 263.5% increase in net provision for impairment of other loans and receivables to approximately HK\$547.2 million in FY2019 as compared to approximately HK\$150.5 million in FY2018; and (ii) approximately HK\$961.5 million net provision for impairment of advances to customers in margin financing and accounts receivable in FY2019 as compared to approximately HK\$397.2 million in FY2018.

During 1H2020, HRIF reported smaller impairment losses of approximately HK\$93.2 million as compared to approximately HK\$685.7 million in 1H2019 which was mainly due to a significant drop of approximately HK\$604.1 million net provision for impairment of loans and advances to customers and other financial assets at amortised cost.

Finance costs

HRIF's finance costs for FY2018 was approximately HK\$1,683.9 million. This represented an increase of approximately 45.4% from approximately HK\$1,158.2 million in FY2017 and such increase was mainly due to increase in finance costs relating to the bank borrowings from approximately HK\$277.3 million in FY2017 to approximately HK\$571.5 million in FY2018. HRIF's finance costs for FY2019 decreased by approximately 23.6% to approximately HK\$1,286.8 million. The decrease was mainly due to lower finance costs associated with the bank borrowings by approximately HK\$427.8 million.

During 1H2020, HRIF's finance costs decreased by approximately 54.4% from approximately HK\$696.3 million in 1H2019 to approximately HK\$317.7 million in 1H2020. The decrease was mainly due to a drop in total interest-bearing borrowings by approximately HK\$3,603.9 million from approximately HK\$11,690.9 million as at 31 December 2019 to approximately HK\$8,087.0 million as at 30 June 2020.

Net loss/profit attributable to owners of HRIF

Net loss/profit attributable to owners of HRIF declined from a profit of approximately HK\$964.1 million in FY2017 to a loss of approximately HK\$1,548.2 million in FY2018. Such decrease was mainly a result of the significantly higher net impairment loss from approximately HK\$170.7 million in FY2017 to approximately HK\$522.0 million in FY2018 and the significantly higher finance costs incurred in FY2018 of approximately HK\$1,683.9 million as compared to approximately HK\$1,158.2 million in FY2017, as discussed in detail in the paragraphs above. Net loss attributable to owners of HRIF remained largely unchanged at approximately HK\$1,545.9 million in FY2019. We noted that the largest contributors for the continued loss were mainly (i) the decline in revenue by approximately 26.6% in FY2019 as compared to FY2018; and (ii) the significantly higher impairment losses of approximately HK\$1,642.0 million recognised in FY2019 as compared to approximately HK\$522.0 million in FY2018, as discussed in detail in the paragraphs above.

Net loss attributable to owners of HRIF further enlarged from approximately HK\$263.8 million in 1H2019 to approximately HK\$508.0 million in 1H2020 which was mainly a result of the significant drop in total revenue in 1H2020 by around 62.1% as discussed in detail in the paragraphs above.

(ii) *Financial position*

Set out below is a summary of the consolidated financial position of the HRIF Group as at 31 December 2018, 31 December 2019 and 30 June 2020, as extracted from the HRIF 2019 Annual Report and HRIF 2020 IR:

	30 June	As at	
	2020	31 December	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Right-of-use assets	76,092	102,189	–
Financial assets at fair value through profit or loss	1,262,541	1,375,241	1,719,076
Financial assets at fair value through other comprehensive income	2,045,189	2,055,607	2,716,175
Other loans and receivables	–	–	291,434
Amount due from an associate	302,805	314,262	318,838
Other non-current assets	61,753	61,124	180,045
	<u>3,748,380</u>	<u>3,908,423</u>	<u>5,225,568</u>
Current assets			
Advances to customers in margin financing	616,134	2,883,671	4,072,424
Accounts receivable	112,934	103,356	160,347
Financial assets at fair value through profit or loss	2,611,372	3,473,220	13,697,120
Financial assets at fair value through other comprehensive income	1,024,477	1,911,824	2,908,508
Other loans and receivables	2,997,009	772,017	5,979,776
Restricted bank balances	411,822	389,202	396,500
Cash and cash equivalents	1,571,377	3,069,944	2,401,797
Other current assets	117,971	154,844	181,804
	<u>9,463,096</u>	<u>12,758,078</u>	<u>29,798,276</u>
TOTAL ASSETS	<u>13,211,476</u>	<u>16,666,501</u>	<u>35,023,844</u>

PART VI LETTER FROM THE HRIV INDEPENDENT FINANCIAL ADVISER

	30 June	As at	
	2020	31 December	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Accounts payables	919,941	1,355,529	2,269,848
Other liabilities, payables and accruals	130,871	248,122	401,108
Interest-bearing borrowings	3,180,012	6,241,067	12,456,782
Repurchase agreements	1,619,609	1,745,170	4,125,976
Financial liabilities at fair value through profit or loss	–	39,023	401,429
Other current liabilities	58,123	191,051	174,484
	<u>5,908,556</u>	<u>9,819,962</u>	<u>19,829,627</u>
Non-current liabilities			
Interest-bearing borrowings	4,906,951	5,449,796	13,021,146
Other non-current liabilities	59,188	67,646	102,624
	<u>4,966,139</u>	<u>5,517,442</u>	<u>13,123,770</u>
TOTAL LIABILITIES	<u>10,874,695</u>	<u>15,337,404</u>	<u>32,953,397</u>
NET ASSETS	<u>2,336,781</u>	<u>1,329,097</u>	<u>2,070,447</u>
Capital and reserves			
Equity attributable to owners of HRIF			
Share capital	3,588	3,588	3,588
Perpetual capital securities classified as equity investments	2,757,363	1,207,430	1,208,369
Share premium and reserves	(424,170)	118,079	858,490
TOTAL EQUITY	<u>2,336,781</u>	<u>1,329,097</u>	<u>2,070,447</u>

Non-current assets of the HRIF Group as at 31 December 2019 and 30 June 2020 mainly comprised, among others, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. Total non-current assets decreased by approximately 25.2% from approximately HK\$5,225.6 million as at 31 December 2018 to approximately HK\$3,908.4 million as at 31 December 2019, which was mainly as a result of (a) the decline in the carrying value of financial asset through profit or loss from approximately HK\$1,719.1 million as at 31 December 2018 to approximately HK\$1,375.2 million as at 31 December 2019 primarily due to the redemption of certain unlisted fund investments held by the HRIF Group; and (b) the decrease in the carrying value for financial assets at fair value through other comprehensive income from approximately HK\$2,716.2 million as at 31 December 2018 to approximately HK\$2,055.6 million as at 31 December 2019 which was mainly due to disposals of investments during FY2019. Non-current assets of the HRIF Group decreased further by around 4.1% to approximately HK\$3,748.4 million as at 30 June 2020, mainly as a result of the drop of approximately HK\$112.7 million of financial assets at fair value through profit or loss due to the decline in fair value of the unlisted fund investments.

Current assets of the HRIF Group as at 31 December 2019 and 30 June 2020 comprised mainly of advances to customers in margin financing, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and cash and cash equivalents. Current assets of the HRIF Group declined by approximately HK\$17,040.2 million from approximately HK\$29,798.3 million as at 31 December 2018 to approximately HK\$12,758.1 million as at 31 December 2019. Such decrease was mainly as a result of (i) the decrease in the carrying value for advances to customers in margin financing of approximately HK\$1,188.8 million as at 31 December 2019 as a result of the increase in provision for impairment to approximately HK\$1,330.4 million during the year; and (ii) the decrease in the carrying value of financial assets at fair value through profit or loss of approximately HK\$10,223.9 million as a result of disposals of certain unlisted convertible bonds and convertible notes, and unlisted fund investments mainly to China Huarong Overseas Investment Holdings Co., Ltd.. Current assets of the HRIF Group further decreased by around 25.8% to approximately HK\$9,463.1 million as at 30 June 2020 mainly due to (i) the further decline in advances to customers in margin financing by approximately HK\$2,267.5 million as a result of a drop in loans to customers in margin financing during 1H2020; (ii) the decline in financial assets at fair value through profit or loss of approximately HK\$861.8 million mainly due to disposal of listed equity securities and listed fixed income securities; and (iii) the decline in financial assets at fair value through other comprehensive income by approximately HK\$887.3 million mainly due to disposal of listed fixed income securities.

Current liabilities of the HRIF Group as at 31 December 2019 and 30 June 2020 mainly comprised, among other things, accounts payable, interest-bearing borrowings and repurchase agreements. As at 31 December 2019, current liabilities declined from approximately HK\$19,829.6 million at 31 December 2018 to approximately HK\$9,820.0 million at 31 December 2019. Such change was mainly as a result of the decline in (i) accounts payable of approximately HK\$914.3 million due to less transactions during the year; (ii) interest-bearing borrowings of approximately HK\$6,215.7 million following repayment of shareholder loans during the year; and (iii) repurchase agreements of approximately HK\$2,380.8 million due to the drop in sales and repurchase arrangements on bonds and preference shares transactions during the year. Current liabilities of the HRIF Group further decreased by around 39.8% to approximately HK\$5,908.6 million as at 30 June 2020 which was mainly due to the decline in (i) account payable of approximately HK\$435.6 million due to less transactions during 1H2020; and (ii) interest-bearing borrowings of approximately HK\$3,061.1 million mainly due to the repayment of loan from the intermediate holding company.

Non-current liabilities of the HRIF Group as at 31 December 2019 and 30 June 2020 mainly comprised non-current interest-bearing borrowings. Total non-current liabilities of the HRIF Group decreased from approximately HK\$13,123.8 million as at 31 December 2018 to approximately HK\$5,517.4 million as at 31 December 2019, and further decreased by around 10.0% to approximately HK\$4,966.1 million as at 30 June 2020, which was mainly due to repayments of loans during the respective period.

HRIF Group had total interest-bearing borrowings (current and non-current) of approximately HK\$8,087.0 million as at 30 June 2020, which comprised bank loans of approximately HK\$2,819.0 million and shareholder's loan of approximately HK\$5,268.0 million. The gearing ratio (defined as total interest-bearing borrowings over HRIF Group's total equity) was approximately 8.8 times as at 31 December 2019 as compared to approximately 12.3 times as at 31 December 2018. The decrease in gearing ratio was attributable to the decrease in shareholder loans in the year. Gearing ratio of the HRIF Group as at 30 June 2020 further decreased to around 3.5 times, mainly as a result of (i) the significant decline in total interest-bearing borrowings; and (ii) the issuance of a new tranche of perpetual securities to CHIH in the principal amount of approximately US\$200 million during 1H2020.

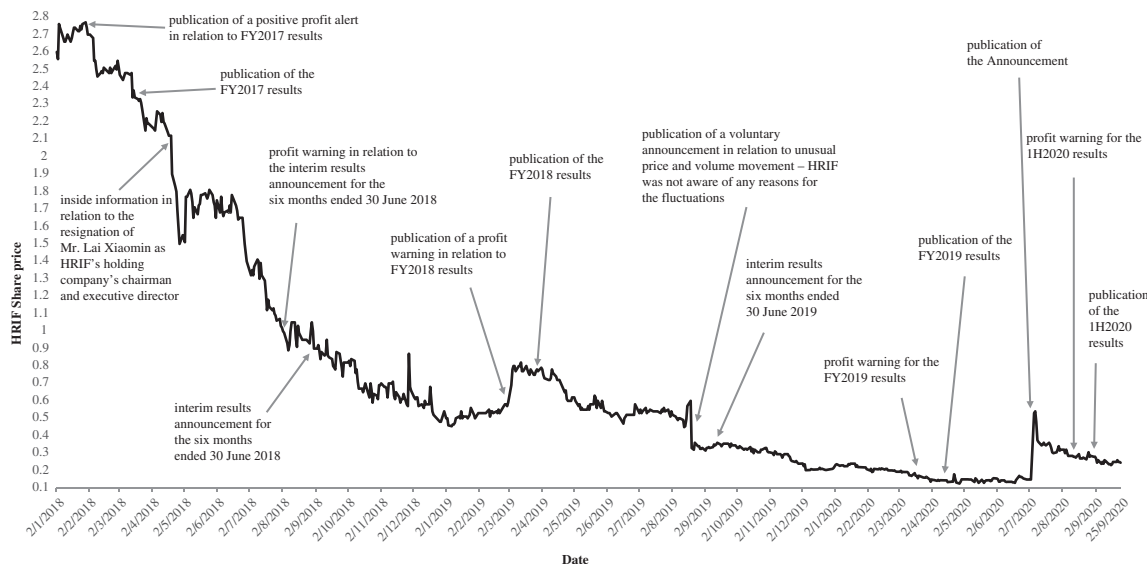
The HRIF Group reported a NAV of approximately HK\$1,329.1 million as at 31 December 2019 as compared to approximately HK\$2,070.4 million at 31 December 2018. Such decrease in NAV was mainly attributable to the decline in assets, including but not limited to, the drop in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income with details as discussed above. The increase in NAV of the HRIF Group from approximately HK\$1,329.1 million as at 31 December 2019 to approximately HK\$2,336.8 million as at 30 June 2020 was mainly attributable to the issue of a new tranche of perpetual securities to CHIH in the principal amount of US\$200 million on 30 June 2020, partially offset by the loss attributable to owners of HRIF of approximately HK\$508.0 million for 1H2020.

As at 30 June 2020, NAV of the HRIF Group of approximately HK\$2,336.8 million comprised net liabilities attributable to HRIF Shareholders of approximately HK\$420.6 million and equity attributable to the holders of the perpetual securities of approximately HK\$2,757.4 million. As disclosed in the HRIF 2019 Annual Report and the announcement of HRIF dated 30 June 2020, the perpetual securities constitute direct, unconditional, unsubordinated and unsecured obligations of HRIF, have no fixed redemption date and the payment of distribution can be deferred into perpetuity at the discretion HRIF. Accordingly, for accounting purpose, such securities are accounted for as equity of HRIF. Against such backdrop and only if equity that attributable to HRIF Shareholders is considered, the HRIF Group reported net liabilities attributable to HRIF Shareholders per HRIF Share of approximately HK\$0.12 as at 30 June 2020, based on the total number of issued Shares of 3,588,466,011 as at the Latest Practicable Date.

Save for final dividend of HK\$0.017 per HRIF Share for FY2017 paid to its ordinary shareholders on 20 June 2018, no other interim or final dividend has been declared and paid by HRIF to its ordinary shareholders during the Period.

2.3 Historical price performance of the HRIF Shares

Set out below is the movement of the closing prices of the HRIF Shares during the period from 2 January 2018 to the Latest Practicable Date (the “Review Period”), and the announcements of HRIF relating to certain corporate events that took place during the Review Period. The Review Period, which covers a period of more than 24 months, is considered to represent a sufficient period of time to provide a general overview of the recent market performance of the HRIF Shares for the purpose of this analysis:



Source: Bloomberg

The closing prices of the HRIF Shares has led an overall decreasing trend and fluctuated in a range between HK\$0.126 and HK\$2.77 with an average closing price of around HK\$0.82, during the period between 2 January 2018 and the Last Trading Day (both dates inclusive, the “Pre-announcement Period”).

HRIF Share closing prices traded within the narrow range between HK\$2.56 and HK\$2.77 throughout most of the January 2018 and until the publication of a positive profit alert on 30 January 2018 after trading hours, closing price per HRIF Share subsequently declined by approximately 1.5% on 31 January 2018 from HK\$2.74 at close on 30 January 2018 to HK\$2.70. Closing price of the HRIF Shares then gradually declined to HK\$2.34 per HRIF Share on 16 March 2018, being the last trading day prior to the publication of the FY2017 results announcements. Subsequent to the release of the FY2017 results announcement, closing price per HRIF Share declined by a further 0.34% to HK\$2.33 at close on 19 March 2018. Trading in the HRIF Shares was suspended on 18 April 2018 and HRIF published an announcement on 19 April 2018 in relation to the resignation of Mr. Lai Xiaomin (a director of HRIF’s immediate holding company China Huarong). Trading in the HRIF Shares resumed on 20 April 2018 and the HRIF Share closing price declined from HK\$2.12

on 17 April 2018, immediately prior to trading suspension, to HK\$1.90 on 20 April 2018 upon resumption, representing a decline of approximately 10.4%. Following the aforementioned, closing price per HRIF Share furthered its decline to HK\$1.50 on 27 April 2018. The HRIF Shares recouped some of the previous losses on 3 May 2018 and subsequently traded within a range between HK\$1.64 and HK\$1.81 up to and until late June 2018 before continuing its decline. We noted that closing price per HRIF Share then dropped by approximately 6.1% on 6 August 2018 following the publication of a profit warning announcement in relation to the interim results for the six months ended 30 June 2018 by HRIF. The interim results announcement for the six months ended 30 June 2018 was published before trading hours on 31 August 2018, following which the HRIF Share prices closed around 10% lower at HK\$0.90. Trading in the HRIF Shares then continued a gradual downward trend and closed at HK\$0.46 per HRIF Share on 4 January 2019 before recovering to the above HK\$0.50 level. HRIF published a profit warning announcement in relation to the FY2018 annual results on 21 February 2019 and the HRIF Shares price closed around 1.9% higher at HK\$0.54 on 22 February 2019. HRIF published its annual results announcement for FY2018 on 28 March 2019 before trading hours and its shares closed around 1.30% higher at HK\$0.78 per HRIF Share on the same day. We noted that closing price per HRIF Share fell from HK\$0.60 on 19 August 2019 to HK\$0.33 on 20 August 2019 representing a significant decline of approximately 45.0%. HRIF subsequently published a voluntary announcement after trading hours on 20 August 2019 stating that it was not aware of any reasons for the drop in HRIF Share price. Following such announcement, the HRIF Share price lost a further 3.0% and closed at HK\$0.32 on 21 August 2019. On 27 August 2019 prior to trading hours, HRIF published its interim results announcement for the six months ended 30 June 2019 and its shares closed unchanged for the day. Closing price of the HRIF Shares then continued its gradual downward trend and reached HK\$0.157 per HRIF Share on 19 March 2020 immediately prior to the publication of a profit warning for FY2019 annual results. Closing price per HRIF Share subsequently rose by approximately 8.9% on 20 March 2020. HRIF published its annual results for FY2019 on 31 March 2020 prior to trading hours and its share closing price declined by around 8.7% to HK\$0.13 each on the day close. Closing price of the HRIF Shares then fluctuated within a tight range between HK\$0.126 and HK\$0.179 until the Last Trading Day and was HK\$0.149 each on the Last Trading Day.

Trading in HRIF Shares was suspended from 9:49 a.m. on 30 June 2020 pending the release of the Announcement. Following the publication of the Announcement on 6 July 2020, closing price of the HRIF Shares rose by around 255.7% from HK\$0.149 on the Last Trading Day to HK\$0.53 on 6 July 2020 after trading resumption, then gradually dropped to HK\$0.28 per HRIF Share on 12 August 2020, on which HRIF published the profit warning announcement relating to its interim results for 1H2020. Closing price per HRIF Share remained relatively steady until 26 August 2020, on which after trading hours HRIF released its interim results announcement for 1H2020, trading price of HRIF Shares slightly went up and closed at HK\$0.305 each. Since then the HRIF Share closing price fluctuated in a narrow range between HK\$0.232

and HK\$0.285 each, and the HRIF Share closing price as at Latest Practicable Date was HK\$0.246. The recent uplift of the HRIF Share price following the publication of the Announcement is likely to be driven by the Proposal and the Scheme and, as such, it is uncertain that the HRIF Share price will remain at the current levels if the Proposal and the Scheme do not take place.

In summary, the issue price per HRIF Share implied by the HRIV Share price as at Last Trading Day and the Exchange Ratio of around HK\$0.11 (the “**Implied Issue Price per HRIF Share**”) represents:

- (i) a discount of approximately 26.2% to the closing price of HK\$0.149 per HRIF Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 25.7% to the average closing price of approximately HK\$0.148 per HRIF Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 23.6% to the average closing price of approximately HK\$0.144 per HRIF Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 23.6% to the average closing price of approximately HK\$0.144 per HRIF Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (v) a discount of approximately 29.9% to the average closing price of approximately HK\$0.157 per HRIF Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;
- (vi) a discount of approximately 36.4% to the average closing price of approximately HK\$0.173 per HRIF Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (vii) a discount of approximately 46.1% to the average closing price of approximately HK\$0.204 per HRIF Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (viii) a discount of approximately 55.3% to the closing price of HK\$0.246 per HRIF Share as at the Latest Practicable Date.

As illustrated above, we note that the Implied Issued Price per HRIF Share generally represents a discount to the prevailing market prices of the HRIF Shares.

2.4 Trading liquidity of the HRIF Shares

Set out below in the table are the average daily trading volume of the HRIF Shares and the percentages of the average daily trading volume to the total issued HRIF Shares and the public float of HRIF, respectively during the Review Period:

	Average daily trading volume of the HRIF Shares	Approximate % of average daily trading volume to the total issued HRIF Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the public float of HRIF <i>(Note 2)</i>
2018			
January	445,884	0.01%	0.05%
February	228,738	0.01%	0.02%
March	324,628	0.01%	0.03%
April	677,105	0.02%	0.07%
May	492,832	0.01%	0.05%
June	336,193	0.01%	0.03%
July	276,209	0.01%	0.03%
August	271,888	0.01%	0.03%
September	330,729	0.01%	0.03%
October	215,368	0.01%	0.02%
November	1,687,018	0.05%	0.17%
December	730,003	0.02%	0.07%
2019			
January	615,149	0.02%	0.06%
February	238,897	0.01%	0.02%
March	717,815	0.02%	0.07%
April	407,640	0.01%	0.04%
May	127,351	0.00%	0.01%
June	732,698	0.02%	0.07%
July	263,319	0.01%	0.03%
August	8,722,795	0.24%	0.89%
September	1,052,999	0.03%	0.11%
October	399,970	0.01%	0.04%
November	706,632	0.02%	0.07%
December	785,420	0.02%	0.08%

	Average daily trading volume of the HRIF Shares	Approximate % of average daily trading volume to the total issued HRIF Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the public float of the HRIF <i>(Note 2)</i>
2020			
January	214,846	0.01%	0.02%
February	356,678	0.01%	0.04%
March	554,918	0.02%	0.06%
April	349,248	0.01%	0.04%
May	427,869	0.01%	0.04%
From 1 June to 29 June 2020 (being the Last Trading Day)	186,913	0.01%	0.02%
Average during the Pre-announcement Period	791,849	0.02%	0.08%
From 6 July 2020 to 31 July 2020 <i>(Note 3)</i>	7,280,706	0.20%	0.74%
August 2020	400,490	0.01%	0.04%
From 1 September 2020 to the Latest Practicable Date	361,864	0.01%	0.04%
Average during the period from 6 July 2020 to the Latest Practicable Date	2,681,664	0.07%	0.27%

Source: Website of the Stock Exchange

Notes:

1. The calculation is based on the average daily trading volumes of the HRIF Shares divided by the total number of issued HRIF Shares as at the end of each month or as at the Latest Practicable Date, as applicable.
2. The total number of HRIF Shares held by the public is calculated based on the total number of issued HRIF Shares excluding those held by the substantial shareholders of HRIF, as at the end of each month or as at the Latest Practicable Date, as applicable.
3. 6 July 2020, being the date of the first trading day immediately following the publication of the Announcement.

As shown in the table above, the trading volume of the HRIF Shares has been generally thin, save for the relatively higher average daily trading volume in August 2019 for which HRIF confirmed in its announcement dated 20 August 2019 that, among other things, it was not aware of any reasons for such fluctuation in trading volume. The average daily trading volume of the HRIF Shares during the Pre-announcement Period was around 791,849 HRIF Shares, representing around 0.02% of the total number of issued HRIF Shares and around 0.08% of the public float of HRIF. The publication of the Announcement heightened the trading activity, with the average daily trading volume of the HRIF Shares increased to approximately 2,681,664 Shares (representing around 0.07% and 0.27% of the total issued HRIF Shares and the HRIF Shares held by the public respectively) in the period from 6 July 2020 up to the Latest Practicable Date.

2.5 Prospect of the HRIF Group

As discussed in detail in the section headed “2.1 Background information of the HRIF Group” above, the HRIF Group is principally engaged in licensed business including the HRIF Asset Management and Direct Investment Business, the HRIF Securities Business and the HRIF Corporate Finance Business.

We have discussed with the management of HRIF and understand that, given that both HRIF and HRIV are both engaged in businesses relating to financial market and investment with primary geographical focus in China and Hong Kong, HRIF and HRIV are facing similar challenges and uncertainties as a result of the global outbreak of the COVID-19, intensified trade and investment war, geopolitical issues such as the China-US trade disputes as well as political risks, all of which has led to further volatility in global stock markets and overall financial markets. Against such backdrop, whether the financial performance HRIF Group will be able to improve and/or turnaround would be highly uncertain.

As disclosed in the HRIF 2020 IR, the HRIF Group will realise its transformational development in adherence to the general principle of making steady progress with an emphasis on quality improvement and efficiency enhancement. It was stated in the HRIF 2020 IR that the Proposal is conducive to HRIF by achieving economies of scale and cost savings, facilitating steady growth of its license business. Under the strong support of its controlling shareholder China Huarong, the unified platform will enable more efficient and focused use of the network and resources of the China Huarong brand. HRIV’s rich client resources could also effectively strengthen HRIF’s businesses. After the combination, the HRIF Group will be more well-positioned to implement the development strategies of “investment + corporate finance” and “license + core business”, thus enhancing our long-term potential and realising long-term growth.

3. Reasons for and benefits of the Proposal

As set out in the section headed “11. Reasons for and benefits of the Proposal” in the Explanatory Statement set out in Part VII of the Scheme Document, the benefits of the Proposal and the Scheme for the Scheme Shareholders include, among others, that the Proposal will provide the HRIV Shareholders with an opportunity to exchange for HRIF Shares and to gain exposure to the broadened business scope. It is further stated that the Proposal provides an opportunity for the Scheme Shareholders to realise their investments in HRIV by disposing of their HRIV Shares in exchange for participation in the ownership of HRIF, which is better positioned for future growth for the reasons outlined in the aforesaid section, at a considerable premium to the traded market price of HRIV Shares, as well as to gain exposure to the entire diversified business portfolio of HRIF 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. In addition, HRIF’s ultimate holding company China Huarong already controls approximately 50.99% of the issued share capital of HRIV at present, 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. Please refer to the section “11. Reasons for and benefits of the Proposal” in the Explanatory Statement set out in Part VII of this Scheme Document for detailed discussion on the reasons and benefits of the Proposal.

In addition, pursuant to the Scheme becoming effective, all Scheme Shareholders will become HRIF Shareholders and therefore, the benefits for HRIF and HRIF Shareholders following the Scheme becoming effective as discussed in section headed “11. Reasons and benefits of the Proposal” in the Explanatory Statement as set out in Part VII of the Scheme Document are also relevant to the Disinterested Shareholders. As discussed in detail in the above sections headed “1.1 Background information of the HRIV Group” and “2.1 Background information of the HRIF Group” respectively, HRIV is engaged in the HRIV Direct Investment Business and the HRIV Financial Services Business whilst HRIF is mainly engaged in the licensed businesses through its HRIF Securities Business, the HRIF Corporate Finance Business and HRIF Asset Management Businesses. Their businesses are both in the financial sector and in our view, are considered complementary, if not entirely overlap, to each other. Based on our discussion and understanding from the HRIV Management, despite the fact that both entities operates within the financial services sector, however, given their businesses focus are different (as mentioned above) there has been incidences in the past where client of one entity may have certain business needs that may fall within the business scope of the other and as such a referral of business opportunity may take place. As such, we consider that HRIV and HRIF, by consolidating functions which are common to both, will create economy 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 enhance the overall competitiveness of HRIV and HRIF 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. The

expanded customer bases and cross-selling of specialties of HRIV and HRIF between the existing customers of them is expected to yield additional revenues, with customers being able to be provided with a more comprehensive range of service choices. By retaining and differentiating themselves in their unique areas of specialty, such a strategy will allow HRIV and HRIF as a whole to have a more optimal business structure, eliminate potential competition among them and achieve economies of scale and cost savings such as staff costs and administrative costs, which are necessary for sustainable growth in their businesses.

Upon the Scheme becoming effective, HRIV will become an indirect wholly-owned subsidiary of HRIF and the financial statements of the HRIV Group will be consolidated into the financial statements of the enlarged HRIF Group (the “**Enlarged Group**”). Whilst the Proposal and the Scheme constitute a very substantial acquisition for HRIF under Chapter 14 of the Listing Rules, HRIF issued the HRIF Circular which set out, among other things, the unaudited pro forma financial information of the Enlarged Group (the “**Pro Forma Financial Information**”) for information of its shareholders. We have also reviewed the HRIF Circular and based on the Pro Forma Financial Information as set out in Appendix V to the HRIF Circular, assuming that completion of the Proposal had taken place on 30 June 2020, NAV of the Enlarged Group would increase by approximately HK\$2,336.8 million to approximately HK\$3,621.8 million on a pro forma basis, which is more than double of the NAV of HRIV as at 30 June 2020. Following the implementation of the Proposal, HRIF after the integration of HRIV, is expected to become a more scaleful listed platform with larger revenue base and strengthened financial position and business model as discussed above, and will remove potential competition of resources available from China Huarong whilst at the same time be able to better leverage on and enjoy increased focus and support from China Huarong in the future.

Having considered all the benefits of the Proposal for the Disinterested Shareholders and the synergies that are expected to be brought about following the Scheme becoming effective which will potentially benefit the Disinterested Shareholders by the time when they become HRIF Shareholders pursuant to the implementation of the Scheme as detailed above, and most importantly, as further discussed in the sections below that terms of the Proposal and the Scheme, including the Estimated Cancellation Price (as defined below), are fair and reasonable, we consider the reasons for proposing the Proposal and the Scheme are fair and reasonable so far as HRIV and the Disinterested Shareholders are concerned.

4. HRIF’s intention regarding the HRIV Group

As stated in section headed “12. HRIF’s intention regarding the HRIV Group” in the Explanatory Statement in the Scheme Document, save as mentioned under “11. Reasons for and benefits of the Proposal” in the Explanatory Statement in the Scheme Document, upon successful implementation of the Scheme and the Proposal: (i) HRIF intends to continue the operation of the existing business of the HRIV Group without making any major changes; (ii) HRIF has no intention to discontinue the employment of the employees of the HRIV Group; and (iii) HRIF does not plan to redeploy any of the fixed assets of the HRIV

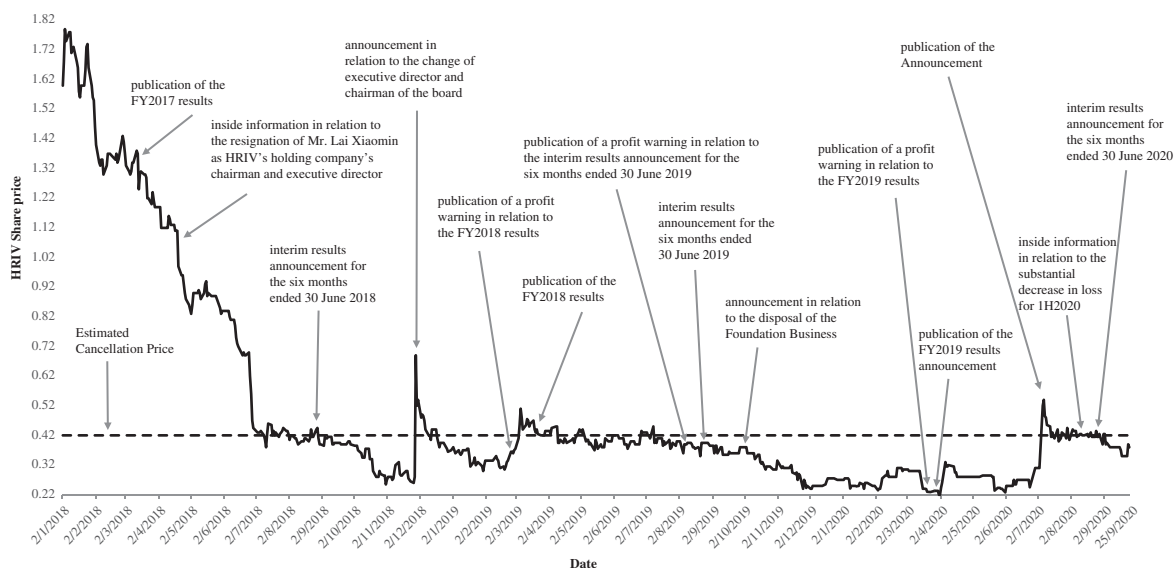
Group. However, HRIF reserves the right to make any changes that it deems necessary or appropriate to the HRIV Group’s business and operations, to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and that HRIF will continue to explore such opportunities as they arise from time to time, subject to compliance with any relevant rules and regulations.

As also stated in the Explanatory Statement in the Scheme Document, the HRIV Board will cooperate with and provide support to HRIF as regards HRIF’s intention regarding the HRIV Group and will continue to act in the best interests of the HRIV Group and the HRIV Shareholders as a whole.

5. Analysis on the terms of the Proposal

5.1 Historical price performance of the HRIV Shares

Set out below is the movement of the closing prices of the HRIV Shares during the Review Period, and the announcements of the HRIV relating to certain corporate events that took place during the Review Period. The Review Period, which covers a period of more than 24 months, is considered to represent a sufficient period of time to provide a general overview of the recent market performance of the HRIV Shares for the purpose of this analysis:



Source: Bloomberg

The closing prices of the HRIV Shares ranged between HK\$0.22 and HK\$1.79 during the Pre-announcement Period, with an average closing price of around HK\$0.51. Based on the closing price of the HRIV Shares on the Last Trading Day, the HRIV Shares has lost approximately 80.6% of value as compared to its closing price of HK\$1.60 on 2 January 2018.

HRIV Share closing prices declined rapidly from early 2018 from its peak in the Review Period of approximately HK\$1.79 on 4 January 2018. HRIV published its FY2017 annual results announcement on 13 March 2018 after trading hours. HRIV Shares subsequently decreased from HK\$1.37 at close on 13 March 2018 to HK\$1.25 on 14 March 2018, representing a decline of approximately 8.8%. Subsequent to the publication of the FY2017 annual results announcement, closing price of the HRIV Shares continued its decline. Trading in the HRIV Shares was suspended on 18 April 2018 pending for the release of the announcement relating to the resignation of Mr. Lai Xiaomin (a director of China Huarong). Trading in the HRIV Shares resumed on 20 April 2018 and market price of the HRIV Shares closed at HK\$0.99 per HRIV Share, which represented a drop of around 10.8% from HK\$1.11 on 17 April 2018, being the trading day prior to the trading suspension. Since then, decline in the closing price per HRIV continued and hit a then low of approximately HK\$0.38 per HRIV Share on 11 July 2018. Market price per HRIV Share then closed within a range of HK\$0.39 and HK\$0.46 from July 2018 until end of August 2018. HRIV published its interim results announcement for the six months period ended 30 June 2018 on 31 August 2018 before trading and the HRIV Share price closed flat at HK\$0.39. Despite a slight rebound to around HK\$0.4 per HRIV Share in early September 2018, closing price per HRIV Shares again led a further downward trend and gradually dropped from HK\$0.415 each on 10 September 2018 to HK\$0.26 each on 26 November 2018. On 27 November 2018, after trading hours, HRIV published an announcement in relation to the change of executive director and chairman of the Board and the HRIV Shares reacted with a significant rebound in its closing price from HK\$0.28 at close on 27 November 2018 to HK\$0.69 on 28 November 2018. The HRIV Share closing price then gradually fell back to below HK\$0.40 on 19 December 2018 and traded within a narrow range between HK\$0.30 and HK\$0.395 until 19 February 2019 on which HRIV published a profit warning announcement in relation FY2018 annual results.

The HRIV Share closing price subsequently increased to a then high of approximately HK\$0.51 on 6 March 2019 before going down again and reached HK\$0.42 each on 28 March 2019, on which HRIV published its annual results announcement before trading hours. The HRIV Shares closing price then continued to fluctuate within a tight range of between HK\$0.35 and HK\$0.45 until 27 September 2019. On 27 September 2019 (after trading hours), HRIV announced the disposal of its Foundation Business. Its shares closed flat at HK\$0.38 on the next trading day being 30 September 2019. Closing price of the HRIV Shares resumed its decline and hit a then new low of approximately HK\$0.24 on 25 November 2019. Closing price of the HRIV Shares then stabilised at the range between HK\$0.229 and HK\$0.31 until 30 March 2020. HRIV announced its FY2019 results in the morning before trading hours on 31 March 2020 and HRIV Share closing price dropped by approximately 5.6% on the same day, hitting the trough in the Review Period of HK\$0.22 per HRIV Share. The HRIV Share closing price then fluctuated between HK\$0.22 and HK\$0.33 until Last Trading Day and closed at HK\$0.31 each on the Last Trading Day.

Trading in HRIV Shares was suspended from 9:49 a.m. on 30 June 2020 pending the release of the Announcement. Following the publication of Announcement, closing price of the HRIV Shares rose by around 67.7% from HK\$0.31 on the Last Trading Day to HK\$0.52 on 6 July 2020 and further to HK\$0.54 on 7 July 2020, then gradually dropped to HK\$0.41 each on 17 July 2020. Between the period from 20 July 2020 up to 4 September 2020, the HRIV Share closing price fluctuated in a narrow range between HK\$0.39 and HK\$0.445 each, and since 7 September 2020, the HRIV Share closing price fell slightly from HK\$0.38 to HK\$0.35 and was HK\$0.38 as at the Latest Practicable Date.

As noted from above, the recent uplift in HRIV Share closing price following the publication of the Announcement is likely to be driven by the Proposal and the Scheme and as such, we consider that there is no assurance that the current price levels of HRIV Share will sustain if the Proposal and the Scheme do not take place.

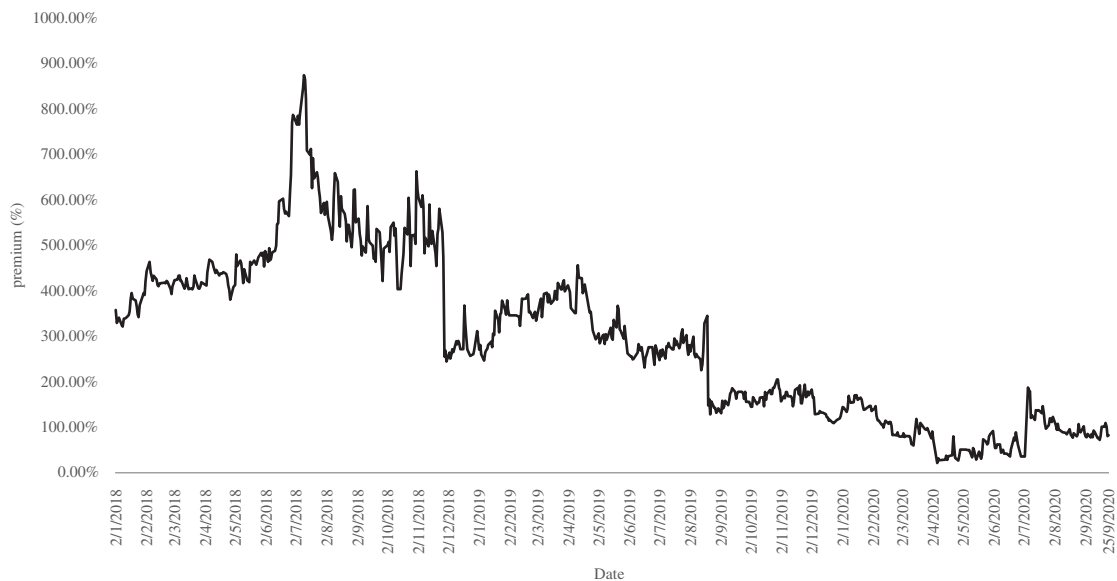
In summary, the value of the new HRIF Shares, based on the HRIF Share price of HK\$0.149 each as of the Last Trading Day and as calculated by reference to the Exchange Ratio of one Scheme Share to 2.82 HRIF Shares, of approximately HK\$0.4202 (the “**Estimated Cancellation Price**”), represents:

- (i) a premium of approximately 35.5% over the closing price of HK\$0.310 per HRIV Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 54.5% over the average closing price of approximately HK\$0.272 per HRIV Share based on the daily closing prices as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 61.0% over the average closing price of approximately HK\$0.261 per HRIV Share based on the daily closing prices as quoted on the Stock Exchange for the 30 trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 55.1% over the average closing price of approximately HK\$0.271 per HRIV Share based on the daily closing prices as quoted on the Stock Exchange for the 60 trading days up to and including the Last Trading Day;
- (v) a premium of approximately 53.9% over the average closing price of approximately HK\$0.273 per HRIV Share based on the daily closing prices as quoted on the Stock Exchange for the 90 trading days up to and including the Last Trading Day;

- (vi) a premium of approximately 55.6% over the average closing price of approximately HK\$0.270 per HRIV Share based on the daily closing prices as quoted on the Stock Exchange for the 120 trading days up to and including the Last Trading Day;
- (vii) a premium of approximately 51.7% over the average closing price of approximately HK\$0.277 per HRIV Share based on the daily closing prices as quoted on the Stock Exchange for the 180 trading days up to and including the Last Trading Day; and
- (viii) a premium of approximately 70.8% over the closing price of HK\$0.246 per HRIV Share as at the Latest Practicable Date.

5.2 Analysis on theoretical value per Scheme Share based on historical prices of HRIV Shares and HRIF Shares

Based on the Exchange Ratio, we have also conducted an analysis on the daily theoretical value per each Scheme Share (equivalent to the daily closing price of HRIF Shares as quoted on the Stock Exchange multiplied by 2.82 for each HRIV Share) (“**Daily Theoretical Value**”) as compared to the daily closing price of the HRIV Shares throughout the Review Period, and the chart below depicts the premium of the Daily Theoretical Value over the daily closing price per HRIV Share.



Source: Website of the Stock Exchange

As illustrated on the above chart, it is noted that throughout the entire Review Period, the Daily Theoretical Value has consistently represented premium to the daily closing price per HRIV Share, with premiums in the range between around 21.4% and 874.8%. Therefore, the Exchange Ratio is considered favourable to HRIV and the Disinterested Shareholders as a whole.

5.3 Trading liquidity of the HRIV Shares

Set out below in the table are the average daily trading volume of the HRIV Shares and the percentages of the average daily trading volume to the total issued HRIV Shares and the public float of HRIV, respectively during the Review Period:

	Average daily trading volume of the HRIV Shares	Approximate % of average daily trading volume to the total issued HRIV Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the public float of the HRIV <i>(Note 2)</i>
2018			
January	4,857,323	0.27%	0.91%
February	778,824	0.04%	0.15%
March	214,750	0.01%	0.04%
April	528,750	0.03%	0.10%
May	201,944	0.01%	0.04%
June	889,118	0.05%	0.17%
July	457,368	0.03%	0.09%
August	204,375	0.01%	0.04%
September	128,636	0.01%	0.02%
October	204,706	0.01%	0.04%
November	2,876,000	0.16%	0.54%
December	837,778	0.05%	0.16%
2019			
January	680,000	0.04%	0.13%
February	798,000	0.04%	0.15%
March	949,474	0.05%	0.18%
April	342,368	0.02%	0.06%
May	250,294	0.01%	0.05%
June	149,286	0.01%	0.03%
July	108,750	0.01%	0.02%
August	103,500	0.01%	0.02%
September	162,222	0.01%	0.03%
October	189,000	0.01%	0.04%
November	321,944	0.02%	0.06%
December	88,636	0.00%	0.02%

	Average daily trading volume of the HRIV Shares	Approximate % of average daily trading volume to the total issued HRIV Shares <i>(Note 1)</i>	Approximate % of average daily trading volume to the public float of the HRIV <i>(Note 2)</i>
2020			
January	140,000	0.01%	0.01%
February	285,625	0.02%	0.03%
March	333,462	0.02%	0.05%
April	64,000	0.00%	0.06%
May	341,667	0.02%	0.01%
From 1 June to 29 June 2020 (being the Last Trading Day)	140,000	0.01%	0.06%
Average during the Pre-announcement Period	719,682	0.04%	0.13%
From 6 July 2020 to 31 July 2020 <i>(Note 3)</i>	2,702,051	0.15%	0.50%
August 2020	120,476	0.01%	0.02%
From 1 September 2020 to the Latest Practicable Date	91,579	0.01%	0.02%
Average during the period from 6 July 2020 to the Latest Practicable Date	971,850	0.05%	0.18%

Source: Website of the Stock Exchange

Notes:

1. The calculation is based on the average daily trading volumes of the HRIV Shares divided by the total number of issued HRIV Shares as at the end of each month or as at the Latest Practicable Date, as applicable.
2. The total number of HRIV Shares held by the public is calculated based on the total number of issued HRIV Shares excluding those held by the substantial shareholders of HRIV, as at the end of each month or as at the Latest Practicable Date, as applicable.
3. 6 July 2020, being the date of the first trading day immediately following the publication of the Announcement.

From the table above, which outlines the average daily trading volume of the HRIV Shares as a percentage of the total issued HRIV Shares and as a percentage of the public float of the HRIV, we noted that, similar to the historical liquidity of the HRIF Shares, the average daily trading volume of the HRIV Shares has been generally thin. The average daily trading volume of the HRIV Shares during the Pre-announcement Period was 719,682 HRIV Shares, representing around 0.04% of the total number of issued HRIV Shares and around 0.13% of the public float of HRIV. The publication of the Announcement heightened the trading activity, with the average daily trading volume of the HRIV Shares increasing to approximately 971,850 HRIV Shares (representing around 0.05% and 0.18% of the total issued HRIV Shares and of the HRIV Shares held by the public respectively) in the period from 6 July 2020 to the Latest Practicable Date. The increased trading volume of the HRIV Shares was still relatively thin. Disinterested Shareholders should note that the improvement in liquidity of the HRIV Shares subsequent to the publication of the Announcement may not be sustainable if the Proposal and the Scheme do not take place or lapse and given the historical thin trading volume, it is also uncertain whether there would be sufficient liquidity in the HRIV Shares for the Disinterested Shareholders to dispose of a significant number of HRIV Shares in the open market without causing an adverse impact on the market price of the HRIV Shares.

5.4 Pro Forma Financial Information on the Enlarged Group

Since the Proposal is a securities exchange offer, upon the Scheme, if approved, becoming effective, all Scheme Shareholders will become shareholders of HRIF holding the respective HRIF Shares according to the Exchange Ratio. As at the Latest Practicable Date, Disinterested Shareholders were interested in 452,413,000 HRIV Shares, representing approximately 24.9% of the total issued share capital of HRIV. Assuming the Proposal being approved and the Scheme becoming effective, Disinterested Shareholders would be interested in 1,275,804,660 HRIF Shares, representing approximately 14.6% of the total issued share capital of HRIF as enlarged by the issue of new HRIF Shares pursuant to the Scheme based on the Exchange Ratio, assuming no changes to either HRIF's issued share capital or HRIV's issued share capital from the Latest Practicable Date to the Effective Date.

As provided in the Pro Forma Financial Information as set out in the HRIF Circular, given that the Proposal is a securities exchange offer, save for professional expenses incurred for the implementation of the Proposal, the Proposal does not involve any cash payments out of the HRIF Group and therefore would not have immediate material effect on the cashflow position of the Enlarged Group. As a result of the consolidation of the HRIV Group into the HRIF Group, it is expected that the Enlarged Group would have a larger revenue base. It is also expected that the implementation of the Proposal would not have immediate effect on the earnings of the Enlarged Group, and the effect on future earnings will depend on the future financial performances of the HRIV Group, the realisation of the synergies as discussed in the paragraph headed "3. Reasons for and benefits of the Proposal" above

and the cost savings that may be enjoyed as a result of the combination of the businesses of the HRIV Group and the HRIF Group, which could not be ascertained at the moment.

According to the Pro Forma Financial Information, assuming the Scheme had become effective on 30 June 2020, total assets of the Enlarged Group would increase from approximately HK\$13,211.5 million to approximately HK\$18,964.3 million, whilst its total liabilities would increase from approximately HK\$10,874.7 million to approximately HK\$15,342.5 million. NAV of the Enlarged Group would increase from approximately HK\$2,336.8 million by around 55.0% to HK\$3,621.8 million. Gearing ratio of the Enlarged Group (calculated as total interest-bearing borrowings divided by total equity) would also be slightly decreased from approximately 3.5 times as at 30 June 2020 to approximately 3.4 times.

However, Disinterested Shareholders should note that, according to the Pro Forma Financial Information, assuming the Scheme had become effective on 30 June 2020, net liabilities attributable to ordinary shareholders of the Enlarged Group would increase from approximately HK\$420.6 million as at 30 June 2020 to approximately HK\$559.6 million, representing net liabilities of approximately HK\$0.06 per HRIF Share based on the number of enlarged issued HRIF Shares of 8,709,586,011. In other words, Disinterested Shareholder will be holding HRIF Shares of net liabilities of around HK\$0.06 per HRIF Share on pro forma basis, or in aggregate net liabilities of approximately HK\$0.17 per 2.82 HRIF Shares to be exchanged by each existing HRIV Share based on the Exchange Ratio, upon the Scheme becoming effective.

We consider the increase in net liabilities on pro forma basis represented by 2.82 HRIF Shares to be held by Disinterested Shareholders, as compared to the net liabilities of around HK\$0.08 per existing HRIV Share as of 30 June 2020, on balance, not unacceptable having taking into account that:

- (i) the Proposal will allow the Disinterested Shareholders to enjoy the premium represented by the prevailing market price of the 2.82 HRIF Shares over that of each HRIV Share (i.e. premium of around 35.5% as of Last Trading Day and around 83.5% as of Latest Practicable Date) by exchanging their holdings in HRIV to HRIF, and such premiums are considered in line with those under the Privatisation Precedents (as defined below) and particularly, favourable when compared to the Share Exchange Privatisation Precedents (as defined below). In other words, at the discretion of the Disinterested Shareholders, they have the option to realise the value of its investment possibly at a premium in the market following the Scheme becoming effective. Details of the Privatisation Precedents (as defined below) are set out in section headed “6. Privatisation precedents” below; and

- (ii) the Proposal, which has characteristics of a merger, will also allow the Disinterested Shareholders to continue their investment in HRIV through their holdings in HRIF upon the Scheme becoming effective and become shareholders of a listed platform of much larger scale with a more diversified business portfolio, and with revenue base and NAV being around triple of the size of HRIV based on the Pro Forma Financial Information. As shown under the Pro Forma Financial Information, the Enlarged Group would have a strong capital base with NAV and cash and bank balances (including restricted bank balances and deposit in other financial institutions) of approximately HK\$3,621.8 million and HK\$2,947.9 million respectively, which are around three times of each of NAV of approximately HK\$1,285.0 million and cash and bank balances (including deposit in other financial institutions and pledged bank deposits) of approximately HK\$964.7 million of the HRIV Group as at 30 June 2020. As previously discussed, CHIH recently subscribed another new tranche of perpetual securities of HRIF in the principal amount of US\$200 million in the first half of 2020. Following the implementation of the Proposal, the HRIV Group and the HRIF Group will combine as one single group, which will remove potential competition between HRIV and HRIF for resources from China Huarong whilst at the same time be able to better leverage on and enjoy increased focus and support from China Huarong in the future. In view of HRIV's loss-making performance and particularly, the current and foreseeable increasingly challenging market environment with uncertainties in light of, among others, the global outbreak of the COVID-19, the China-US trade disputes and increasing political risks as discussed in section headed "1.3 Prospects of the HRIV Group" above, we consider that swapping interests in HRIV to the strengthen platform of the Enlarged Group are prudent for the Disinterested Shareholders, since the Enlarged Group, with stronger capital base and increased focus and financial support from parent, would be in a better position to withstand and react to any possible adverse changes due to short-term market volatility, and be expected to in the long run enhance return and shareholders' value for its then shareholders including the Disinterested Shareholders pursuant to the aforesaid synergies, including particularly the economies of scale, cost savings and increased business opportunities with the expanded customer bases and cross-selling, to be achieved.

6. Privatisation precedents

We have compared the Proposal and the Scheme to privatisation proposals of other companies whose shares are listed on the Main Board of the Stock Exchange (excluding prolong-suspended companies) announced since 1 January 2019, being approximately 18 months before the date of the Announcement, and up to the Latest Practicable Date, including privatisation by way of scheme of arrangement, general offer with intention to privatise the subject companies, and merger by absorption, but excluding privatisation proposals which were not/yet to be approved (the “**Privatisation Precedents**”), which represents an exhaustive list of privatisation proposals we were able to identify from the Stock Exchange’s website satisfying the above selection criteria.

Although the business nature, financial performance and position and scale of the companies listed below may vary and some aspects of pricing may be industry-specific, we consider that, in light of our selection criteria, the recent successful privatisation exercises of the Main Board listed companies under similar market conditions and sentiments can provide us with a comparative analysis of the cancellation price and the then prevailing market prices as well as a general overview of the recent market trend of the pricing of this type of transaction in the Hong Kong equity capital market as a whole. Based on the aforesaid, we regard the comparison of the Proposal with the Privatisation Precedents has reference value and is one of our analyses in assessing the fairness and reasonableness of the Estimated Cancellation Price.

The table below illustrates the premium/discount represented by the offer/cancellation price over/to the respective last trading day and the respective 10 days, 30 days, 60 days, 90 days, 120 days and 180 days average share prices and the latest published net assets attributable to the owners of the company per share in respect of the Privatisation Precedents:

Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK(\$)	Form of Consideration	Last trading day share price (%)	Premium/(discount) of the cancellation price over/(to)						Net asset attributable to the owners of the company per share (Note 12) (%)
						Last trading day share price (%)	Last 10 trading days share price average (%)	Last 30 trading days share price average (%)	Last 60 trading days share price average (%)	Last 90 trading days share price average (%)	Last 120 trading days share price average (%)	
29-Jul-20	Xinghua Port Holdings Ltd. (1990.HK) (Note 1)	Operation and management of multi-purpose ports	2.597	Cash	29.85	27.93	58.35	95.26	127.61	140.46	145.00	102.42
8-Jul-20	O-Net Technologies (Group) Limited (877.HK)	Design, manufacture and sales of optical networking products and machine vision systems and sensors	6.50	Cash	23.57	25.68	24.56	28.00	34.26	38.30	43.18	126.50
22-Jun-20	EVOC Intelligent Technology Company Limited (2308.HK) (Note 2)	Research, development, manufacture and distribution of special computer products and the trading of electronic products and accessories	1.50	Cash	64.80	94.80	100.00	105.50	100.00	94.81	89.90	(35.40)
21-Jun-20	China Baofeng (International) Limited (3966.HK)	Photovoltaic power generation and lighting products	2.60	Cash	27.50	61.49	52.00	42.90	39.00	36.80	30.70	(5.50)
17-Jun-20	Golden Meditech Holdings Limited (801.HK)	Development, manufacture and sales of medical devices and medical accessories, and provision of hospital management services and hospital operation in China	0.88	Cash	41.94	54.39	60.00	54.39	39.68	29.41	22.22	(33.23)

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Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK(\$)	Form of Consideration	Last trading day share price (%)	Premium/(discount) of the cancellation price over/(to)						Net asset attributable to the owners of the company per share (Note 12) (%)
						Last 10 trading days share price average (%)	Last 30 trading days share price average (%)	Last 60 trading days share price average (%)	Last 90 trading days share price average (%)	Last 120 trading days share price average (%)	Last 180 trading days share price average (%)	
12-Jun-20	Jinmao Hotel and Jinmao (China) Hotel Investment and Management Limited (6139.HK)	Possession of and investment in a portfolio of hotels in the PRC	4.80	Cash	30.40	72.70	82.50	86.80	64.40	50.00	37.93	81.10
5-Jul-20	Capxon International Electronic Company Limited (469.HK)	Capacitors and aluminum foils businesses	0.60	Cash	79.10	94.20	88.10	88.10	76.00	67.10	54.60	(39.15)
1-Jun-20	Huadian Fuxin Energy Corporation Limited (816.HK) (Note 3)	Generation and sales of power	2.50	Cash	65.56	85.87	87.92	89.27	85.34	78.57	75.82	(14.03) (Note 4)
4-May-20	Easy One Financial Group Limited (221.HK)	Provision of finance, securities brokerage and related services, and leasing and sale of properties	0.924	Share exchange with cash element	44.40	94.50	90.10	98.30	105.33	106.30	110.00	(52.80)
20-Apr-20	Allied Properties (H.K.) Limited (56.HK) (Note 5)	Property investment, property development, hospitality related activities and financial services	1.92	Cash	34.30	40.15	39.10	33.30	29.73	28.00	23.10	(66.30)
3-Apr-20	Elec & Eltek International Company Limited (1151.HK and E16.SI)	Fabrication and distribution of double-sided, multi-layer and high density interconnect printed circuit boards	18.07	Cash	70.47	46.79	41.50	41.17	45.02	47.39	54.44	3.07

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Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK(\$)	Form of Consideration	Last trading day	Premium/(discount) of the cancellation price over/(to)						Net asset attributable to the owners of the company per share (Note 12) (%)
						share price average (%)	share price average (%)	share price average (%)	share price average (%)	share price average (%)	share price average (%)	
20-Mar-20	Li & Fung Limited (494.HK)	Consumer goods design, development, sourcing and logistics	1.25	Cash	150.00	Last 10 trading days share price average (%)	Last 30 trading days share price average (%)	Last 60 trading days share price average (%)	Last 90 trading days share price average (%)	Last 120 trading days share price average (%)	Last 180 trading days share price average (%)	8.20
27-Feb-20	Wheelock and Company Limited (20.HK) (Notes 6 & 7)	Property development and investment businesses in Hong Kong, the PRC and Singapore, hotel operations and container terminal operations	71.9	Share exchange with cash element	52.20	49.20	45.20	43.90	45.08	48.13	45.20	(45.00)
20-Jan-20	BBI Life Sciences Corporation (1035.HK)	Life sciences research products and services, and DNA synthesis products in the PRC	3.5	Cash	16.28	31.43	42.45	46.10	47.92	55.65	56.68	98.86
12-Dec-19	Joyce Boutique Group Limited (647.HK)	Retail and wholesale distribution of leading international fashion, accessory and beauty product brands	0.28	Cash	91.78	100.00	82.17	62.70	47.37	40.00	32.20	19.91
27-Nov-19	China Agri-Industries Holdings Limited (606.HK)	Oilseeds processing, rice processing and trading, wheat processing and brewing materials	4.25	Cash	34.07	40.92	53.17	64.73	72.49	72.62	70.00	(23.56)
1-Nov-19	Springland International Holdings Limited (1700.HK)	Operation of department stores and supermarkets in the PRC	2.3	Cash	63.10	64.40	56.80	55.40	53.20	51.30	48.60	(18.10)

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Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK(\$)	Form of Consideration	Last trading day share price (%)	Premium/(discount) of the cancellation price over/(to)					Net asset attributable to the owners of the company per share (Note 12) (%)	
						Last 10 trading days share price average (%)	Last 30 trading days share price average (%)	Last 60 trading days share price average (%)	Last 90 trading days share price average (%)	Last 120 trading days share price average (%)		Last 180 trading days share price average (%)
20-Oct-19	Dah Chong Hong Holdings Limited (1828.HK)	Integrated motor and consumer products distribution in Asia	3.7	Cash	37.55	42.31	54.81	56.12	54.17	49.80	41.22	(28.16)
3-Oct-19	Huaneng Renewables Corporation Limited (958.HK)	Wind power and solar power generation	3.17	Cash	18.73	18.28	29.92	40.27	43.44	44.09	41.52	(1.86) (Note 8)
2-Oct-19	AVIC International Holdings Limited (161.HK)	High-tech electronic products, retails and consumer products business and international engineering, trading and logistics	9	Cash	29.12	58.09	81.31	88.63	100.00	96.08	92.08	18.35 (Note 9)
12-Aug-19	TPV Technology Limited (903.HK) (Note 10)	Monitor and television manufacturer	3.86	Cash	41.39	50.78	54.50	74.66	87.38	104.23	138.79	(23.94)
27-Jun-19	Asia Satellite Telecommunications Holdings Limited (1135.HK)	Satellite transmission services and transponder capacity in the Asia Pacific region	10.22	Cash	23.43	33.42	44.44	50.44	56.52	63.52	70.96	10.01
18-Jun-19	C.P. Lotus Corporation (121.HK)	Operation of large scale hypermarket stores located in the northern, southern and eastern parts of the PRC	0.11	Cash	10.00	12.00	29.40	30.30	26.50	28.10	21.90	57.10

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Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price HK(\$)	Form of Consideration	Last trading day share price (%)	Premium/(discount) of the cancellation price over/(to)						Net asset attributable to the owners of the company per share (Note 12) (%)
						Last 10 trading days share price average (%)	Last 30 trading days share price average (%)	Last 60 trading days share price average (%)	Last 90 trading days share price average (%)	Last 120 trading days share price average (%)	Last 180 trading days share price average (%)	
14-Jun-19	China Automation Group Limited (569.HK)	Safety and critical control system and control valves specialised for petrochemical industries, and hospital business	1.5	Cash	23.97	36.86	47.78	47.49	46.63	45.49	42.45	16.01
4-Apr-19	China Hengshi Foundation Company Limited (1197.HK)	Research and development, production and sales of various fiberglass fabrics	2.5	Cash	10.62	16.82	17.37	19.05	24.38	25.63	27.55	42.05
28-Mar-19	China Power Clean Energy Development Company Ltd (735.HK) (Note 11)	Development, construction, owning and management of clean energy power plants in the PRC	5.45	Share exchange with cash alternative	41.90	60.80	78.10	94.00	101.90	105.70	88.58	(35.10)
			Maximum		150.00	135.85	100.00	105.50	127.61	140.46	145.00	126.50
			Minimum		10.00	12.00	17.37	19.05	24.38	25.63	21.90	(66.30)
			Median		35.93	49.99	54.66	55.76	53.69	50.65	46.90	(3.68)
			Average		44.46	55.76	59.11	61.90	62.13	61.71	59.55	6.21
6 July 2020	The Company (calculated based on the Estimated Cancellation Price)		0.4202		35.5	54.5	61.0	55.1	53.9	55.6	51.7	N/A

Source: Bloomberg and the website of the Stock Exchange

Note 1: As disclosed in the subject composite document, the last trading day being 23 July 2020, the last full trading day immediately prior to the trading halt of the shares on 24 July 2020 at 1:00 p.m. pending the release of the joint announcement in relation to the offer.

- Note 2:* As disclosed in the subject composite document, the last trading day for the calculation of the cancellation price premium over the share price on the last trading day being 15 June 2020, the last trading day immediately prior to the trading halt of the H shares at 10:07 a.m. on 15 June 2020 pending the release of the joint announcement in relation to the offer, while the last trading day for the calculation of cancellation price premium over the average share price for the last 5 to 180 trading days being 12 June 2020, the last full trading day immediately prior to the trading halt of the H shares at 10:07 a.m. on 15 June 2020 pending the release of the joint announcement in relation to the offer.
- Note 3:* As disclosed in the subject scheme document, the cancellation price for each of the H share and the domestic share are HK\$2.50 and RMB2.29995 (which is equivalent to the cancellation price of each H share based on the exchange rate) respectively.
- Note 4:* As disclosed in the subject scheme document, the perpetual medium-term notes and renewable corporate bonds was excluded in the calculation of the discount to the net asset attributable to the owners of the company per share represented by its cancellation price.
- Note 5:* The cancellation price of \$1.92 represents the scheme cash consideration of \$0.42 per scheme share and the scheme cash dividend of HK\$1.50 per ordinary share of the company.
- Note 6:* The cancellation price of \$71.90 represents the scheme cash consideration of \$12.00 per scheme share and the value (based on their closing prices on the last trading day) of one share of Wharf Real Estate Investment Company Limited (1997.HK) and one share of The Wharf (Holdings) Limited (4.HK) to be distributed per scheme share.
- Note 7:* As disclosed in the subject scheme document, the effect of the distribution (a special dividend by way of a distribution in-specie to shareholders of one share of Wharf Real Estate Investment Company Limited and one share of The Wharf (Holdings) Limited in respect of each share of Wheelock and Company Limited held at the record date) was not taken into account in the calculation of the discount to the net asset attributable to owners of the company per share represented by its cancellation price.
- Note 8:* Calculation is independently made based on the unaudited consolidated total equity attributable to owners of the company as at 30 June 2019, whilst the disclosure on the composite document has shown the calculation based on the total equity as at 30 June 2019.
- Note 9:* As disclosed in the subject scheme document, this calculation is based on the assumption that all the perpetual subordinated convertible securities of the company are fully converted into domestic shares of the company at the initial conversion price of RMB3.47.
- Note 10:* The cancellation price of \$3.86 represents the cash consideration for scheme share listed on the Stock Exchange. The scheme shareholder who holds scheme shares listed on the Singapore Exchange Securities Trading Limited is entitled to the equivalent of HK\$3.86 in Singapore dollar.
- Note 11:* The cash alternative of HK\$5.45 for each scheme share had been used for the purpose of this comparison. Whereas the share alternative represents six new shares in the capital of the offeror China Power New Energy Limited, being a non-listed company, for each scheme share.
- Note 12:* The net asset attributable to the owners of the company per share are calculated based on the latest published net asset attributable to owners of the respective companies as disclosed based on the respective privatisation documents. For the avoidance of doubt, the respective net asset attributable to owners of the company per share did not take into account the adjustment (if any) from the revaluation of properties, if any, held by the respective companies.

Note 13: Premiums/discounts shown above for certain trading periods were independently calculated as they were not published in the respective scheme/composite documents. The premium/discounts (rounded to the nearest two decimal places) were derived by comparing the average closing share price (rounded to two decimal places) and the respective cancellation price.

Based on the table above, the average premium of the Privatisation Precedents over the last trading day share price, 10 days, 30 days, 60 days, 90 days, 120 days and 180 days share price averages were approximately 44.46%, 55.76%, 59.11%, 61.90%, 62.13%, 61.71% and 59.55% respectively. We note that the premiums represented by the Estimated Cancellation Price over the HRIV Shares closing price on the Last Trading Day and the average closing prices of the HRIV Shares for the last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days were all within the range of the corresponding average premiums of the Privatisation Precedents, which are considered in line with the market. We further note that the premium represented by the Estimated Cancellation Price over the average closing prices of the HRIV Shares for the last 30 days was above the corresponding average premium of the Privatisation Precedents. In addition, as shown in the above table, the premiums represented by the Estimated Cancellation Price over the HRIV Shares closing price on the Last Trading Day and the average closing prices of the HRIV Shares for the last 10 days, 30 days, 60 days, 90 days, 120 days and 180 days were above or close to the corresponding median premiums of the Privatisation Precedents, which are considered favourable.

Based on the findings from the Privatisation Precedents, we separately noted that the average premium as represented by the cancellation price over the net asset attributable to owners of the company per share was approximately 6.21% and the range of discounts/premiums derived stretched from a discount of approximately 66.30% to a premium of as high as approximately 126.50%. However, given that the HRIV Group reported net liabilities attributable to HRIV Shareholder per HRIV Share, we consider the results derived from the Privatisation Precedents in this respect to be not applicable.

Whilst the consideration payable under the Proposal involves the Scheme Shareholders exchanging each Scheme Share for 2.82 new HRIF Shares with no cash alternative so that the Scheme Shareholders will become shareholders of the Enlarged Group and will continue to participate in the businesses of HRIV as part of the Enlarged Group, the Proposal indeed has characteristics of a merger with a listed fellow, which in substance, is not a buy-out for cash. Against such backdrop, we have taken a closer look into privatisation precedents which were considered with similar characteristics of a merger and for comparison with the Proposal. In this regard, we have compared the Estimated Cancellation Price to completed privatisation proposals involving share exchange offer (without cash alternative) for companies listed on the Main Board of the Stock Exchange exchanged for listed shares and announced since January 2015 and up to the Latest Practicable Date (the “**Share Exchange Privatisation Precedents**”). In our view, the Share Exchange Privatisation Precedents represent an exhaustive list that we are able to identify from the Stock Exchange’s website in this time frame which we considered an appropriate period for obtaining a reasonable size of sample for comparison purposes. The table below illustrates the implied premium or discount represented by the offer/cancellation consideration over/to the relevant historical

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closing prices and the latest published net asset attributable to owners of the company per share in respect of the Share Exchange Privatisation Precedents:

Date of the announcement	Company name and stock code	Principal Business(es)	Cancellation price (Note 1) HK (\$)	Premium/(discount) of the cancellation price over/(to)							Net asset attributable to the owners of the company per share (Note 2) (%)
				Last trading day share price (%)	Last 10 trading days share price average (%)	Last 30 trading days share price average (%)	Last 60 trading days share price average (%)	Last 90 trading days share price average (%)	Last 120 trading days share price average (%)	Last 180 trading days share price average (%)	
4-May-20	Easy One Financial Group Limited (221.HK)	Provision of finance, securities brokerage and related services, and leasing and sale of properties	0.924	44.40	94.50	90.10	98.30	105.33	106.30	110.00	(52.80)
27-Feb-20	Wheelock and Company Limited (20.HK) (Notes 3 & 4)	Property development and investment businesses in Hong Kong, the PRC and Singapore, hotel operations and container terminal operations	71.9	52.20	49.20	45.20	43.90	45.08	48.13	45.20	(45.00)
8-Sep-17	China National Materials Company Limited (1893.HK)	Cement equipment and engineering services, cement and high-tech materials	4.267	19.19	24.73	31.18	44.86	52.96	54.60	67.54	(25.53)
27-May-15	Dorsett Hospitality International Limited (2266.HK)	Hotel operation and management, property investment, property development and property trading	1.80	32.40	38.50	41.70	44.00	42.86	39.53	34.33	(1.10)
9-Jan-15	Hutchison Whampoa Limited (13.HK)	Ports and related services, property and hotels, retail, infrastructure, energy and telecommunications	85.36	(2.33)	(3.75)	(6.07)	(9.37)	(10.99)	(12.94)	(14.74)	(14.69)
			Maximum	52.20	94.50	90.10	98.30	105.33	106.30	110.00	(1.10)
			Minimum	(2.33)	(3.75)	(6.07)	(9.37)	(10.99)	(12.94)	(14.74)	(52.80)
			Average	29.17	40.64	40.42	44.34	47.05	47.12	48.47	(27.82)
6 July 2020	The Company (calculated based on the Estimated Cancellation Price)		0.4202	35.5	54.5	61.0	55.1	53.9	55.6	51.7	N/A

Source: Bloomberg and the website of the Stock Exchange

Note 1: Cancellation price is calculated based on the share price of the listed share exchanged on the last trading day after applying the applicable share exchange ratio as disclosed based on the respective privatisation/merger documents.

Note 2: The net asset attributable to owners of the company per share are calculated based on the latest published net asset attributable to owners of the company as disclosed based on the respective privatisation/merger documents. For the avoidance of doubt, the respective net asset attributable to owners of the company per share did not take into account the adjustment (if any) from the revaluation of properties, if any, held by the respective companies.

Note 3: The cancellation price of \$71.90 represents the scheme cash consideration of \$12.00 per scheme share and the value (based on their closing prices on the last trading day) of one share of Wharf Real Estate Investment Company Limited (1997.HK) and one share of The Wharf (Holdings) Limited (4.HK) to be distributed per scheme share.

Note 4: As disclosed in the subject scheme document, the effect of the distribution (a special dividend by way of a distribution in specie to shareholders of one share of Wharf Real Estate Investment Company Limited and one share of The Wharf (Holdings) Limited in respect of each share of Wheelock and Company Limited held at the record date) was not taken into account in the calculation of the discount to the net asset attributable to owners of the company per share represented by its cancellation price.

Based on the table above, the average premium of the Share Exchange Privatisation Precedents over the last trading day share price, 10 days, 30 days, 60 days, 90 days, 120 days and 180 days share price averages were approximately 29.17%, 40.64%, 40.42%, 44.34%, 47.05%, 47.12% and 48.47% respectively. We note that the premiums represented by the Estimated Cancellation Price over the last trading day share price and the average closing prices of the HRIV Shares for each of the abovementioned periods are all above the corresponding average premiums of the Share Exchange Privatisation Precedents, which are considered favourable.

We had also considered conducting peer comparison to assess the fairness and reasonableness of the Estimated Cancellation Price. However, as the HRIV Group was loss-making for FY2019 and therefore, comparison of price-to-earnings ratio with its industry peers is not applicable. As discussed under the section “1.2 Financial information of the HRIV Group” above, although the HRIV Group reported total equity of approximately HK\$1,285.0 million as at 30 June 2020, of which approximately HK\$1.424.1 million was attributable to the holder(s) of the HRIV Perpetual Bond and equity attributable to the ordinary shareholders of HRIV was in a negative balance of approximately HK\$139.1 million. In such circumstances, comparison of price-to-book ratio for HRIV is also not applicable. As such, no comparison of price-to-earnings or price-to-book ratios are available for analysis purposes.

DISCUSSION OF PRINCIPAL REASONS AND FACTORS

We consider that the terms of the Proposal and the Scheme, including the Exchange Ratio, to be fair and reasonable so far as the Disinterested Shareholders are concerned after taking into account all of the above principal factors and reasons, in particular:

- (1) the Proposal will allow the Disinterested Shareholders to enjoy reasonable premiums represented by the Estimated Cancellation price based on the prevailing market price of the 2.82 HRIF Shares over that of each HRIV Share (i.e. premium of around 35.5% as of Last Trading Day and around 83.5% as of Latest Practicable Date) by exchanging their holdings in HRIV to HRIF, and as further discussed in the section headed “6. Privatisation precedents” above, such premiums are generally in line with the corresponding premiums under the Privatisation Precedents and compared favourably with those of the Share Exchange Privatisation Precedents. Also, as discussed in section headed “5.2 Analysis on theoretical value per Scheme Share based on historical prices of HRIV Shares and HRIF Shares” above, throughout the entire Review Period, the Daily Theoretical Value has consistently represented premium over the daily closing price per HRIV Share, which is considered favourable; and
- (2) the Proposal will also allow the Disinterested Shareholders to continue their investment in HRIV through their holdings in HRIF upon the Scheme becoming effective and become shareholders of a listed platform of much larger scale with a more diversified business portfolio, and with revenue base and NAV being around triple of the size of HRIV based on the Pro Forma Financial Information. As shown under the Pro Forma Financial Information, the Enlarged Group would have a strong capital base with NAV and cash and bank balances (including restricted bank balances and deposit in other financial institutions) of approximately HK\$3,621.8 million and HK\$2,947.9 million respectively, which are around three times of each of NAV of approximately HK\$1,285.0 million and cash and bank balances (including deposit in other financial institutions and pledged bank deposits) of approximately HK\$964.7 million of the HRIV Group as at 30 June 2020. As previously discussed, CHIH recently subscribed another new tranche of perpetual securities of HRIF in the principal amount of US\$200 million in the first half of 2020. Following the implementation of the Proposal, the HRIV Group and the HRIF Group will combine as one single group, which will remove potential competition between HRIV and HRIF for resources from China Huarong whilst at the same time be able to better leverage on and enjoy increased focus and support from China Huarong in the future. In view of HRIV’s loss-making performance and particularly, the current and foreseeable increasingly challenging market environment with uncertainties in light of, among others, the global outbreak of the COVID-19, the China-US trade disputes and increasing political risks as discussed in section headed “1.3 Prospects of the HRIV Group” above, we consider that despite the increased net liabilities of the Enlarged Group shared by each Disinterested Shareholders following the Scheme becoming effective, swapping interests in HRIV to the strengthened platform of the Enlarged Group are prudent for the Disinterested Shareholders, since the Enlarged Group, with

stronger capital base and increased focus and financial support from parent, would be in a better position to withstand and react to any possible adverse changes due to short-term market volatility, and be expected to in the long run enhance return and shareholders' value for its then shareholders including the Disinterested Shareholders pursuant to the aforesaid synergies, including particularly the economies of scale, cost savings and increased business opportunities with the expanded customer bases and cross-selling, to be achieved.

Nevertheless, Disinterested Shareholders are reminded that the Estimated Cancellation Price only provides a snap shot on the value per Scheme Share based on the Exchange Ratio as at the Last Trading Day. Disinterested Shareholders should also note that the Proposal is a share exchange offer which does not involve cash. The Estimated Cancellation Price under the Proposal will change from time to time according to the fluctuations in the price of HRIF Shares during the Offer Period, and it is uncertain whether the market prices of the HRIV Shares and/or the HRIF Shares would rise or not and whether the Estimated Cancellation Price under the Proposal would represent discount or premium to market prices of the HRIV Shares during and after the Offer Period. Disinterested Shareholders, in particular those who intend to hold their interest as short-term investment, should monitor closely the trading of the HRIV Shares and HRIF Shares during the Offer Period.

OPINION AND RECOMMENDATIONS

Based on the above principal factors and reasons, we consider the terms of the Proposal are fair and reasonable so far as the Disinterested Shareholders are concerned. Accordingly, we advise the HRIV Independent Board Committee to recommend the Disinterested Shareholders to vote in favour of the relevant resolutions to be proposed at the Court Meeting and the EGM respectively to approve and implement the Proposal and the Scheme.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 17 years of experience in corporate finance industry.

This Explanatory Statement constitutes the statement required under Order 102, rule 20(4)(e) of the Rules of the Grand Court of the Cayman Islands 1995 (revised).

**SCHEME OF ARRANGEMENT
(UNDER SECTION 86 OF THE COMPANIES LAW)
TO CANCEL ALL THE SCHEME SHARES**

1. INTRODUCTION

As disclosed in the Announcement, on 3 July 2020, the HRIF Board requested the HRIV Board to put forward the Proposal to the Scheme Shareholders regarding the privatization of HRIV by HRIF by way of a scheme of arrangement under section 86 of the Companies Law. The Scheme upon becoming effective will involve (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) for cash at par, (ii) subject to and forthwith upon the allotment and issuance of the HRIV Share referred to in (i) above, the reduction of the issued share capital of HRIV by the cancellation of the Scheme Shares on the Effective Date, and in consideration therefor, 2.82 HRIF Shares will be allotted and issued to the Scheme Shareholders for each Scheme Share so cancelled, (iii) forthwith upon the issued share capital reduction referred to in (ii) 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) minus one to HRIF (or, as HRIF may direct, a wholly owned subsidiary of 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 (ii) above, and (iv) 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(2) of the Listing Rules.

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 EGM. 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.

The purpose of this Explanatory Statement is to set out the terms and effects of the Proposal, which are to be implemented by the Scheme, and to give the Scheme Shareholders other relevant information in relation to the Proposal and the Scheme, in particular, to provide the intentions of HRIF with regard to HRIV and the shareholding structure of HRIV before and after the Scheme.

Particular attention of the Scheme Shareholders is drawn to (a) a letter from the HRIV Board set out in Part IV of this Scheme Document; (b) a letter from the HRIV Independent Board Committee set out in Part V of this Scheme Document; (c) a letter from the HRIV Independent Financial Adviser set out in Part VI of this Scheme Document; and (d) the terms of the Scheme set out in Appendix VI to this Scheme Document.

2. TERMS OF THE PROPOSAL

As at the Latest Practicable Date, (i) the issued share capital of HRIV comprised 1,816,000,000 HRIV Shares, all of which constituted the Scheme Shares; and (ii) there were 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.

Under the Proposal, HRIF will make a conditional share exchange offer to the Scheme Shareholders for the cancellation of all the Scheme Shares, in exchange for newly issued HRIF Shares in the following ratio, based on the holding of Scheme Shares as at 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 Latest Practicable Date, the Last Trading Day and in various historical periods, are as follows:

	Latest Practicable Date	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\$)	0.25	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\$)	0.38	0.31	0.28	0.29	0.29
(C) Premium = $2.82 \times (A) / (B) - 1$	85.53%	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 unaudited consolidated net asset value per HRIF Share of approximately HK\$0.65 as at 30 June 2020 (based on the unaudited consolidated net asset value of the HRIF Group of approximately HK\$2,336,781,000 as at 30 June 2020 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\$1.83, which represents a premium of approximately 157.75% over the unaudited consolidated net asset value per HRIV Share of

approximately HK\$0.71 as at 30 June 2020 (based on the unaudited consolidated net asset value of the HRIV Group of approximately HK\$1,284,967,000 as at 30 June 2020 and 1,816,000,000 HRIV Shares in issue as at the same date).

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 the HRIF Group 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 46.48% 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 the HRIV Group 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).

New HRIF Shares to be issued pursuant to the Scheme

Based on the above exchange ratio, assuming no changes to either HRIF's issued share capital or HRIV's issued share capital from the Latest Practicable Date to the Effective Date 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 Latest Practicable Date 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.

The Scheme Shareholders may receive odd lots of HRIF Shares under the Scheme. A designated broker 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 from Wednesday, 11 November 2020 to Monday, 11 January 2021, both days inclusive. Details of the odd lot matching service is set out in the section headed "22. Arrangements relating to sale of odd lots of HRIF Shares" in this Explanatory Statement.

The HRIF Shares to be issued pursuant to the Scheme 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.

Dividend

Scheme Shareholders whose names appear on the register of members of HRIV as at the record date for determining the entitlement to dividend (if any) declared by HRIV on or before the Effective Date will be entitled to receive such dividend (if any). However, HRIV does not expect to declare any dividend from the Latest Practicable Date up to and including the Effective Date.

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 the EGM to approve and give effect to:
 - (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) for cash at par;
 - (ii) the reduction of the issued share capital of HRIV by cancelling and extinguishing the Scheme Shares;
 - (iii) 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 minus one;

- (iv) 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; and
- (v) the withdrawal of listing of the HRIV Shares on the Stock Exchange upon the Scheme becoming effective;
- (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 order 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 PRC Ministry of Finance);
- (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 the 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, 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 PRC Ministry of Finance. As 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, the Proposal and the Scheme are subject to the Condition that no objection having been raised by the PRC Ministry of Finance, which will be an Approval for

the purpose of the Conditions set out in paragraphs (e) and (f) above. Based on the enquiries with the PRC Ministry of Finance, HRIF understands that the PRC Ministry of Finance has no objection to the Proposal and the Scheme, and no further Approval is required from the PRC Ministry of Finance. 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 from the PRC Ministry of Finance and the consents or waivers as aforementioned in this paragraph and save to the extent required under Conditions (d) and (h), 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 (j) and/or (k) 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.

As at the Latest Practicable Date, save for Condition (e) (to the extent not required under Conditions (d) and (h)), none of the Conditions has been fulfilled or waived.

When and only if the Conditions are fulfilled or waived (as applicable), HRIV shall deliver to the Registrar of Companies in the Cayman Islands for registration pursuant to section 86(3) of the Companies Law a copy of the order of the Court sanctioning the Scheme, whereupon the Scheme will become effective and binding on HRIV and all the Scheme Shareholders. Assuming that the Conditions are fulfilled or validly waived (as applicable), it is expected that the Scheme will become effective on or around Monday, 9 November 2020 (Cayman Islands time). An announcement will be made in relation to the results of the Court Meeting and the EGM; and if all the resolutions are passed at those meetings, further announcements will be made in relation to (i) the results of the court hearing of the petitions to sanction the Scheme and to confirm the Capital Reduction, (ii) the Scheme Record Date, (iii) the Effective Date, and (iv) the date of withdrawal of the listing of HRIV Shares on the Stock Exchange as further set out in Part III of this Scheme Document.

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 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. THE SCHEME AND THE COURT MEETING

Pursuant to Section 86 of the Companies Law, where an arrangement is proposed between a company and its members or any class of them, the Court may, on the application of the company or any member of the company, order a meeting of the members of the company or class of members, as the case may be, to be summoned in such manner as the Court directs.

It is expressly provided in Section 86 of the Companies Law that if a majority in number representing 75% in value of the members or class of members, as the case may be, present and voting either in person or by proxy at the meeting held as directed by the Court as aforesaid, agree to any arrangement, the arrangement shall, if sanctioned by the Court, be binding on all members or class of members, as the case may be, and also on the company.

The Court has been requested to order the convening of the Court Meeting, which is a meeting of all the members of HRIV (i.e. the Scheme Shareholders) for approving the Scheme.

In accordance with the Companies Law, the “75% in value” requirement as described above will be met if the total value of Scheme Shares being voted by the Scheme Shareholders present and voting either in person or by proxy in favour of the Scheme is at least 75% of the total value of the Scheme Shares voted by the Scheme Shareholders present and voting either in person or by proxy at the Court Meeting. In accordance with the Companies Law, the “majority in number” requirement as described above will be met if the number of Scheme Shareholders present and voting either in person or by proxy at the Court Meeting in favour of the Scheme exceeds the number of Scheme Shareholders present and voting either in person or by proxy at the Court Meeting against the Scheme.

In accordance with the direction from the Court, HKSCC Nominees Limited shall be permitted to vote once for and once against the Scheme in accordance with instructions received by it from CCASS participants (as defined under the General Rules of CCASS and CCASS Operational Procedures in effect from time to time) for the purposes of determining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under Section 86(2) of the Companies Law has been satisfied. For the purpose of calculating the “majority in number”, HKSCC Nominees Limited may be counted as a multi-headed HRIV Shareholder voting once “for” and once “against” the Scheme. The number of votes cast in favour of the Scheme and the number of CCASS participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS participants on whose instructions they are cast will be disclosed to the Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

All Scheme Shareholders, including HRIF and the HRIF Concert Parties who hold HRIV Shares, will be entitled to attend and vote at the Court Meeting, and their votes will be taken into account for the purpose of determining whether the requirements under Section 86 of the Companies Law are satisfied.

5. ADDITIONAL REQUIREMENTS AS IMPOSED BY RULE 2.10 OF THE TAKEOVERS CODE

Rule 2.10 of the Takeovers Code provides that in addition to satisfying any voting requirements imposed by law as summarized above, other than with the consent of the Executive, a scheme of arrangement used to privatize a company may only be implemented if:

- (a) the scheme is approved by at least 75% of the votes attaching to the disinterested shares (i.e. shares in the company other than those which are owned by the offeror or persons acting in concert with the offeror) that are cast either in person or by proxy at a duly convened meeting of the holders of the disinterested shares; and
- (b) the number of votes cast against the resolution to approve the scheme at such meeting is not more than 10% of the votes attaching to all the disinterested shares.

In this connection, the votes of HRIF and the HRIF Concert Parties who hold HRIV Shares will not be taken into account for the purpose of determining whether the requirements under Rule 2.10 of the Takeovers Code are satisfied.

As at the Latest Practicable Date, the Disinterested Shareholders held in aggregate 452,413,000 Scheme Shares and 10% of the votes attached to all Scheme Shares held by the Disinterested Shareholders was approximately 45,241,300 Scheme Shares.

6. BINDING EFFECT OF THE SCHEME

Upon the Scheme becoming effective, it will be binding on HRIV and each Scheme Shareholder, irrespective of whether or not he, she or it attends or votes, or how they vote, at the Court Meeting and the EGM.

7. SHAREHOLDING STRUCTURE OF HRIV

As at the Latest Practicable Date, (i) the authorized share capital of HRIV was HK\$200,000,000 divided into 20,000,000,000 HRIV Shares; (ii) the issued share capital of HRIV comprised 1,816,000,000 HRIV Shares, all of which will constitute the Scheme Shares; and (iii) there were 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 carried a right to subscribe for or which were convertible or exchangeable into HRIV Shares.

Assuming there is no change to the issued share capital of HRIV from the Latest Practicable Date up to the Effective Date, the table below sets out the shareholding structure of HRIV (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Proposal:

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

Notes:

- 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 Shiye Investment Management Company Limited (華融實業投資管理有限公司) (formerly known as Huarong Real Estate Co., Ltd.) (“**Huarong Shiye**”). Huarong Zhiyuan and Huarong Shiye 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 Mr. Jia 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 Renco, 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, Renco 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, on the Effective Date (i) one HRIV Share will be allotted and issued to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) and (ii) subject to and forthwith upon the allotment and issuance of the HRIV Share referred to in (i), the issued share capital of HRIV will 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 minus one. 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.

As at the Latest Practicable Date, HRIF and its subsidiaries did not hold any HRIV Shares, and the HRIF Concert Parties held in aggregate 1,363,587,000 HRIV Shares, representing approximately 75.09% of the issued share capital of HRIV. Such HRIV Shares held by the HRIF Concert Parties (which, for the avoidance of doubt, does not include the one HRIV Share to be allotted and issued to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) for cash at par referred to in Condition (c)(i)) will form part of the Scheme Shares and will, subject to the Scheme becoming effective, be cancelled.

8. SHAREHOLDING STRUCTURE OF HRIF

As at the Latest Practicable Date, (i) the authorized share capital of HRIF was HK\$1,000,000,000 divided into 1,000,000,000 HRIF Shares; (ii) the issued share capital of HRIF comprised 3,588,466,011 HRIF Shares; and (iii) there were 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 carried a right to subscribe for or which were 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 Latest Practicable Date up to the Effective Date 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 Latest Practicable Date; and (ii) immediately upon completion of the Proposal:

HRIF Shareholders	As at the Latest Practicable Date		Immediately upon completion of the Proposal ^(Note 5)	
	Number of HRIF Shares	Approximate %	Number of HRIF Shares	Approximate %
Substantial shareholders				
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	2,605,338,193	72.60	6,213,294,133	71.34
Public shareholders ^(Note 4)	983,127,818	27.40	2,496,291,878	28.66
Total number of HRIF Shares	3,588,466,011	100.00	8,709,586,011	100.00

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 Shiye. Each of Huarong Zhiyuan and Huarong Shiye is wholly owned by China Huarong.

2. 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 (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.
3. 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.
4. 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 Latest Practicable Date to the Effective Date, 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.

9. INFORMATION ON HRIV

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.

10. 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 PRC Ministry of Finance.

11. REASONS FOR AND BENEFITS OF THE PROPOSAL

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 businesses are direct investments in stock, bonds, funds, derivatives and other financial products ("**HRIV Direct Investment Business**"), and financial services and others including but not limited to finance leasing and money lending ("**HRIV Financial Services Business**"). 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 would place HRIF and HRIV in a better position to exploit the potential business opportunities and to facilitate cooperation between HRIV and HRIF that are currently restricted by or subject to the non-competition undertakings given by CHIH (formerly known as Huarong (HK) International Holdings Limited) to HRIF (formerly known as Simsen International Corporation Limited) in 2015.
- 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 the provision of services at a higher quality 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, thereby generating more revenue for the enlarged group.

- 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 banking” 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 Latest Practicable Date was approximately 330,004 HRIV Shares per trading day, representing only approximately 0.0182% of the Scheme Shares as at the Latest Practicable Date. 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 959,742 HRIF Shares per trading day, representing approximately 0.0267% of the HRIF Shares as at the Latest Practicable Date.
- 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 Latest Practicable Date, 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.

The HRIF Board's view

The HRIF Board 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.

The HRIV Board's view

The directors of HRIV (including members of the HRIV Independent Board Committee whose views are set out in Part V of this Scheme Document) are of the view that the terms of the Proposal are fair and reasonable to the Scheme Shareholders and that the proposed privatization of HRIV will be beneficial to the Scheme Shareholders.

12. HRIF'S INTENTION REGARDING THE HRIV GROUP

Save as mentioned under "11. Reasons for and benefits of the Proposal" above, upon successful implementation of the Scheme and the Proposal: (i) HRIF intends to continue the operation of the existing business of the HRIV Group without making any major changes; (ii) HRIF has no intention to discontinue the employment of the employees of the HRIV Group; and (iii) HRIF does not plan to redeploy any of the fixed assets of the HRIV Group. However, HRIF reserves the right to make any changes that it deems necessary or appropriate to the HRIV Group's business and operations, to explore opportunities arising from time to time for acquisitions, disposals and other structuring possibilities, and that HRIF will continue to explore such opportunities as they arise from time to time, subject to compliance with any relevant rules and regulations.

The HRIV Board will cooperate with and provide support to HRIF as regards HRIF's intention regarding the HRIV Group and will continue to act in the best interests of the HRIV Group and the HRIV Shareholders as a whole.

13. SHARE CERTIFICATES, DEALINGS AND 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, and the register of members of HRIV will be updated accordingly to reflect the cancellation of all the Scheme Shares. 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(2) 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 for the implementation of the Proposal has been included in Part III of this Scheme Document.

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. COSTS OF THE SCHEME

In light of the recommendation of the HRIV Independent Board Committee as set out in Part V of this Scheme Document and the recommendation of the HRIV Independent Financial Adviser as set out in Part VI of this Scheme Document, Rule 2.3 of the Takeovers Code is not applicable, and HRIF and HRIV have agreed that all costs, charges and expenses of the advisers and counsels appointed by HRIV, including the HRIV Independent Financial Adviser, will be borne by HRIV, all costs, charges and expenses of the advisers and counsels appointed by HRIF will be borne by HRIF, and other costs, charges and expenses of this Scheme will be shared between HRIF and HRIV equally.

16. REGISTRATION AND DESPATCH OF NEW HRIF SHARE CERTIFICATES

On the basis that the Scheme Record Date will be Monday, 9 November 2020, it is proposed that the register of members of HRIV will be closed from Monday, 9 November 2020 (or such other date as HRIV Shareholders may be notified by announcement) onwards in order to establish entitlements under the Scheme. In order to qualify for entitlements under the Scheme, Scheme Shareholders should ensure that the transfers of HRIV Shares to them are lodged with the Hong Kong branch share registrar of HRIV for registration in their names or in the names of their nominees before the closure of the register of members of HRIV. The Hong Kong branch share registrar of HRIV is Tricor Investor Services Limited, which is located at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

In respect of the new HRIF Shares which the Scheme Shareholders are entitled to receive as consideration for cancellation of their Scheme Shares under the Scheme, each Scheme Shareholder will be sent (a) one share certificate representing HRIF Shares that are a whole multiple of a board lot of 1,000 HRIF Shares and (b) (if applicable) one share certificate for the remaining HRIF Shares which represent less than a whole multiple of 1,000 HRIF Shares (i.e. an odd lot of HRIF Shares), except for HKSCC Nominees Limited which may request for share certificates to be issued in such denominations as it may specify.

Assuming the Scheme becomes effective on Monday, 9 November 2020, the share certificates for the new HRIF Shares are expected to be despatched to the Scheme Shareholders on or before Wednesday, 18 November 2020.

In the absence of any specific instructions to the contrary received in writing by the Hong Kong branch share registrar of HRIV before the Effective Date, the share certificates for the new HRIF Shares will be sent to the Scheme Shareholders whose names appear on the register of members of HRIV as at the Scheme Record Date at their respective registered addresses, and such share certificates will be sent by ordinary post in postage pre-paid envelopes. All such share certificates will be sent at the risk of the person(s) entitled thereto and none of HRIF, HRIV, their respective advisers and share registrars, and any of their respective directors, employees, officers, agents or associates or any other persons involved in the Proposal will be responsible for any loss or delay in despatch.

Issuance, allotment and delivery of the new HRIF Shares to which the Scheme Shareholders are entitled under the Scheme will be implemented in full in accordance with the terms of the Scheme, without regard to any lien, right of set-off, counterclaim or other analogous right to which HRIF may otherwise be, or claim to be, entitled against any such Scheme Shareholder.

17. 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 and Somerley, that those laws and regulatory requirements have been complied with. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees Limited will give, or be subject to, any of the above representations and warranties. If any Scheme Shareholder is in doubt as to its position, it should consult its professional advisers.

As at the Latest Practicable Date, there were no HRIV Shareholders with a registered address outside of Hong Kong. On the above basis, a waiver pursuant to Note 3 to Rule 8 of the Takeovers Code is not necessary.

18. TAXATION

As the Scheme does not involve the sale and purchase of Hong Kong stock, no stamp duty will be payable pursuant to the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong) on the cancellation of the Scheme Shares upon the Scheme becoming effective. The Scheme Shareholders, whether in Hong Kong or in other jurisdictions, are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting the Proposal. It is emphasized that none of HRIF, HRIV, parties acting in concert with them or presumed to be acting in concert with them and their respective advisers and share registrars or any of their respective directors, employees, officers, agents or associates or any other person involved in the Proposal accepts any responsibility whatsoever for any taxation effects on, or liabilities of, any persons in connection with the Proposal in Hong Kong or any other jurisdiction.

19. COURT MEETING AND EGM

In accordance with the direction of the Court, the Court Meeting will be held for the purpose of considering and, if thought fit, passing the resolution to approve the Scheme (with or without modification(s)). Scheme Shareholders whose names appear on the register of members of HRIV as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, at the Court Meeting. The Scheme will be subject to the approval by the Scheme Shareholders and the Disinterested Shareholders (as the case may be) at the Court Meeting in the manner referred to in the sections headed “4. The Scheme and the Court Meeting” and “5. Additional requirements as imposed by Rule 2.10 of the Takeovers Code” in this Explanatory Statement.

The EGM will be held immediately after the conclusion or adjournment of the Court Meeting for the purpose of considering and, if thought fit, passing the special resolution to approve and give effect to (i) the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF), (ii) subject to and forthwith upon the allotment and issuance of the HRIV Share referred to in (i) above, the reduction of the issued share capital of HRIV by cancelling and extinguishing the Scheme Shares; (iii) 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, as HRIF may direct, a wholly owned subsidiary of HRIF) such number of new HRIV Shares as is equal to the number of Scheme Shares cancelled as a result of the Scheme minus one; (iv) 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, as HRIF may direct, a wholly owned subsidiary of HRIF); and (v) the withdrawal of listing of HRIV Shares on the Stock Exchange upon the Scheme becoming effective. All HRIV Shareholders whose names appear on the register of members of HRIV as at the Meeting Record Date will be entitled to attend and vote, in person or by proxy, on such resolution at the EGM. 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 such resolution at the EGM. At the EGM, the special resolution will be put to the vote by way of poll as required under Rule 13.39(4) of the Listing Rules. The special resolution described in this paragraph will be passed if not less than three-fourths of the votes cast by HRIV Shareholders, present and voting in person or by proxy at the EGM, are in favour of such resolution. Each HRIV Shareholder present and voting, either in person or by proxy, will be entitled to vote all of his, her or its HRIV Shares in favour of (or against) the special resolution; alternatively, such HRIV Shareholder may vote some of his, her or its HRIV Shares in favour of the special resolution and any or all of the balance of his, her or its HRIV Shares against the special resolution (and vice versa).

An announcement will be made by HRIF and HRIV in relation to the results of the Court Meeting and EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast in favour of the Scheme and the number of CCASS participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS participants on whose instructions they are cast will be included in such announcement.

Notices of the Court Meeting and the EGM are set out in Appendix VII and Appendix VIII to this Scheme Document, respectively. The Court Meeting and the EGM will be held on Tuesday, 27 October 2020 at the respective times specified in such notices at Level 16, Two Pacific Place, 88 Queensway, Hong Kong.

It is proposed that the register of members of HRIV will be closed during the period from Thursday, 22 October 2020 to Tuesday, 27 October 2020 (both days inclusive) (or such other dates as may be notified by HRIV by way of announcement(s)) for the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the HRIV Shareholders to attend and vote at the EGM. Such book close period is not for determining entitlements under the Scheme. In order to qualify to attend and vote at the Court Meeting and the EGM, the relevant Shareholders should ensure that the relevant forms of transfer of their HRIV Shares accompanied by the relevant share certificates are lodged with the Hong Kong branch share registrar of HRIV, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. (Hong Kong time) on Wednesday, 21 October 2020.

20. BENEFICIAL OWNERS

Beneficial Owners are urged to have their names entered in the register of members of HRIV as soon as possible for, among other things, the following reasons:

- (a) to enable the Beneficial Owners to become HRIV Shareholders so that they can attend the Court Meeting and EGM in the capacity as members of HRIV or be represented by proxies to be appointed by them and to be included for the purpose of calculating the majority in number of Scheme Shareholders as required under Section 86 of the Companies Law in their capacity as members of HRIV;
- (b) to enable HRIV to properly classify members of HRIV as Scheme Shareholders for the purposes of Section 86 of the Companies Law; and
- (c) to enable HRIF and HRIV to make arrangements to effect the delivery of share certificates for the new HRIF Shares to the most appropriate person when the Scheme becomes effective.

No person shall be recognised by HRIV as holding any HRIV Shares upon any trust. In the case of any Beneficial Owner whose HRIV Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), such Beneficial Owner should contact the Registered Owner and provide him, her or it with instructions or make arrangements with the Registered Owner in relation to the manner in which the HRIV Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete his, her or its proxy and to submit it by the relevant deadline(s). To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner at a particular date or time in advance of the relevant latest time for the lodgement of forms of proxy in respect of the Court Meeting and the EGM, then any such Beneficial Owner should comply with the requirements of such Registered Owner.

Any Beneficial Owner whose HRIV Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited must, unless such Beneficial Owner is a person admitted to participate in CCASS as an Investor Participant, contact their broker, custodian, nominee or other relevant person who is, or has in turn deposited such HRIV Shares with, an Other CCASS Participant regarding voting instructions to be given to such person(s) if they wish to vote in respect of the Proposal and the Scheme. Beneficial Owners should contact their broker, custodian, nominee or such other relevant person in advance of the relevant deadline(s) in respect of the Court Meeting and the EGM set by them, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to provide HKSCC with instructions or make arrangements with HKSCC in relation to the manner in which HRIV Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. The procedure for voting in respect of the Proposal and the Scheme by HKSCC Nominees Limited with respect to the HRIV Shares registered under the name of HKSCC Nominees Limited shall be in accordance with the “General Rules of CCASS” and the “CCASS Operational Procedures” in effect from time to time.

21. ACTIONS TO BE TAKEN

Actions to be taken by the HRIV Shareholders

A **pink** form of proxy for use at the Court Meeting and a **white** form of proxy for use at the EGM are enclosed with copies of this Scheme Document sent to the Registered Owners.

Whether or not you are able to attend the Court Meeting and/or the EGM, if you are a Scheme Shareholder, you are strongly urged to complete and sign the enclosed **pink** form of proxy for use in respect of the Court Meeting, and if you are a HRIV Shareholder, you are strongly urged to complete and sign the enclosed **white** form of proxy in respect of the EGM, in accordance with the instructions printed thereon, and to lodge them at the office of HRIV's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. The **pink** form of proxy for use at the Court Meeting should be lodged not later than 9:30 a.m. on 25 October 2020 (Hong Kong time) or alternatively, be handed to the Chairman of the Court Meeting at the Court Meeting, who shall have absolute discretion as to whether or not to accept it. The **white** form of proxy for use at the EGM must be lodged not later than 10:00 a.m. on 25 October 2020 (Hong Kong time) in order to be valid. Completion and return of a form of proxy for the Court Meeting or the EGM will not preclude you from attending and voting in person at the relevant meeting. In such event, the returned form of proxy will be deemed to have been revoked.

If you do not appoint a proxy and you do not attend and vote at the Court Meeting and/or the EGM, you will still be bound by the outcome of the Court Meeting and the EGM if, among other things, the resolutions proposed at the Court Meeting and the EGM are passed by the requisite majorities of Scheme Shareholders or HRIV Shareholders (as the case may be). You are therefore strongly urged to attend and vote at the Court Meeting and the EGM in person or by proxy.

For the purposes of determining the entitlement of the Scheme Shareholders to attend and vote at the Court Meeting and the entitlement of the HRIV Shareholders to attend and vote at the EGM, the register of members of HRIV will be closed during the period from Thursday, 22 October 2020 to Tuesday, 27 October 2020 (both days inclusive) (or such other dates as may be notified by HRIV by way of announcement(s)), and during such period, no transfer of HRIV Shares will be effected. Such book close period is not for determining entitlements under the Scheme. In order to qualify to attend and vote at the Court Meeting and the EGM, the relevant forms of transfer of your HRIV Shares accompanied by the relevant share certificates shall be lodged with HRIV's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by no later than 4:30 p.m. on Wednesday, 21 October 2020 (Hong Kong time).

HRIF and HRIV will make an announcement in relation to the results of the Court Meeting and the EGM in accordance with Rule 19.1 of the Takeovers Code to the extent applicable. Information on the number of votes cast in favour of the Scheme and the number of CCASS participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS participants on whose instructions they are cast will be included in such announcement. If all the resolutions are passed at those meetings, further announcement(s) will be made of the results of the hearing by the Court of the petitions to, among other things, sanction the Scheme and confirm the Capital Reduction and, if the Scheme is sanctioned and the Capital Reduction is confirmed, the Scheme Record Date, the Effective Date and the date of withdrawal of the listing of the HRIV Shares on the Stock Exchange.

Actions to be taken by persons holding HRIV Shares through trust or CCASS

HRIV will not recognize any person as holding any HRIV Shares through any trust. If you are a Beneficial Owner whose HRIV Shares are held upon trust by, and registered in the name of, a Registered Owner (other than HKSCC Nominees Limited), you should contact the Registered Owner and provide the Registered Owner with instructions or make arrangements with the Registered Owner in relation to the manner in which your HRIV Shares should be voted at the Court Meeting and/or the EGM. Such instructions and/or arrangements should be given or made in advance of the relevant deadline(s) for the lodgment of forms of proxy in respect of the Court Meeting and the EGM in order to provide the Registered Owner with sufficient time to accurately complete and submit his, her or its proxy. To the extent that any Registered Owner requires instructions from or arrangements to be made with any Beneficial Owner in advance of the relevant deadline(s) for the lodgment of forms of proxy in respect of the Court Meeting and the EGM, any such Beneficial Owner should comply with the requirements of the Registered Owner.

If you are a Beneficial Owner whose HRIV Shares are deposited in CCASS and registered under the name of HKSCC Nominees Limited, you must, unless you are an Investor Participant, contact your broker, custodian, nominee, or other relevant person who is, or has, in turn, deposited such HRIV Shares with an Other CCASS Participant regarding voting instructions to be given to such person(s) if you wish to vote at the Court Meeting and/or at the EGM. You should contact your broker, custodian, nominee or other relevant person in advance of the relevant deadline(s) in respect of the Court Meeting and the EGM set by them, in order to provide such person with sufficient time to provide HKSCC with instructions in relation to the manner in which the HRIV Shares of the Beneficial Owner should be voted at the Court Meeting and/or the EGM. HKSCC Nominees Limited may vote once for and once against the Scheme in accordance with instructions received from CCASS participants for the purposes of determining whether or not the requirement that a majority in number of the Scheme Shareholders approve the Scheme under Section 86(2) of the Companies Law has been satisfied. The number of votes cast in favour of the Scheme and the number of CCASS participants on whose instructions they are cast and the number of votes cast against the Scheme and the number of CCASS participants on whose instructions they are cast will be disclosed to the Court and may be taken into account in deciding whether or not the Court should exercise its discretion to sanction the Scheme.

If you are a Beneficial Owner whose HRIV Shares are deposited in CCASS, you may also elect to become a HRIV Shareholder of record, and thereby have the right to attend and vote at the Court Meeting (as a Scheme Shareholder) and the EGM (as a HRIV Shareholder). You can become a HRIV Shareholder of record by withdrawing your HRIV Shares from CCASS and becoming a Registered Owner of such Shares. For withdrawal of HRIV Shares from CCASS and registration thereof, you will be required to pay to CCASS a withdrawal fee per board lot withdrawn, a registration fee for each share certificate issued, stamp duty on each transfer instrument and, if your HRIV Shares are held through a financial intermediary, any other relevant fees charged by your financial intermediary. You should contact your broker, custodian, nominee or other relevant person in advance of the latest time for lodging transfers of the HRIV

Shares into your name so as to qualify to attend and vote at the Court Meeting and the EGM, in order to provide such broker, custodian, nominee or other relevant person with sufficient time to withdraw the HRIV Shares from CCASS and register them in your name.

Petition hearing in the Court

Prior to the despatch of this Scheme Document, HRIV has obtained directions from the Court for the convening of the Court Meeting to consider the Scheme and other procedural matters regarding the Scheme.

In accordance with sections 14, 15 and 86 of the Companies Law, if the resolutions are approved at the Court Meeting and the EGM, HRIV must then make a further application to the Court to sanction the Scheme and to confirm the Capital Reduction. HRIF and HRIV cannot complete the Scheme and the Proposal without obtaining these approvals. In this regard, HRIV has filed a petition with the Court seeking these approvals which will be heard on Friday, 6 November 2020 (Cayman Islands time).

In determining whether to exercise its discretion and sanction the Scheme, the Court will determine, among other things, whether the votes cast at the Court Meeting fairly represented the decision of the Scheme Shareholders.

If the Court sanctions the Scheme and if all of the other conditions to the Scheme are satisfied or (to the extent allowed by law) waived, HRIV intends to deliver the Court order sanctioning the Scheme to the Registrar of Companies in the Cayman Islands on Monday, 9 November 2020 (Cayman Islands time) or as otherwise directed by the Court for registration, at which time the order sanctioning the Scheme will become effective.

22. 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, a designated broker (the “**Odd Lot Trader**”) 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 from Wednesday, 11 November 2020 to Monday, 11 January 2021, both days inclusive.

Scheme Shareholders should note that the successful matching of odd lots of the HRIF Shares is not guaranteed. Scheme Shareholders are advised to consult their own professional advisers if they are in doubt about the arrangements relating to the Matching Service.

Further announcement(s) setting out, among other things, the contact information of the Odd Lot Trader to be appointed to provide the Matching Service and further information of the Matching Service, will be made upon the appointment of the Odd Lot Trader.

23. RECOMMENDATION

Your attention is drawn to the following:

- (a) the paragraph headed “14. Recommendation” in the letter from the HRIV Board in Part IV of this Scheme Document;
- (b) the letter from the HRIV Independent Board Committee set out in Part V of this Scheme Document; and
- (c) the letter from HRIV Independent Financial Adviser set out in Part VI of this Scheme Document.

24. FURTHER INFORMATION

Further information is set out in the Appendices to, and elsewhere in, this Scheme Document, all of which form part of this Explanatory Statement.

Scheme Shareholders should rely only on the information contained in this Scheme Document. None of HRIF, HRIV and their respective advisers and share registrars or any of their respective directors, employees, officers, agents or associates or any other person involved in the Proposal and the Scheme has authorized anyone to provide you with information that is different from what is contained in this Scheme Document.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the HRIV Group for each of the three years ended 31 December 2019, which is extracted from the audited consolidated financial statements of the HRIV Group as set forth in the annual reports of HRIV for the three years ended 31 December 2019, and the unaudited financial results of the HRIV Group for the six months ended 30 June 2020 as extracted from the interim results announcement of HRIV for the six months ended 30 June 2020.

No qualified or modified opinion was given by the then auditor of HRIV in respect of the HRIV Group's audited consolidated financial statements for each of the three years ended 31 December 2019 or by the current auditor of HRIV, namely Ernst & Young, in respect of the HRIV Group's unaudited consolidated financial statements for the six months ended 30 June 2020. The auditor's reports issued by the then auditor of HRIV in respect of the audited consolidated financial statements of the HRIV Group for each of the three years ended 31 December 2019 also did not contain any emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended		For the financial year ended		
	30 June		31 December		
	2020	2019	2019	2018	2017
		(Restated)		(Restated)	
		(Note 1)		(Note 1)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations					
Revenue					
<i>HRIV Direct Investments Business</i>	73,350	175,597	363,155	607,835	229,216
<i>HRIV Financial Services Business</i>	38,217	75,495	148,035	302,811	376,903
<i>Foundation Business</i>	–	–	–	–	303,564
	<u>111,567</u>	<u>251,092</u>	<u>511,190</u>	<u>910,646</u>	<u>909,683</u>
Net gains/(losses) on fair value changes of financial investments and derivatives (Note 2)	82,970	(178,915)	(216,431)	(167,268)	267,125
Other losses	(9,129)	(3,659)	(45,460)	(54,411)	5,388
Net (recognition)/reversal of impairment losses under credit loss model	(39,495)	(100,557)	(937,067)	30,250	(86,003)
Other income	2,398	1,646	10,375	43,227	18,795
Labour costs for construction business	–	–	–	–	(45,278)
Staff costs	(10,855)	(20,464)	(49,024)	(81,378)	(60,592)
Material and subcontractor costs	–	–	–	–	(182,548)
Other construction costs	–	–	–	–	(51,513)
Other operating expenses	(46,028)	(83,598)	(177,591)	(197,764)	(151,007)
Finance costs	(93,735)	(159,995)	(305,845)	(404,567)	(229,845)

APPENDIX I
FINANCIAL INFORMATION OF THE HRIV GROUP

	For the six months ended		For the financial year ended		
	30 June		31 December		
	2020	2019	2019	2018	2017
		<i>(Restated)</i>		<i>(Restated)</i>	
		<i>(Note 1)</i>		<i>(Note 1)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/Profit before tax	(2,307)	(294,450)	(1,209,853)	78,735	394,205
Income tax credit/(expense)	–	(10,272)	5,834	13,871	(124,609)
(Loss)/Profit for the period/year	<u>(2,307)</u>	<u>(304,722)</u>	<u>(1,204,019)</u>	<u>92,606</u>	<u>269,596</u>
Discontinued operations					
(Loss)/profit for the period/year from a discontinued operation	–	(10,817)	277,037	(20,113)	–
(Loss)/profit for the period/year	<u>(2,307)</u>	<u>(315,539)</u>	<u>(926,982)</u>	<u>72,493</u>	<u>269,596</u>
Profit/(loss) attributable to:					
Ordinary shareholders of HRIV	(33,628)	(347,177)	(990,200)	9,250	269,596
Holder of perpetual bond instruments	31,321	31,638	63,218	63,243	–
	<u>(2,307)</u>	<u>(315,539)</u>	<u>(926,982)</u>	<u>72,493</u>	<u>269,596</u>
Other comprehensive (expense)/income for the period/year					
Changes in fair value of available-for-sale investments –	–	–	–	–	63,614
Reclassification adjustments to profit or loss on disposal of available-for-sale investments	–	–	–	–	(61,265)
Exchange differences arising on translating foreign operations	4,903	363	(3,423)	(24,334)	30,654
Other comprehensive (expense)/income for the year, net of tax	<u>4,903</u>	<u>363</u>	<u>(3,423)</u>	<u>(24,334)</u>	<u>33,003</u>
Total comprehensive income/(expense) for the period/year	2,596	(315,176)	(930,405)	48,159	302,599
(Loss)/profit and total comprehensive (expense)/income attributable to:					
Ordinary shareholders of HRIV	(28,725)	(346,814)	(993,623)	(15,084)	302,599
Holder of perpetual capital instrument	31,321	31,638	63,218	63,243	–
	<u>2,596</u>	<u>(315,176)</u>	<u>(930,405)</u>	<u>48,159</u>	<u>302,599</u>

	For the six months ended 30 June		For the financial year ended 31 December		
	2020	2019	2019	2018	2017
		<i>(Restated)</i>		<i>(Restated)</i>	
		<i>(Note 1)</i>		<i>(Note 1)</i>	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic (losses)/earnings per share	<u>(1.85) cents</u>	<u>(19.12) cents</u>	<u>(54.53) cents</u>	<u>0.51 cents</u>	<u>15.60 cents</u>
Dividend per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Amount of dividend distributed to owners of HRIV	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes:

1. The presentation of comparative information in respect of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 and six months ended 30 June 2019 have been restated in order to disclose the discontinued operation separately from continuing operations.
2. The respective figures of the year ended 31 December 2017, for the six months ended 30 June 2019 and for the six months ended 30 June 2020 are equivalent to the sum of net unrealised gains/losses on financial investments and net realised gains/losses on financial investments as appeared in the respective annual reports.

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the HRIV Group for each of the three years ended 31 December 2019 and the six months ended 30 June 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS

HRIV is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the HRIV Group for the year ended 31 December 2017 (the “**HRIV 2017 Financial Statements**”), (ii) the audited consolidated financial statements of the HRIV Group for the year ended 31 December 2018 (the “**HRIV 2018 Financial Statements**”), (iii) the audited consolidated financial statements of the HRIV Group for the year ended 31 December 2019 (the “**HRIV 2019 Financial Statements**”), and (iv) the unaudited consolidated financial statements of the HRIV Group for the six months ended 30 June 2020 (the “**HRIV 2020 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The HRIV 2017 Financial Statements are set out from pages 58 to 133 in the annual report of HRIV for the year ended 31 December 2017 (the “**HRIV 2017 Annual Report**”), which was published on 19 April 2018. The HRIV 2017 Annual Report was posted on the respective

websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIV (<http://www.hriv.com.hk>), and is accessible via the following hyperlinks:

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

http://bmgir.com/MjI3Nw==/en/imgs/report/20180419164501_23406500_en.pdf

The HRIV 2018 Financial Statements are set out from pages 71 to 173 in the annual report of HRIV for the year ended 31 December 2018 (the “**HRIV 2018 Annual Report**”), which was published on 30 April 2019. The HRIV 2018 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIV (<http://www.hriv.com.hk>), and is accessible via the following hyperlinks:

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

<http://bmgir.com/MjI3Nw==/en/imgs/report/2018annualen.pdf>

The HRIV 2019 Financial Statements are set out from pages 66 to 169 in the annual report of HRIV for the year ended 31 December 2019 (the “**HRIV 2019 Annual Report**”), which was published on 29 April 2020. The HRIV 2019 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIV (<http://www.hriv.com.hk>), and is accessible via the following hyperlinks:

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

<https://moebius.asia/Documents/company/reports/listedco/listconews/sehk/2020/0429/2020042900037.pdf>

The HRIV 2020 Interim Financial Statements are set out from pages 2 to 22 in the interim results announcement of HRIV for the six months ended 30 June 2020 (the “**HRIV 2020 Interim Results Announcement**”), which was published on 26 August 2020. The HRIV 2020 Interim Results Announcement was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIV (<http://www.hriv.com.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0826/2020082601403.pdf>

<https://moebius.asia/Documents/company/reports/listedco/listconews/sehk/2020/0826/2020082601403.pdf>

The HRIV 2017 Financial Statements, the HRIV 2018 Financial Statements, the HRIV 2019 Financial Statements and the HRIV 2020 Interim Financial Statements (but not any other part of the HRIV 2017 Annual Report, the HRIV 2018 Annual Report, the HRIV 2019 Annual Report and the HRIV 2020 Interim Results Announcement) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS

As at the close of business on 31 July 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, the HRIV Group had the following indebtedness:

	<i>Notes</i>	<i>HK\$ million</i>
Current		
Bank borrowings – secured and unguaranteed	(i), (ii)	210
Bank borrowings – unsecured and unguaranteed	(iii)	494
Other borrowings – unsecured and unguaranteed	(iv)	562
Lease liabilities	(vi)	<u>51</u>
		1,317
Non-current		
Bank borrowings – secured and unguaranteed	(i)	70
Other borrowings – unsecured and unguaranteed	(v)	2,526
Lease liabilities	(vi)	<u>105</u>
		2,701
Total indebtedness		<u><u>4,018</u></u>
Pledge of assets		
Finance lease receivable pledged	(vii)	<u><u>357</u></u>

Notes:

The HRIV Group had bank borrowings as follows:

- (i) Bank borrowings of approximately HK\$150 million were interest-bearing, secured by a finance lease receivable and unguaranteed;
- (ii) Bank borrowings of approximately HK\$130 million were interest-bearing, secured by time deposits and unguaranteed; and
- (iii) Bank borrowings of approximately HK\$494 million were interest-bearing, unsecured and unguaranteed.

The HRIV Group had other borrowings as follows:

- (iv) Unsecured and unguaranteed borrowings of HK\$562 million from a fellow subsidiary were interest-bearing;
- (v) Unsecured and unguaranteed borrowings of approximately HK\$2,526 million from HRIV's immediate holding company, Right Select, were interest-bearing;

- (vi) The balance represented lease liabilities of approximately HK\$156 million arising from lease contracts for properties and were secured by the rental deposits paid and not guaranteed; and
- (vii) The balance represented a finance lease receivable pledged for the bank borrowings mentioned in note (i), which was secured and unguaranteed. The balance was recorded at its gross balance before any impairment allowances.

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

4. MATERIAL CHANGES

The directors of HRIV confirm that there had been no other material change in the financial or trading position or outlook of the HRIV Group since 31 December 2019 (the date to which the latest audited consolidated financial statements of the HRIV Group were made up) and up to and including the Latest Practicable Date, save for the following:

- (i) set out in the Scheme Document as regards the Proposal and the Scheme;
- (ii) as disclosed in the HRIV 2020 Interim Results Announcement,
 - (a) the decrease in revenue from continuing operations by around 55.6% for the six months ended 30 June 2020 (“**1H2020**”) as compared to the corresponding period in 2019 (the “**Corresponding Period**”), attributable to the decrease in interest income and dividend from the investments;
 - (b) the improvement of loss attributable to HRIV Shareholders by around 90.3% for 1H2020 as compared to the Corresponding Period due to, among other things, (a) that the HRIV Group had ceased to conduct its foundation business in 2020; (b) net gains on fair value changes of financial investments and derivatives of around HK\$83.0 million for 1H2020 as compared to the net losses on fair value changes of financial investments and derivatives of around HK\$178.9 million for the Corresponding Period, as a result of the fair value changes of mainly the listed bonds and funds held; (c) the reduced net recognition of impairment losses by around 60.7% for 1H2020 as compared to the Corresponding Period as a result of higher impairment provision made in 2019 as compared to that of 2018; (d) the reduction of other operation expenses by around 44.9% for 1H2020 as compared to the Corresponding Period mainly attributable to the lower rental expenses due to the office sharing arrangement with HRIF; and (e) the reduction in finance costs by around 41.4% for 1H2020 as compared to the Corresponding Period resulted from the decrease in loan balances since the end of 2019 following loan repayments; and

- (c) the increase in current portion of the interest-bearing borrowings as at 30 June 2020 by around 97.1% as compared to the balance as of 31 December 2019 as a result of new short-term loans obtained during 1H2020; and
- (iii) as disclosed in the HRIV 2019 Annual Report, since early January 2020, COVID-19 has spread globally, causing disruption to businesses and economic activities and shock to financial markets. This may result in negative impact in the fair value of the financial assets and impairment losses of loans and debt instruments and finance lease receivables to customers of the HRIV Group up to the date of issuance of the financial statements. The degree of the impact depends on the duration of the pandemic, the implementation of preventive measures and fiscal easing policies posted by the impacted countries and regions. As the situation is rapidly evolving, the HRIV Board does not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the HRIV Group. Such impact is a non-adjusting event after the financial year end and does not result in any adjustments to the consolidated financial information for the year ended 31 December 2019. The HRIV Group and its management will continue to monitor the situation closely and actively respond to the impacts on the HRIV Group's financial position and operating results.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the HRIV Group, the Proposal and the Scheme.

The directors of HRIV jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (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 Scheme Document (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 Scheme Document the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date:

- (a) the authorized share capital of HRIV was HK\$200,000,000 divided into 20,000,000,000 HRIV Shares;
- (b) the issued and paid up share capital of HRIV was HK\$18,160,000 divided into 1,816,000,000 HRIV Shares;
- (c) HRIV had not issued any HRIV Shares since 31 December 2019, being the end of the last financial year of HRIV, up to the Latest Practicable Date;
- (d) all of the issued HRIV Shares ranked pari passu in all respects with each other, including all rights as to dividends, voting and capital; and
- (e) there were 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 carried a right to subscribe for or which were convertible or exchangeable into HRIV Shares.

3. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS

(i) Disclosure of interests

As at the Latest Practicable Date:

- (a) HRIV did not own or control any HRIF Shares or any convertible securities, warrants, options or derivatives in respect of HRIF Shares;

- (b) none of the directors of HRIV was interested (within the meaning of Part XV of the SFO) in any HRIV Shares, any HRIF Shares or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares, and thus none of the directors of HRIV is entitled to accept or reject the Proposal;
- (c) (i) no subsidiary of HRIV, (ii) no pension fund of HRIV or of a subsidiary of HRIV, and (iii) no person who is presumed to be acting in concert with HRIV by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of HRIV by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) owned or controlled (as the case may be) any HRIV Shares or any HRIF Shares or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares;
- (d) neither HRIV nor any person who is presumed to be acting in concert with HRIV by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of HRIV by virtue of classes (2), (3) and (4) of the definition of “associate” under the Takeovers Code had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person;
- (e) no HRIV Shares, no HRIF Shares, and no convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares, was managed on a discretionary basis by any fund managers connected with HRIV;
- (f) neither HRIV nor any director of HRIV had borrowed or lent (as the case may be) any HRIV Shares or any HRIF Shares, or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares; and
- (g) no material contract has been entered into by HRIF in which any director of HRIV has a material personal interest.

(ii) Dealings in HRIV’s or HRIF’s securities

During the Relevant Period:

- (a) neither HRIV nor any director of HRIV had dealt for value in any HRIF Shares or any convertible securities, warrants, options or derivatives in respect of HRIF Shares; and
- (b) none of the directors of HRIV had dealt for value in any HRIV Shares or any convertible securities, warrants, options or derivatives in respect of HRIV Shares.

During the Offer Period and up to the Latest Practicable Date:

- (a) (i) no subsidiary of HRIV, (ii) no pension fund of HRIV or of a subsidiary of HRIV, (iii) no person who is presumed to be acting in concert with HRIV by virtue of class (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of HRIV by virtue of class (2) of the definition of “associate” under the Takeovers Code (but excluding exempt principal traders and exempt fund managers) had dealt for value in any HRIV Shares or any HRIF Shares or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares;
- (b) no person having any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with HRIV or with any person who is presumed to be acting in concert with HRIV by virtue of classes (1), (2), (3) and (5) of the definition of “acting in concert” under the Takeovers Code or who is an associate of HRIV by virtue of classes (2), (3) or (4) of the definition of “associate” under the Takeovers Code had dealt for value in any HRIV Shares or any HRIF Shares, or any convertible securities, warranties, options or derivatives in respect of HRIV Shares or HRIF Shares; and
- (c) none of the non-exempt discretionary fund managers connected with HRIV had dealt for value in any HRIV Shares or any HRIF Shares, or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares.

(iii) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (a) no benefit was or would be given to any director of HRIV as compensation for loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) existing between HRIF or any of the HRIF Concert Parties on one hand and any of the directors, recent directors, shareholders or recent shareholders of HRIV on the other hand, having any connection with or was dependent upon the Proposal;
- (c) there was no agreement or arrangement between any director of HRIV and any other person which was conditional on or dependent upon the outcome of the Proposal or otherwise connected with the Proposal; and
- (d) there was no understanding, arrangement or agreement or special deal (under Rule 25 of the Takeovers Code) between (1) any HRIV Shareholder (on one hand); and (2) HRIV or any of its subsidiaries or associated companies (on the other hand).

4. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the directors of HRIV, no member of the HRIV Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of HRIV to be pending or threatened by or against any member of the HRIV Group.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered in the ordinary course of the business carried on or intended to be carried on by the HRIV Group) had been entered into by members of the HRIV Group within the two years before the commencement of the Offer Period up to and including the Latest Practicable Date that were or might be material:

- (a) (i) the supplemental deed dated 28 September 2018 executed by Freeman FinTech Corporation Limited (“**Freeman FinTech**”) by way of deed poll to amend certain terms and conditions (the “**Amendment of Conditions**”) of the secured convertible bonds in the aggregate principal amount of HK\$437 million issued by Freeman FinTech and subscribed by Cheery Plus Limited (an indirect wholly-owned subsidiary of HRIV) (“**Cheery Plus**”); and (ii) the deed of undertaking dated 28 September 2018 entered into between Freeman FinTech and Cheery Plus, pursuant to which Freeman FinTech undertook to perform certain obligations to facilitate the Amendment of Conditions;
- (b) (i) the supplemental deed dated 30 August 2019 executed by Intrend Ventures Limited (“**Intrend Ventures**”) by way of deed poll in favour of the holder of certain extendable senior secured bonds in the principal amount of up to HK\$450,000,000 (the “**Bonds**”) issued by Intrend Ventures and subscribed by Big Thrive Limited (“**Big Thrive**”), an indirect wholly-owned subsidiary of HRIV, amending and supplementing certain terms and conditions of the Bonds; and (ii) the deed of confirmation dated 30 August 2019 entered into among Intrend Ventures, Big Thrive, Mr. Xu Songqing (許松慶) (“**Mr. Xu**”) and Haiyi Limited (海逸有限公司) (“**Haiyi**”) in relation to the confirmation of validity of the guarantee and certain share charges provided in favour of Big Thrive in relation to the Bonds;
- (c) (i) the transfer form dated 20 September 2019 executed by Wise United Holdings Limited (an indirect wholly owned subsidiary of HRIV) (“**Wise United**”), as the transferor, and a company incorporated in Hong Kong with limited liability (an independent third party), as the transferee (the “**Transferee**”), in respect of the disposal of the senior secured guaranteed notes issued by Zhuguang Holdings Group Company Limited (珠光控股集團有限公司*) in the outstanding principal amount of US\$12 million held by Wise United to the Transferee at the consideration of US\$12 million; and (ii) the deed of novation to security trust deed dated 20 September 2019 entered into by, among others, Wise United and the Transferee, in respect of the

assignment of all rights and obligations of Wise United under the security trust deed dated 4 August 2016 (as amended and supplemented on 1 November 2018) to the Transferee;

- (d) the share purchase agreement dated 27 September 2019 entered into between HRIV, as the seller, and Acute Peak Investments Limited (“**Acute Peak**”), as the purchaser, in respect of the disposal by HRIV to Acute Peak of the entire issued share capital of Auto Brave Limited at the consideration of HK\$290 million;
- (e) (i) the supplemental deed dated 22 October 2019 entered into between Coastal Star Investments Limited (an indirect wholly-owned subsidiary of HRIV) (“**Coastal Star**”) and Mr. Kang Jingwei (“**Mr. Kang**”) to, among others, amend and supplement certain terms and conditions of the compensation agreement dated 18 November 2016 entered into between Coastal Star and Mr. Kang in connection with the purchase of 9,360,000 ordinary shares of Cogobuy Group (stock code: 400) at a consideration of HK\$117 million by Coastal Star from Total Dynamic Holdings Limited; and (ii) the deed of debt assumption and note constitution dated 22 October 2019 entered into between Coastal Star, Mr. Kang and Envision Global Investments Limited (“**Envision**”) pursuant to which, among others, Envision has agreed to compensate Coastal Star an amount equal to HK\$60,278,400 and in support of such compensation obligation, Envision has created and issued to Coastal Star an exchangeable note in the principal amount of HK\$60,278,400;
- (f) the agreement dated 25 November 2019 entered into between Able River Limited (a wholly-owned subsidiary of HRIV) (“**Able River**”) and CMB International Securities Limited in relation to the purchase by Able River of notes issued by Golden Sunflower Limited in the principal amount of HK\$105.2 million;
- (g) the sale and purchase agreement dated 24 December 2019 entered into between Bloom Right Limited (an indirect wholly-owned subsidiary of HRIV) (“**Bloom Right**”) as seller and Ascend Trade Limited (“**Ascend Trade**”) as purchaser in relation to the sale by Bloom Right to Ascend Trade of 10,870,000 issued shares of SuperRobotics Limited at a consideration of approximately HK\$57.6 million;
- (h) (i) the supplemental deed dated 27 March 2020 executed by Intrend Ventures by way of deed poll in favour of Big Thrive, an indirect wholly-owned subsidiary of HRIV and as the holder of the Bonds, in relation to, among other things, certain amendments to the terms and conditions of the Bonds; and (ii) the deed of confirmation dated 27 March 2020 entered into among Intrend Ventures, Big Thrive, Mr. Xu and Haiyi in relation to the confirmation of validity of the guarantee and certain share charges provided on 30 August 2017 in favour of Big Thrive in relation to the Bonds;
- (i) (i) the agreement dated 23 April 2020 entered into between 中聚(深圳)融資租賃有限公司 (Zhongju (Shenzhen) Financial Leasing Co., Ltd.*) (“**Zhongju**”), an indirect wholly owned subsidiary of HRIV and 安徽太平洋電纜集團有限公司 (Anhui Pacific

Cable Group Co., Ltd.*) (“**Anhui Pacific**”), pursuant to which Zhongju agreed to assign and Anhui Pacific agreed to acquire and be assigned, the rights, titles and benefits of Zhongju in the outstanding principal payment amount of RMB44 million under the finance lease agreement dated 1 August 2017 entered into between Zhongju and 安徽長風電纜集團有限公司 (Anhui Changfeng Cable Group Co., Ltd.*) (together with interest accrued thereon in the amount of RMB2 million and all security interests related thereto) at a consideration of RMB46 million; and (ii) the supplemental agreement dated 23 April 2020 entered into among Zhongju, Anhui Pacific, Mr. Huang Min and Ms. Zeng Xiangjun to amend and supplement, among other things, the finance lease agreement dated 27 December 2017 entered into between Zhongju and Anhui Pacific (the “**Finance Lease Agreement**”), with respect to the set-off of the RMB44 million payable by Anhui Pacific to Zhongju as consideration for the assignment against RMB44 million of the purchase price payable by Zhongju to Anhui Pacific under the Finance Lease Agreement; and

- (j) the supplemental agreement dated 5 August 2020 entered into between Zhongju as the lessor and Shenzhen Yestock Automobile Service Co., Ltd.* (深圳市贏時通汽車服務有限公司) (“**Shenzhen Yestock**”) as the lessee in relation to the finance leasing agreement dated 10 December 2019 entered into between Zhongju and Shenzhen Yestock in respect of finance leasing arrangement over certain automobiles, pursuant to which parties agreed to extend the lease period of such finance leasing agreement to 18 December 2021.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, save as disclosed below, none of the directors of HRIV had any service contract with HRIV or any of its subsidiaries or associated companies in force which (a) (including both continuous and fixed term contracts) had been entered into or amended within 6 months preceding the Announcement Date; or (b) was a continuous contract with a notice period of 12 months or more; or (c) was a fixed term contract that has more than 12 months to run irrespective of the notice period.

Name	Date of service contract	Expiry Date	Amount of remuneration
Non-executive director			
Ms. WANG Qi	15 June 2020	14 June 2023	No director's fee payable under the service contract, but will be entitled to receive discretionary allowance, subject to the absolute discretion of the HRIV Board

7. CONSENT AND QUALIFICATIONS OF EXPERT

The following are the qualifications of the expert who has been named in this Scheme Document or has given opinion or advice which is contained in this Scheme Document:

Name	Qualification
Somerley	a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this Scheme Document with the inclusion herein of its letters, opinions, reports and/or advices (as the case may be) and/or references to its name, opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

8. MISCELLANEOUS

- (i) The registered office of HRIV is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands.
- (ii) The principal place of business of HRIV in Hong Kong is situated at Suite B, Levels 16–17, Two Pacific Place, 88 Queensway, Hong Kong.
- (iii) The HRIV Board comprises Mr. Yang Rungui, 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.
- (iv) The company secretary of HRIV is Mr. Leung Chin Wan, who is a member of Hong Kong Institute of Certified Public Accountants.
- (v) The principal share registrar and transfer office of HRIV is Estera Trust (Cayman) Limited, situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KYI-1108, Cayman Islands.
- (vi) The branch share registrar and transfer office of HRIV in Hong Kong is Tricor Investor Services Limited, situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (vii) The principal place of business of the HRIV Independent Financial Adviser is 20/F, China Building, 29 Queen's Road Central, Hong Kong.

1. FINANCIAL SUMMARY

The following is a summary of the audited financial results of the HRIF Group for each of the three years ended 31 December 2019, which is extracted from the audited consolidated financial statements of the HRIF Group as set forth in the annual reports of HRIF for the three years ended 31 December 2019, and the unaudited financial results of the HRIF Group for the six months ended 30 June 2020 as extracted from the interim results announcement of HRIF for the six months ended 30 June 2020.

No qualified or modified opinion was given by the then auditor of HRIF in respect of the HRIF Group's audited consolidated financial statements for each of the three years ended 31 December 2019 or by the current auditor of HRIF, namely Ernst & Young, in respect of the HRIF Group's unaudited consolidated financial statements for the six months ended 30 June 2020. The auditor's reports issued by the then auditor of HRIF in respect of the audited consolidated financial statements of the HRIF Group for each of the three years ended 31 December 2019 also did not contain any emphasis of matter or material uncertainty related to going concern.

Summary of Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended		For the financial year ended 31 December		
	2020	2019	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue					
HRIF Asset Management and					
Direct Investment Business:					
– Commission and fee income	1,298	35,586	81,833	110,917	115,941
– Interest income	213,721	573,223	1,042,905	1,288,479	982,101
– Investment income	31,188	112,325	117,832	355,200	209,397
HRIF Securities Business:					
– Commission and fee income	14,356	25,436	30,280	59,602	42,598
– Interest income	101,054	194,323	385,432	426,463	358,632
HRIF Corporate Finance Business:					
– Commission and fee income	235	13,261	8,907	30,894	314,361
	<u>361,852</u>	<u>954,154</u>	<u>1,667,189</u>	<u>2,271,555</u>	<u>2,023,030</u>

APPENDIX III
FINANCIAL INFORMATION OF THE HRIF GROUP

	For the six months ended		For the financial year ended 31 December		
	2020	2019	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net (loss)/gain on financial assets at fair value through profit or loss	(276,054)	378,252	(9,802)	(1,347,321)	756,502
Net loss arising from disposal of financial assets at fair value through other comprehensive income	(16,166)	(9,667)	(18,715)	(55,629)	–
Gain on disposal of available-for-sale investments	–	–	–	–	55,358
Other income and gains or losses, net	(45,753)	(27,034)	(28,295)	(4,345)	(144,210)
Brokerage and commission expenses	(4,543)	(4,614)	(8,839)	(15,953)	(10,375)
Administrative and other operating expenses	(75,089)	(75,526)	(152,353)	(225,845)	(288,907)
Net gain on deemed disposal of a joint venture entity	–	–	–	–	200,705
Net gain on disposal of subsidiaries	–	–	–	5,435	(292)
Impairment losses, net of reversal	(93,164)	(685,703)	(1,641,959)	(522,042)	(170,671)
Finance costs	(317,657)	(696,297)	(1,286,755)	(1,683,892)	(1,158,237)
Share of result of associates	–	13,314	14,327	19,444	1,126
	<u>(466,574)</u>	<u>(153,121)</u>	<u>(1,465,202)</u>	<u>(1,558,593)</u>	<u>1,264,029</u>
Income tax (expense)/credit	(8,446)	(77,631)	(14,658)	76,454	(258,386)
	<u>(475,020)</u>	<u>(230,752)</u>	<u>(1,479,860)</u>	<u>(1,482,139)</u>	<u>1,005,643</u>
	<u><u>(475,020)</u></u>	<u><u>(230,752)</u></u>	<u><u>(1,479,860)</u></u>	<u><u>(1,482,139)</u></u>	<u><u>1,005,643</u></u>
(Loss)/profit attributable to:					
Owners of HRIF	(507,975)	(263,806)	(1,545,885)	(1,548,222)	964,093
Holder of perpetual capital instrument	32,955	33,054	66,025	66,083	41,550
	<u>(475,020)</u>	<u>(230,752)</u>	<u>(1,479,860)</u>	<u>(1,482,139)</u>	<u>1,005,643</u>
	<u><u>(475,020)</u></u>	<u><u>(230,752)</u></u>	<u><u>(1,479,860)</u></u>	<u><u>(1,482,139)</u></u>	<u><u>1,005,643</u></u>

APPENDIX III
FINANCIAL INFORMATION OF THE HRIF GROUP

	For the six months ended		For the financial year ended 31 December		
	2020	2019	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive (expense)/income for the period/year					
Fair value loss on available-for-sale investment	-	-	-	-	(5,039)
Reclassification adjustments relating to disposal of available-for-sale investment	-	-	-	-	(55,358)
Fair value gain/(loss) on financial assets at fair value through other comprehensive income	(60,148)	197,329	52,410	(421,658)	-
Net provision for(reversal of) impairment of financial assets at fair value through other comprehensive income	9,866	6,926	99,635	(4,495)	-
Reclassification adjustments relating to disposal of financial assets at fair value through other comprehensive income	16,166	9,667	18,715	55,629	-
Exchange differences arising on translating foreign operations	(158)	(37)	(1,415)	(7,359)	10,935
Other comprehensive (expense)/income for the period/year, net of tax	<u>(34,274)</u>	<u>213,885</u>	<u>169,345</u>	<u>(377,883)</u>	<u>(49,462)</u>
Total comprehensive (expense)/income for the period/year	(509,294)	(16,867)	(1,310,515)	(1,860,022)	956,181
Profit/(Loss) and total comprehensive (expense)/income attributable to:					
Owners of HRIF	(542,249)	(49,921)	(1,376,540)	(1,926,105)	914,631
Holder of perpetual capital instrument	<u>32,955</u>	<u>33,054</u>	<u>66,025</u>	<u>66,083</u>	<u>41,550</u>
	<u>(509,294)</u>	<u>(16,867)</u>	<u>(1,310,515)</u>	<u>(1,860,022)</u>	<u>956,181</u>
Basic (losses)/earnings per share	<u>(14.16) cents</u>	<u>(7.35) cents</u>	<u>(43.08) cents</u>	<u>(43.14) cents</u>	<u>27.06 cents</u>
Dividend per share	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.70 cents</u>
Amounts of dividend distributed to owners of HRIF	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,004</u>	<u>-</u>

Save as disclosed above, there was no item of any income or expense which was material in respect of the consolidated financial results of the HRIF Group for each of the three years ended 31 December 2019 and the six months ended 30 June 2020.

2. CONSOLIDATED FINANCIAL STATEMENTS

HRIF is required to set out or refer to in this Scheme Document the consolidated statement of financial position, consolidated statement of cash flows and any other primary statement as shown in (i) the audited consolidated financial statements of the HRIF Group for the year ended 31 December 2017 (the “**HRIF 2017 Financial Statements**”), (ii) the audited consolidated financial statements of the HRIF Group for the year ended 31 December 2018 (the “**HRIF 2018 Financial Statements**”), (iii) the audited consolidated financial statements of the HRIF Group for the year ended 31 December 2019 (the “**HRIF 2019 Financial Statements**”), and (iv) the unaudited consolidated financial statements of the HRIF Group for the six months ended 30 June 2020 (the “**HRIF 2020 Interim Financial Statements**”), together with the notes to the relevant published accounts which are of major relevance to the appreciation of the above financial information.

The HRIF 2017 Financial Statements are set out from pages 70 to 179 in the annual report of HRIF for the year ended 31 December 2017 (the “**HRIF 2017 Annual Report**”), which was published on 10 April 2018. The HRIF 2017 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIF (<http://www.hrif.com.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0410/ltm20180410730.pdf>

<http://group.hrif.com.hk/upload/20180410/20180410185015474.pdf>

The HRIF 2018 Financial Statements are set out from pages 88 to 226 in the annual report of HRIF for the year ended 31 December 2018 (the “**HRIF 2018 Annual Report**”), which was published on 29 April 2019. The HRIF 2018 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIF (<http://www.hrif.com.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0429/ltm201904293008.pdf>

<http://group.hrif.com.hk/upload/20190603/2019060300002.pdf>

The HRIF 2019 Financial Statements are set out from pages 92 to 228 in the annual report of HRIF for the year ended 31 December 2019 (the “**HRIF 2019 Annual Report**”), which was published on 28 April 2020. The HRIF 2019 Annual Report was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIF (<http://www.hrif.com.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801902.pdf>

<http://group.hrif.com.hk/upload/20200428/20200428180327391.pdf>

The HRIF 2020 Interim Financial Statements are set out from pages 1 to 20 in the interim results announcement of HRIF for the six months ended 30 June 2020 (the “**HRIF 2020 Interim Results Announcement**”), which was published on 26 August 2020. The HRIF 2020 Interim Results Announcement was posted on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and HRIF (<http://www.hrif.com.hk>), and is accessible via the following hyperlinks:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0826/2020082601421.pdf>

<http://group.hrif.com.hk/upload/20200826/20200826224859601.pdf>

The HRIF 2017 Financial Statements, the HRIF 2018 Financial Statements the HRIF 2019 Financial Statements and the HRIF 2020 Interim Financial Statements (but not any other part of the HRIF 2017 Annual Report, the HRIF 2018 Annual Report, the HRIF 2019 Annual Report and the HRIF 2020 Interim Results Announcement) are incorporated by reference into this Scheme Document and form part of this Scheme Document.

3. INDEBTEDNESS

As at the close of business on 31 July 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Scheme Document, the HRIF Group had the following indebtedness:

	<i>Notes</i>	<i>HK\$ million</i>
Current		
Bank borrowings – unsecured and unguaranteed	(i)	2,816
Other borrowings – unsecured and unguaranteed	(ii)	362
Leases liabilities	(iii)	30
		<hr/>
		3,208
Non-current		
Other borrowings – unsecured and unguaranteed	(ii)	4,922
Leases liabilities	(iii)	45
		<hr/>
		4,967
Total indebtedness		<hr/> <hr/>
		8,175

Notes:

The HRIF Group had bank borrowings as follows:

- (i) Bank borrowings of approximately HK\$2,816 million were interest-bearing, unsecured and unguaranteed.

The HRIF Group had other borrowings as follows:

- (ii) Unsecured and unguaranteed borrowings of HK\$5,284 million from an intermediate holding company were interest-bearing; and
- (iii) The balance represented lease liabilities of approximately HK\$75 million arising from lease contracts for property, plant and equipment and were secured by the rental deposits paid and not guaranteed.

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

4. MATERIAL CHANGES

The complicated and ever-changing economic environment coupled with the impact of the COVID-19 pandemic have created pressure on the market as a whole and inevitably caused adverse impact on the financial performance of the HRIF Group subsequent to 31 December 2019. As disclosed in the interim results announcement of HRIF for the six months ended 30 June 2020 (“1H2020”), the HRIF Group reported an increased loss attributable to the HRIF Shareholders of approximately HK\$508.0 million for 1H2020, as compared to that of approximately HK\$263.8 million for the corresponding period in 2019 (“1H2019”). The increase in loss attributable to the HRIF Shareholders was primarily due to (i) the drop in interest income and investment income for 1H2020; and (ii) the loss of approximately HK\$276.1 million arising from the adverse fair value change of the financial assets at fair value through profit or loss for 1H2020, as opposed to the gain of approximately HK\$378.3 million for 1H2019. The drop in interest income and investment income was resulted from the HRIF Group’s cautious approach to optimise its investment portfolio whereby the financial assets at fair value held by the HRIF Group reduced significantly from approximately HK\$8,815.9 million as at 31 December 2019 to approximately HK\$6,943.6 million as at 30 June 2020. However, impairment losses, net of reversal (including provisions for receivables, loans and advances in margin financing) decreased to approximately HK\$93.2 million for 1H2020 from approximately HK\$685.7 million for 1H2019, and finance costs also decreased to approximately HK\$317.7 million for 1H2020 from approximately HK\$696.3 million for 1H2019 due to the reduction of interest-bearing borrowings by approximately HK\$3,603.9 million during 1H2020, which narrowed the range of the net loss of the HRIF Group.

On 30 June 2020, HRIF issued the 5.905% unsubordinated perpetual securities in the principal amount of US\$200 million to CHIH (a controlling shareholder of HRIF) at par. The perpetual securities do not have a fixed maturity date but HRIF may at its option redeem in whole, but not in part, the perpetual securities on or before the fifth business day prior to 30

June 2025 or any distribution payment date after 30 June 2025, at their principal amount together with any distribution accrued. Subsequent to 30 June 2020, the HRIF Group entered into certain facility letters with banks to renew credit facilities in the aggregate amount of up to US\$80 million and HK\$300 million and repaid interest-bearing loan and the interest accrued thereon in the amount of approximately US\$81.2 million. Further details of the perpetual securities and the renewed facilities are set out in the announcements of HRIF dated 30 June 2020, 11 August 2020 and 8 September 2020 respectively.

Despite COVID-19 pandemic sustains in the second half of 2020, with the pandemic receding in China, macro policies starting to take effect and market expectations improving, the unleashing of suppressed consumption and investment demand is accelerating and China's economy is expected to be the first among the world's economies to recoup. Driven by the opportunities arising from the recovery of China's economy, Hong Kong's economy will also embrace development opportunities in the long term. In face of pressure on multiple fronts, the HRIF Group will closely monitor global developments, national policies and market dynamics, seeking to conquer difficulties and hardships and seize hold of strategic opportunities, and will realise transformational development in adherence to the general principle of making steady progress with an emphasis on quality improvement and efficiency enhancement.

Save as disclosed above and save for the Proposal, the HRIF Board confirmed that there had been no material change in the financial or trading position or outlook of the HRIF Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the HRIF Group were made up, up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE HRIF GROUP

The HRIF Group is engaged in various securities business, corporate finance and asset management business through (i) Huarong International Securities Limited, (ii) Huarong International Capital Limited and (iii) Huarong International Asset Management Limited. The HRIV Group'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.

The Proposal will allow the enlarged HRIF Group (immediately upon the Scheme becoming effective) to be well-positioned to implement its development strategy of "investment + investment banking". For example, HRIV's investment in a number of companies' equity capital could bring in potential clients and create opportunities for the HRIF Group's corporate finance business (i.e. investment banking) when HRIV's investment targets seek investment banking services such as initial public offerings or mergers and acquisitions. This allows the enlarged HRIF Group to provide more comprehensive services to its clients. The enlarged HRIF Group can also achieve economies of scale and cost savings from operational synergies in information technology and other back office functions and more efficient use of staffing in the enlarged HRIF Group. In view of the above, the directors of the enlarged HRIF Group are confident about the financial and trading prospects of the enlarged HRIF Group.

In view of the volatile financial market in the recent years, after the privatization of HRIV and HRIV becomes a wholly-owned subsidiary of HRIF, the enlarged HRIF Group will focus its resources on further developing its 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 through its subsidiaries while HRIV will maintain its current principal business. Though the enlarged HRIF Group is implementing its development strategy of “investment + investment banking”, the focus of the enlarged HRIF Group will be more on generating fee income from providing financial services instead of capital gain income from direct investments in financial products, so as to reduce the enlarged HRIF Group’s risk exposure to the volatile financial market, which is expected to continue in the coming years.

In the first half of 2020, the ongoing coronavirus disease (COVID-19) pandemic, together with global economic and trade frictions and tensed geopolitical relations, struck a heavy blow on the world economy. HRIV and HRIF have been adversely affected in the first half of 2020. For details about the financial information of the HRIV Group and the HRIF Group, please refer to Appendix I and Appendix III to this Scheme Document. It is expected that the same situation will continue in the second half of 2020 and the enlarged HRIF Group may continue to suffer from the volatile financial market. In order to alleviate the effect of external environment on the enlarged HRIF Group, the enlarged HRIF Group will implement its development strategy of “investment + investment banking” as mentioned above steadily under this challenging external environment.

Upon the Scheme becoming effective, HRIV will become a wholly-owned subsidiary of HRIF and the assets, liabilities and financial results of the HRIV Group will be consolidated by HRIF. Based on the unaudited net assets of the HRIF Group and the HRIV Group as at 30 June 2020 of approximately HK\$2,336,781,000 and HK\$1,284,967,000, respectively, the net assets of the enlarged HRIF Group (immediately upon the Scheme becoming effective) would increase.

Based on the growth prospects of HRIF and HRIV as disclosed in the section headed “11. Reasons for and benefits of the Proposal” of the Explanatory Statement, the HRIF Board believes that the privatization of HRIV pursuant to the Scheme would have a positive impact on the growth of the enlarged HRIF Group.

1. RESPONSIBILITY STATEMENT

This Scheme Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the HRIF Group, the Proposal and the Scheme.

The directors of HRIF jointly and severally accept full responsibility for the accuracy of the information contained in this Scheme Document (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 Scheme Document (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 Scheme Document the omission of which would make any statements in this Scheme Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, (i) the authorized share capital of HRIF was HK\$1,000,000,000 divided into 1,000,000,000,000 HRIF Shares; (ii) the issued and paid up share capital of HRIF was HK\$3,588,466.011 divided into 3,588,466,011 HRIF Shares; and (iii) there were 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 carried a right to subscribe for or which were convertible or exchangeable into HRIF Shares.

All of the existing issued HRIF Shares rank *pari passu* in all respects with each other, including all rights as to dividends, voting and capital.

The 5,121,120,000 new HRIF Shares to be allotted and issued pursuant to the Scheme will rank *pari passu* in all respects among themselves and with the existing issued HRIF Shares as at the date of allotment and issuance of such new HRIF Shares, including, among other things, the right to receive in full all dividends and other distributions after the date of allotment and issuance of such new HRIF Shares pursuant to the Scheme.

There had been no change to the issued share capital of HRIF and no HRIF Share had been bought back since 31 December 2019, being the end of the last financial year of HRIF, up to the Latest Practicable Date.

There was no reorganization of capital of HRIF during the two financial years preceding the commencement of the Offer Period.

3. DISCLOSURE OF INTERESTS, DEALINGS AND OTHER ARRANGEMENTS**(i) Disclosure of interests**

As at the Latest Practicable Date:

- (a) HRIF did not own or control any HRIV Shares or any convertible securities, warrants, options or derivatives in respect of HRIV Shares;
- (b) none of the directors of HRIF was interested (within the meaning of Part XV of the SFO) in any HRIF Shares, any HRIV Shares, or any convertible securities, warrants, options or derivatives in respect of HRIF Shares or HRIV Shares;
- (c) save as disclosed in the sections headed “7. Shareholding structure of HRIV” and “8. Shareholding structure of HRIF” in the Explanatory Statement in Part VII of this Scheme Document, none of the HRIF Concert Parties owned or controlled any HRIV Shares, any HRIF Shares, or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares;
- (d) none of HRIF and the HRIF Concert Parties had received any irrevocable commitment to accept the offer to cancel the Scheme Shares or to vote for or against the Scheme;
- (e) none of HRIF and the HRIF Concert Parties had an arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person; and
- (f) none of HRIF and the HRIF Concert Parties had borrowed or lent any HRIV Shares, any HRIF Shares, or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares.

(ii) Dealings in HRIV’s or HRIF’s securities

During the Relevant Period:

- (a) HRIF had not dealt for value in any HRIV Shares or any convertible securities, warrants, options or derivatives in respect of HRIV Shares;
- (b) none of the directors of HRIF had dealt for value in any HRIV Shares, any HRIF Shares, or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares; and
- (c) none of the HRIF Concert Parties had dealt for value in any HRIV Shares, any HRIF Shares, or any convertible securities, warrants, options or derivatives in respect of HRIV Shares or HRIF Shares.

(iii) Other arrangements in relation to the Proposal

As at the Latest Practicable Date:

- (a) no benefit was or would be given to any director of HRIV as compensation for his loss of office or otherwise in connection with the Proposal;
- (b) there was no agreement, arrangement or understanding (including any compensation arrangement) between HRIF or the HRIF Concert Parties (on one hand) and any directors, recent directors, shareholders or recent shareholders of HRIV (on the other hand), having any connection with or was dependent upon the Proposal;
- (c) none of the directors of HRIF would be affected in terms of their emoluments by the Proposal or any other associated transaction;
- (d) save for the new HRIF Shares to be allotted and issued to the Scheme Shareholders pursuant to the Scheme, there was 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;
- (e) there was no understanding, arrangement or agreement or special deal (under Rule 25 of the Takeovers Code) between (1) any HRIV Shareholder (on one hand); and (2) HRIF or any of the HRIF Concert Parties (on the other hand);
- (f) there was no agreement or arrangement to which HRIF is a party which relate to circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal;
- (g) there was no arrangement (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 (on one hand) and any other person (on the other hand) which might be material to the Proposal; and
- (h) there was no agreement, arrangement or understanding pursuant to which the new HRIV Shares to be issued to HRIF or (as HRIF may direct) its wholly owned subsidiary immediately after the cancellation and extinguishment of the Scheme Shares upon the Scheme becoming effective would be transferred, charged or pledged to any other persons.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the directors of HRIF, HRIF was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of HRIF to be pending or threatened by or against HRIF.

5. MATERIAL CONTRACTS

The following contracts (not being contracts entered in the ordinary course of the business carried on or intended to be carried on by the HRIF Group) had been entered into by members of the HRIF Group within the two years before the commencement of the Offer Period up to and including the Latest Practicable Date that were or might be material:

- (a) the sale and purchase agreement dated 3 March 2019 entered into between Huarong International Asset Management Growth Fund L.P. (the “**Fund**”), an indirect wholly-owned subsidiary of HRIF, as the seller, and Mr. Zhong Xiaojian (“**Mr. Zhong**”), as the purchaser, in relation to the disposal by the Fund to Mr. Zhong of unsecured redeemable 4.5% convertible notes due 2019 issued by ChinaSoft International Limited (stock code: 354) and subscribed by the Fund in the principal amount of US\$30,000,000, at a consideration of US\$52,000,000;
- (b) the master agreement dated 22 May 2019 and entered into between HRIF and China Huarong in relation to the provision by the HRIF Group of financial services to China Huarong and its associates (as defined under the Listing Rules) for a term of three years subject to the annual cap of HK\$60 million for each year;
- (c) the agreement dated 29 July 2019 entered into between Linewear Assets Limited (“**Linewear**”), a direct wholly-owned subsidiary of HRIF, and China Jinxin Finance Inc. (“**China Jinxin**”) as purchaser in relation to the intended disposal (which did not materialise) by Linewear to China Jinxin of 100 issued shares (being the entire issued share capital) in Option Best Holdings Limited (“**Option Best**”) and all loans and other amounts (whether principal, interests or otherwise) outstanding and owing by Option Best to Linewear at completion, at a consideration calculated based on the following formula: $\text{HK\$}360,000,800 + (\text{HK\$}300,000,000 \times 20\%) \times D \div 360$, where “D” is the number of days during the period from (and including) 30 June 2019 to (but excluding) the date of completion;
- (d) the agreement dated 25 September 2019 entered into between Ocean Charm Investments Limited (“**Ocean Charm**”), an indirect wholly-owned subsidiary of HRIF, Mr. Xie Bingzhao (“**Mr. Xie**”) as purchaser and Micro Vision Fund Limited, another indirect wholly-owned subsidiary of HRIF and as the general partner, in relation to the disposal by Ocean Charm of all of its right, title and interests in Visual Dome Fund L.P. represented by a commitment of HK\$117,000,000 to Mr. Xie at a consideration of HK\$143,744,055;

- (e) (i) the master deed dated 18 October 2019 entered into between HRIF and Huarong Overseas in connection with the Huarong Tianhai Equity Transfer and Wide Trend Share Transfer (each as defined below) pursuant to which the aggregate cash consideration payable by Huarong Overseas in respect of such transfers was agreed to be HK\$11.23 million; (ii) the equity transfer agreement dated 18 October 2019 entered into between HRIF and Huarong Overseas in connection with the transfer of 100% equity interest in 華融天海(上海)投資管理有限公司 (Huarong Tianhai (Shanghai) Investment Management Company Limited*) by HRIF to Huarong Overseas (the “**Huarong Tianhai Equity Transfer**”); and (iii) the sale and purchase deed dated 18 October 2019 and entered into between Linewear and Huarong Overseas in relation to the disposal by Linewear of the entire issued share capital of Wide Trend Global Limited to Huarong Overseas (the “**Wide Trend Share Transfer**”);
- (f) the bought and sold note and instrument of transfer dated 23 March 2020 executed by Beyond Steady Limited (an indirect wholly-owned subsidiary of HRIF) (“**Beyond Steady**”) and King Wealth Asia Limited (“**King Wealth**”) in respect of the sale and transfer of 98,500,000 issued ordinary shares of China Sandi Holdings Limited (a company listed on the Stock Exchange with stock code: 910) (“**China Sandi**”) by Beyond Steady to King Wealth at a consideration of HK\$30,000,000; and
- (g) the bought and sold note and instrument of transfer dated 23 March 2020 executed by Beyond Steady and Optimal Success Incorporated (“**Optimal Success**”) in respect of the sale and transfer of 214,000,000 issued ordinary shares of China Sandi by Beyond Steady to Optimal Success at a consideration of HK\$65,285,966.34.

6. MARKET PRICES**(i) HRIV Shares**

The table below shows the closing prices per HRIV Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing price for each HRIV Share (HK\$)
31 December 2019	0.270
31 January 2020	0.250
28 February 2020	0.305
31 March 2020	0.220
29 April 2020	0.280
29 May 2020	0.240
Last Trading Day (i.e. 29 June 2020)	0.310
30 June 2020	N/A ^(Note)
31 July 2020	0.405
31 August 2020	0.390
Latest Practicable Date (i.e. 25 September 2020)	0.380

Note: Trading in HRIV Shares on the Stock Exchange was halted at 9:49 a.m. on 30 June 2020 and resumed at 9:00 a.m. on 6 July 2020.

During the Relevant Period, the highest closing price of the HRIV Shares was HK\$0.540 on 7 July 2020 and the lowest closing price of the HRIV Shares was HK\$0.220 on 31 March 2020 and 1 April 2020.

(ii) HRIF Shares

The table below shows the closing prices per HRIF Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) the Last Trading Day; and (iii) the last trading day of each of the calendar months during the Relevant Period.

Date	Closing price for each HRIF Share (HK\$)
31 December 2019	0.215
31 January 2020	0.209
28 February 2020	0.194
31 March 2020	0.137
29 April 2020	0.150
29 May 2020	0.157
Last Trading Day (i.e. 29 June 2020)	0.149
30 June 2020	N/A ^(Note)
31 July 2020	0.320
31 August 2020	0.280
Latest Practicable Date (i.e. 25 September 2020)	0.246

Note: Trading in HRIF Shares on the Stock Exchange was halted at 9:49 a.m. on 30 June 2020 and resumed at 9:00 a.m. on 6 July 2020.

During the Relevant Period, the highest closing price of the HRIF Shares was HK\$0.540 on 7 July 2020 and the lowest closing price of the HRIF Shares was HK\$0.126 on 27 April 2020.

7. MISCELLANEOUS

- (i) HRIF was incorporated in Bermuda with limited liability on 18 November 1993 under the Companies Act 1981 of Bermuda.
- (ii) The board of directors of HRIF comprises Mr. Yang Rungui 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.
- (iii) The registered office of HRIF is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.
- (iv) The principal place of business of HRIF in Hong Kong is situated at Unit A, 16/F & Unit A, 17/F, Two Pacific Place, 88 Queensway, Hong Kong.

- (v) The company secretary of HRIF is Ms. Luo Xiao Jing, who is a member of both the Hong Kong Institute of Certified Public Accountants and the Chinese Institute of Certified Public Accountants.
- (vi) The principal share registrar and transfer office of HRIF is MUFG Fund Services (Bermuda) Limited, situated at 4th floor North Cedar House, 41 Cedar Avenue, Hamilton HM 12, Bermuda.
- (vii) The branch share registrar and transfer office of HRIF in Hong Kong is Tricor Tengis Limited, situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (viii) The ultimate controlling shareholder of HRIF is China Huarong, which is controlled by the PRC Ministry of Finance.
- (ix) The board of directors of China Huarong comprises Mr. Wang Zhanfeng and Ms. Li Xin as executive directors, Ms. Zhao Jiangping, Mr. Zheng Jiangping and Mr. Zhou Langlang as non-executive directors, and Mr. Tse Hau Yin, Mr. Liu Junmin, Mr. Shao Jingchun and Mr. Zhu Ning as independent non-executive directors.
- (x) HRIF has appointed Huatai Financial as its financial adviser in connection with the Proposal. The main business address of Huatai Financial is at Room 5808–12 The Center, 99 Queen's Road Central, Hong Kong.
- (xi) The principal members of HRIF Concert Parties include China Huarong, Mr. Jia and Renco. The registered office of China Huarong is situated at No. 8 Financial Street, Xicheng District, Beijing, the PRC. The address of Mr. Jia is at No. 1–132, Shiji Huayuan Western District, Pingan East Street, Zhongning County, Ningxia the PRC. The registered office of Renco is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. As at the Latest Practicable Date, the board of directors of Renco comprised Mr. Cheek Ho Fung and Mr. Shan Yongxin as executive directors, Mr. Li Yongjun as non-executive director, and Mr. Ng Man Kung, Mr. Lau Fai Lawrence and Mr. Mak Kwok Kei as independent non-executive directors.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) at the principal place of business of HRIV in Hong Kong at Suite B, Levels 16–17, Two Pacific Place, 88 Queensway, Hong Kong during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays, Sundays and public holidays), (ii) on the website of HRIV at <http://www.hriv.com.hk>, (iii) on the website of HRIF at <http://www.hrif.com.hk>, and (iv) on the website of the SFC at www.sfc.hk during the period from the date of this Scheme Document until the earlier of (a) the Effective Date and (b) the date on which the Scheme lapses or is withdrawn:

- (i) the memorandum of association and bye-laws of HRIF;
- (ii) the memorandum and articles of association of HRIV;
- (iii) the annual reports of HRIF for the years ended 31 December 2017, 2018 and 2019 and the interim results announcement of HRIF for six months ended 30 June 2020;
- (iv) the annual reports of HRIV for the years ended 31 December 2017, 2018 and 2019 and the interim results announcement of HRIV for six months ended 30 June 2020;
- (v) the letter from the HRIV Board, the text of which is set out in Part IV of this Scheme Document;
- (vi) the letter from the HRIV Independent Board Committee, the text of which is set out in Part V of this Scheme Document;
- (vii) the letter from the HRIV Independent Financial Adviser, the text of which is set out in Part VI of this Scheme Document;
- (viii) the material contracts referred to in the paragraph headed “5. Material Contracts” in Appendix II to this Scheme Document;
- (ix) the material contracts referred to in the paragraph headed “5. Material Contracts” in Appendix IV to this Scheme Document;
- (x) the service contract referred to in the paragraph headed “6. Service contracts” in Appendix II to this Scheme Document;
- (xi) the written consent referred to in the paragraph headed “7. Consent and qualifications of expert” in Appendix II to this Scheme Document; and
- (xii) this Scheme Document.

IN THE GRAND COURT OF THE CAYMAN ISLANDS

CAUSE NO: FSD 198 OF 2020 (IKJ)

IN THE MATTER OF

HUARONG INVESTMENT STOCK CORPORATION LIMITED

AND

IN THE MATTER OF

**SECTION 86 OF THE COMPANIES LAW (2020 REVISION) OF
THE CAYMAN ISLANDS**

SCHEME OF ARRANGEMENT

between

HUARONG INVESTMENT STOCK CORPORATION LIMITED

and

**THE HOLDERS OF SCHEME SHARES
(as hereinafter defined)**

- i. In this Scheme of Arrangement, unless inconsistent with the subject or context, the following expressions shall have the meanings respectively set out opposite them:

“acting in concert” has the meaning ascribed to it in the Takeovers Code, and “concert party(ies)” shall be construed accordingly

“associated company(ies)” has the meaning ascribed to it under the Takeovers Code

“Business Day” a day (other than a Saturday, Sunday or public holiday) on which the Stock Exchange is open for the transaction of business

“Capital Reduction”	the reduction in issued share capital of the Company by cancelling and extinguishing the Scheme Shares
“China Huarong”	China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), 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)
“Companies Law”	the Companies Law (2020 Revision) of the Cayman Islands, as consolidated and revised from time to time
“Company” or “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)
“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 (with or without modifications) will be voted upon
“Disinterested Shareholders”	all of the Scheme Shareholders, excluding HRIF and the HRIF Concert Parties
“Effective Date”	the date on which the Scheme, if approved and sanctioned by the Court, becomes effective in accordance with its terms and the Companies Law, being the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law, and which is expected to be 9 November 2020 (Cayman Islands time)
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“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 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 Renco and its subsidiaries (including Power Tiger)
“HRIF Share(s)”	ordinary shares with a par value of HK\$0.001 each in the share capital of HRIF
“Latest Practicable Date”	25 September 2020, being the latest practicable date for the purposes of ascertaining certain information for inclusion in the Scheme Document
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Mr. Jia”	Mr. Jia Tianjiang, an indirect substantial shareholder of HRIF and the Company as at the Latest Practicable Date
“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 Latest Practicable Date
“PRC”	the People’s Republic of China, which for the purpose of this Scheme of Arrangement, excludes Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposal”	the proposal for the privatization of the Company by HRIF by way of the Scheme

“Register”	the principal or branch register of members of the Company (as the case may be)
“Renco”	Renco Holdings Group Limited 融科控股集團有限公司 (formerly known as 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)
“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”	a scheme of arrangement under Section 86 of the Companies Law involving, among other things, the allotment and issuance of one HRIV Share to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF), the Capital Reduction and the restoration of the issued share capital of the Company to the amount immediately before such Capital Reduction by means of the issuance of new Shares in the same number as the Scheme Shares (which were cancelled under the Scheme) minus one to HRIF or (as HRIF may direct) its wholly owned subsidiary credited as fully paid out of the credit arising in the Company’s books of accounts as a result of the Capital Reduction
“Scheme Document”	this composite scheme document, including each of the letters, statements, appendices and notices in it
“Scheme Record Date”	9 November 2020 (Hong Kong time), or such other date as shall have been announced by the Company, being the record date for the purpose of determining the entitlements of the Scheme Shareholders under the Scheme
“Scheme Share(s)”	all Share(s) in issue as at the Scheme Record Date, including those held by HRIF and the HRIF Concert Parties but not including the one HRIV Share to be allotted and issued to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) upon the Scheme becoming effective

“Scheme Shareholder(s)”	holder(s) of Scheme Shares as at the Scheme Record Date
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)” or “HRIV Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company
“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 Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
“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 Latest Practicable Date

- ii. The Company was incorporated as an exempted company on 15 July 2014 in the Cayman Islands under the Companies Law.
- iii. The authorized share capital of the Company as at the Latest Practicable Date was HK\$200,000,000 divided into 20,000,000,000 Shares of which 1,816,000,000 Shares were issued and fully paid, with the remainder being unissued.
- iv. HRIF was incorporated in Bermuda with limited liability on 18 November 1993 under the Companies Act 1981 of Bermuda.
- v. The authorized share capital of HRIF as at the Latest Practicable Date was HK\$1,000,000,000 divided into 1,000,000,000,000 HRIF Shares of which 3,588,466,011 HRIF Shares were issued and fully paid, with the remainder being unissued.
- vi. HRIF has proposed the privatization of the Company by way of the Scheme.

- vii. The primary purpose of the Scheme is that all of the Scheme Shares should be cancelled and extinguished and that, following the Scheme becoming effective, the Company should become wholly owned by HRIF or its wholly owned subsidiary.
- viii. In consideration for the cancellation and extinguishment of the Scheme Shares, new HRIF Shares will be allotted and issued to the Scheme Shareholders (including the HRIF Concert Parties) on the basis of 2.82 HRIF Shares for each Scheme Share held by them as at the Scheme Record Date.
- ix. As at the Latest Practicable Date, HRIF did not legally and/or beneficially own any Share, and 1,363,587,000 Shares were legally and/or beneficially owned by the HRIF Concert Parties as follows:

Name	Number of Shares	Percentage shareholding
Right Select	926,042,000	50.99%
Tian Yuan Asset Management	353,375,000	19.46%
Power Tiger	84,170,000	4.63%

- x. As at the Latest Practicable Date, the Disinterested Shareholders held in aggregate 452,413,000 Scheme Shares and 10% of the votes attached to all Scheme Shares held by the Disinterested Shareholders was approximately 45,241,300 Scheme Shares.
- xi. All Scheme Shareholders, including HRIF and the HRIF Concert Parties who hold Shares, will be entitled to attend and vote at the Court Meeting, and their votes will be taken into account for the purpose of determining whether the requirements under Section 86 of the Companies Law are satisfied. However, in accordance with the Takeovers Code, since the HRIF Concert Parties are not holders of disinterested Shares (as defined in Note 6 to Rule 2 of the Takeovers Code), their votes will not be taken into account for the purpose of determining whether the requirements under Rule 2.10 of the Takeovers Code are satisfied.
- xii. HRIF has undertaken to the Court to be bound by the Scheme, and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.

THE SCHEME**PART I****Cancellation of the Scheme Shares**

1. On the Effective Date:
 - (a) one HRIV Share shall be allotted and issued to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF) for cash at par;
 - (b) subject to and forthwith upon such allotment and issuance taking effect, the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares;
 - (c) subject to and forthwith upon such reduction of capital taking effect, the share capital of the Company will be increased to its former amount by issuing to HRIF or (as HRIF may direct) a wholly owned subsidiary of HRIF the same number of Shares as the number of Scheme Shares cancelled and extinguished minus one; and
 - (d) the Company shall apply the credit arising in its books of account as a result of the capital reduction referred to in paragraph 1(b) above in paying up in full at par the new Shares issued to HRIF or its wholly owned subsidiary (as the case may be), credited as fully paid.

PART II**Consideration for the cancellation and extinguishment
of the Scheme Shares**

2. In consideration of the cancellation and extinguishment of the Scheme Shares, HRIF shall allot and issue new HRIF Shares, credited as fully paid, to the Scheme Shareholders whose names appear in the register of members of the Company as at the Scheme Record Date, subject to paragraph 3 of this Scheme, on the basis of 2.82 HRIF Shares for every one Scheme Share cancelled as set out above.

PART III**General**

3. (a) No Scheme Shareholders shall be entitled to have allotted to them fractions of a new HRIF Share under this 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.

- (b) As soon as possible and in any event not later than seven (7) Business Days after the Effective Date, HRIF shall (i) allot and issue the new HRIF Shares and (ii) send or cause to be sent to the Scheme Shareholders the certificates representing the appropriate number of new HRIF Shares, in registered form, allotted and issued to the persons entitled thereto pursuant to paragraph 2 above. Assuming the Scheme becomes effective on Monday, 9 November 2020, the share certificates for the new HRIF Shares are expected to be despatched to the Scheme Shareholders on or before Wednesday, 18 November 2020.
- (c) In respect of the new HRIF Shares which the Scheme Shareholders are entitled to receive as consideration for cancellation of their Scheme Shares under this Scheme, each Scheme Shareholder will be sent (a) one share certificate representing HRIF Shares that are a whole multiple of a board lot of 1,000 HRIF Shares and (b) (if applicable) one share certificate for the remaining HRIF Shares which represent less than a whole multiple of 1,000 HRIF Shares (i.e. an odd lot of HRIF Shares), except for HKSCC Nominees Limited which may request for share certificates to be issued in such denominations as it may specify.
- (d) In the absence of any specific instructions to the contrary received in writing by the Hong Kong branch share registrar of the Company before the Effective Date, the share certificates for the new HRIF Shares will be sent to the Scheme Shareholders whose names appear on the Register as at the Scheme Record Date at their respective registered addresses, and such share certificates will be sent by ordinary post in postage pre-paid envelopes. All such share certificates will be sent at the risk of the person(s) entitled thereto and none of the Company, HRIF, their respective advisers and share registrars, and any of their respective directors, employees, officers, agents or associates or any other persons involved in the Proposal will be responsible for any loss or delay in despatch.
- (e) Upon cancellation of the Scheme Shares, the Register shall be updated to reflect such cancellation.
4. Each instrument of transfer and certificate existing as at the Scheme Record Date in respect of a holding of any number of Scheme Shares shall on the Effective Date cease to be valid for any purpose as an instrument of transfer or a certificate for such Scheme Shares and every holder of such certificate shall be bound at the request of HRIF to deliver up the same to HRIF for the cancellation thereof.
5. All mandates or relevant instructions to the Company in force at the Scheme Record Date relating to any of the Scheme Shares shall cease to be valid as effective mandates or instructions on the Effective Date.

6. This Scheme shall become effective as soon as a copy of the order of the Court sanctioning this Scheme under Section 86 of the Companies Law has been delivered to the Registrar of Companies in the Cayman Islands for registration pursuant to Section 86(3) of the Companies Law.
7. Unless this Scheme shall have become effective on or before 31 December 2020 or such later dates as the Company and HRIF may agree, or as the Court, on application of the Company and/or HRIF may allow, this Scheme shall lapse.
8. The Company and HRIF may consent jointly for and on behalf of all concerned to any modification of or addition to this Scheme or to any condition that the Court may think fit to approve or impose.
9. All costs, charges and expenses of the advisers and counsels appointed by the Company will be borne by the Company, all costs, charges and expenses of the advisers and counsels appointed by HRIF will be borne by HRIF, and all other costs, charges and expenses of this Scheme will be shared between the Company and HRIF equally.

30 September 2020

**IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION**

Cause No. FSD 198 of 2020 (IKJ)

IN THE MATTER of sections 15 and 86 of the Companies Law (2020 Revision)

AND IN THE MATTER of Order 102 of the Grand Court Rules 1995

AND IN THE MATTER of Huarong Investment Stock Corporation Limited 華融投資股份有限公司

NOTICE OF COURT MEETING

NOTICE IS HEREBY GIVEN that, by an order dated 24 September 2020 (the “**Order**”) made in the above matter, the Grand Court of the Cayman Islands (the “**Court**”) has directed a meeting (the “**Court Meeting**”) to be convened of the Scheme Shareholders (as defined in the Scheme hereinafter mentioned) for the purpose of considering and, if thought fit, approving, with or without modifications, a scheme of arrangement (the “**Scheme**”) proposed to be made between Huarong Investment Stock Corporation Limited 華融投資股份有限公司 (the “**Company**”) and the Scheme Shareholders and that the Court Meeting will be held at Level 16, Two Pacific Place, 88 Queensway, Hong Kong on Tuesday, 27 October 2020 at 9:30 a.m. (Hong Kong time) at which place and time all Scheme Shareholders are requested to attend. A copy of the Scheme and a copy of an explanatory statement explaining the effect of the Scheme are incorporated in the composite scheme document of which this Notice forms part.

A copy of the composite scheme document can also be obtained by the Scheme Shareholders from the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Scheme Shareholders may vote in person at the Court Meeting or they may appoint another person (who must be an individual), whether a member of the Company or not, to attend and vote in their stead. A **pink** form of proxy for use at the Court Meeting is enclosed with the composite scheme document dated 30 September 2020 dispatched to members of the Company on 30 September 2020.

In the case of joint holders of a share, any one of such persons may vote at the Court Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto. However, if more than one of such joint holders be present at the Court Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect of the relevant joint holding.

It is requested that forms appointing proxies be deposited at the Hong Kong branch share registrar of the Company in Hong Kong at Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 9:30 a.m. on 25 October 2020 but if forms are not so lodged they may be handed to the chairman of the Court Meeting at the Court Meeting who shall have absolute discretion as to whether or not to accept it.

By the Order, the Court has appointed Dr. Lam Lee G, or failing him, Mr. Xu Xiaowu, or failing him, any other director of the Company at the time of the Court Meeting as chairman of the Court Meeting and has directed the chairman of the Court Meeting to report the results of the Court Meeting to the Court.

The Scheme will be subject to a subsequent application seeking the sanction of the Court.

By Order of the Court
Huarong Investment Stock Corporation Limited
華融投資股份有限公司

Dated 30 September 2020

Registered office:

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

Principal place of business in Hong Kong:

Suite B, Levels 16–17
Two Pacific Place,
88 Queensway
Hong Kong



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Huarong Investment Stock Corporation Limited (the “**Company**”) will be held at Level 16, Two Pacific Place, 88 Queensway, Hong Kong on Tuesday, 27 October 2020 at 10:00 a.m. (Hong Kong time) (or immediately after the conclusion or the adjournment of the meeting of the Scheme Shareholders (as defined in the Scheme hereinafter mentioned) convened at the direction of the Grand Court of the Cayman Islands for the same day and place), for the purpose of considering, and if thought fit, passing (with or without modifications) the following special resolution:

SPECIAL RESOLUTION

“THAT AS A SPECIAL RESOLUTION:

- (a) the scheme of arrangement dated 30 September 2020 (the “**Scheme**”) between the Company and the holders of Scheme Shares (as defined in the Scheme) in the form of the print thereof which has been produced to this Meeting, and for purpose of identification, signed by the chairman of this Meeting, subject to any modifications, additions or conditions as may be approved or imposed by the Grand Court of the Cayman Islands, be and is hereby approved;
- (b) for the purpose of giving effect to the Scheme, on the Effective Date (as defined in the Scheme):-
 - (i) the Company shall allot and issue one ordinary share of HK\$0.01 in the capital of the Company to Huarong International Financial Holdings Limited (“**HRIF**”) (or, as HRIF may direct, a wholly owned subsidiary of HRIF) for cash at par (the “**Issue**”);
 - (ii) subject to and forthwith upon the Issue taking effect, the issued share capital of the Company shall be reduced by cancelling and extinguishing the Scheme Shares (the “**Capital Reduction**”);
 - (iii) subject to and forthwith upon the Capital Reduction taking effect, the issued share capital of the Company shall be increased to its former amount by the allotment and issuance to HRIF (or, as HRIF may direct, a wholly owned

subsidiary of HRIF), of the same number of ordinary shares of HK\$0.01 each in the capital of the Company as is equal to the number of Scheme Shares cancelled and extinguished as aforesaid minus one; and

- (iv) the Company shall apply the credit arising in its books of account as a result of the Capital Reduction in paying up in full at par the new ordinary shares of HK\$0.01 each in the capital of the Company issued as aforesaid, credited as fully paid, to HRIF (or, as HRIF may direct, a wholly owned subsidiary of HRIF), and the directors of the Company be and are hereby authorized to allot and issue the same accordingly;
- (c) each director of the Company be and is hereby authorized to do all acts and things considered by him/her to be necessary or desirable in connection with the implementation of the Scheme, the Issue and the Capital Reduction pursuant to the Scheme, including (without limitation) giving consent to any modification of, or addition to, the Scheme, the Issue or the Capital Reduction which the Grand Court of the Cayman Islands may see fit to impose; and
- (d) subject to the Scheme becoming effective, the withdrawal of the listing of the shares of the Company from The Stock Exchange of Hong Kong Limited be and is hereby approved, and any director of the Company be and is hereby authorized to apply to The Stock Exchange of Hong Kong Limited for the withdrawal of the listing of the shares of the Company.”

By Order of the Board
Huarong Investment Stock Corporation Limited
Yang Rungui
Chairman

Dated 30 September 2020

Registered office:

PO Box 1350
Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

Principal place of business in Hong Kong:

Suite B, Levels 16–17
Two Pacific Place, 88 Queensway
Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the Meeting (or any adjournment thereof) is entitled to appoint one or, if he is the holder of two or more shares of the Company, more proxies (who must be individuals) to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, any one of such persons may vote at the Meeting, either personally or by proxy, in respect of such share of the Company as if he/she was solely entitled thereto; if more than one of such joint registered holders be present, personally or by proxy, the vote of the most or, as the case may be, the more senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members of the Company in respect of such joint holding.
3. For determining the entitlement to attend and vote at the Meeting, the register of members of the Company will be closed from 22 October 2020 to 27 October 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be eligible to attend and vote at the Meeting, all transfers of shares of the Company, accompanied by the relevant share certificate(s), must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 21 October 2020.
4. In order to be valid, the form of proxy must be completed in writing and executed under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized, and must be deposited with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof) not later than 48 hours before the time fixed for holding of the Meeting (i.e. not later than 10:00 a.m. on Sunday, 25 October 2020 (Hong Kong time)) or any adjournment thereof.
5. Delivery of an instrument appointing a proxy shall not preclude a shareholder of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. A form of proxy for use at the Meeting is enclosed.
7. The special resolution as set out above will be determined by way of poll.
8. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above or post-super typhoon extreme conditions in force at or after 8:00 a.m. on 27 October 2020 and/or the Hong Kong Observatory has announced on 27 October 2020 at or before 8:00 a.m. that any of the above mentioned warnings is to be issued within the next two hours, the Meeting shall automatically be postponed to the next Business Day (as defined in the Scheme) on which no "black" rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted or post-super typhoon extreme conditions are in force between the hours from 8:00 a.m. to 10:00 a.m. and in such case the Meeting shall be held at 10:00 a.m. on that Business Day at Level 16, Two Pacific Place, 88 Queensway, Hong Kong. The Meeting will be held as scheduled even when a tropical cyclone warning signal no. 3 or below is hoisted or an amber or red rainstorm warning signal is in force. Shareholders of the Company should make their own decision as to whether to attend the Meeting under bad weather conditions bearing in mind their own situation and, if they should choose to do so, they are advised to exercise care and caution.

As at the date of this notice, the executive directors of the Company are Mr. Yang Rungui, Mr. Xu Xiaowu and Mr. Chen Qinghua; the non-executive director of the Company is Ms. Wang Qi; and the independent non-executive directors of the Company are Mr. Chan Kee Huen Michael, Mr. Tse Chi Wai and Dr. Lam Lee G.