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中國華融資產管理股份有限公司

**China Huarong Asset Management Co., Ltd.**

*(A joint stock limited liability company incorporated in the People's Republic of China)*

**(Stock Code: 2799)**

## **PROPOSED NON-PUBLIC ISSUANCE OF DOMESTIC SHARES AND H SHARES UNDER SPECIFIC MANDATE**

### **Proposed Non-public Issuance of Domestic Shares and H Shares under Specific Mandate**

Reference is made to the announcement of the Company dated 18 August 2021 in relation to the potential strategic investment, the Board of Directors hereby announces that to effectively replenish the capital of the Company, meet the regulatory requirements for the capital of asset management companies, consolidate the foundation for sustainable operations and promote stable and healthy business development, the Company intends to introduce strategic and financial investors through non-public issuance of Domestic Shares and non-public issuance of H Shares. On 17 November 2021, the Company considered and approved the plan and related resolutions regarding the proposed non-public issuance of no more than (including) 39,215,686,272 Domestic Shares and the non-public issuance of no more than (including) 1,960,784,313 H Shares. The Company entered into Share Subscription Agreements with the Investors including CITIC Group, China Insurance Investment (sign agreements and other related matters on behalf of China Insurance Rongxin Fund prior to the completion of its registration with the authority for industrial and commercial administration), China Cinda, China Life and ICBC Investment on 17 November 2021, respectively.

### **Public Float**

As at the date of this announcement, the public float of the Company is approximately 32.42%. After completion of the Issuance, the public float of the Company will be approximately 18.23%. The public float shortfall, which equals to the minimum public float required by Rule 8.08(1)(a) of the Listing Rules of 25% minus the percentage of Shares held by public Shareholders after the Issuance of the Company, is 6.77% after completion of the Issuance.

The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules. The Company will announce any update in relation to the waiver application in due course.

## **Shareholders' General Meeting, Shareholders' Class Meetings and Circular**

The Issuance will be carried out under specific mandate, and in accordance with Rule 19A.38 of the Listing Rules and the Articles of Association, requires the approval of the shareholders' general meeting and shareholders' class meetings. A supplemental circular containing, among other things, further details of the Issuance and other related matters, together with the supplemental notices of the EGM and Class Meetings, will be despatched to Shareholders in due course.

**The Issuance may or may not proceed as its completion subject to the satisfaction of certain conditions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **Plan of the Proposed Non-public Issuance of Domestic Shares and H Shares**

To effectively replenish the capital of the Company, meet the regulatory requirements for the capital of asset management companies, consolidate the foundation for sustainable operations and promote stable and healthy business development, the Company intends to introduce strategic and financial investors through non-public issuance of Domestic Shares and non-public issuance of H Shares. In accordance with the Company Law, the Securities Law, the Implementation Rules of CBIRC on Administrative Licensing on Non-bank Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》), the Measures for the Supervision and Administration of Non-listed Public Companies (《非上市公眾公司監督管理辦法》), the Listing Rules and the requirements of relevant laws, administrative regulations, departmental rules and regulatory documents, the Company formulates the plan for the non-public issuance as follows:

### **1. Types and nominal value of the Shares to be issued**

The Shares in the Issuance of Domestic Shares are ordinary Domestic Shares which are subscribed in RMB with a nominal value of RMB1.00 per Share. The Shares in the Issuance of H Shares are ordinary H Shares which are subscribed in HK\$ with a nominal value of RMB1.00 per Share.

### **2. Number of the Shares to be issued**

The number of Shares in the Issuance of Domestic Shares is no more than (including) 39,215,686,272 shares and the number of Shares in the Issuance of H Shares is no more than (including) 1,960,784,313 shares. The actual number of Shares to be issued is subject to the approval of the regulatory authority.

### 3. Issuance targets

#### *(1) Issuance targets of Domestic Shares*

The issuance targets of the Issuance of Domestic Shares are: CITIC Group, China Insurance Rongxin Fund, China Cinda and ICBC Investment.

Specifically, CITIC Group will subscribe for no more than (including) 18,823,529,411 Shares; China Insurance Rongxin Fund will subscribe for no more than (including) 14,509,803,921 Shares; China Cinda will subscribe for no more than (including) 3,921,568,627 Shares; and ICBC Investment will subscribe for no more than (including) 1,960,784,313 Shares. There is no preferential subscription arrangement for existing Shareholders of the Company in the Issuance of Domestic Shares.

#### *(2) Issuance target of H Shares*

The issuance target of the Issuance of H Shares is China Life, which, as a qualified domestic institutional investor, will subscribe for no more than (including) 1,960,784,313 Shares.

### 4. Issuance price

#### *(1) Asset valuation*

The Company has engaged China United Assets Appraisal Group Co., Ltd. (“**China United Assets Appraisal**”) to conduct a special valuation for the Issuance and issue the Asset Valuation Report on the Proposed Project of China Huarong Asset Management Co., Ltd. to Introduce Strategic Investors (Zhong Lian Ping Bao Zi [2021] No. 1999) (the “**Asset Valuation Report**”). The asset-based approach was selected as the value reference for this valuation, and the net assets per Share of the Company upon valuation was RMB1.02/Share.

The asset-based approach refers to the valuation approach of determining the value of the valuation object by reasonably appraising the value of on- and off-balance-sheet assets and liabilities of the enterprise based on the balance sheet of the evaluated entity on the valuation benchmark date. The purpose of this valuation is to reasonably reflect the current asset quality and risk profile, and present the value of existing assets, while auditing and verifying assets, so as to provide a basis for the materialization of economic behaviors of introducing strategic investors and capital increase. As such, the asset-based approach is adopted for this valuation.

The procedures for the selection and appointment of the valuation institution are in compliance with the Company’s regulations. China United Assets Appraisal and its handling valuers have no related relationship with the Company, the targets of the Issuance, etc., other than business relationships, and no realistic and other expected interests except professional fees, and have the independence to carry out the valuation work in relation to the Issuance.

The purpose of this valuation is to provide a reasonable reference basis for the valuation of the Issuance of the Company. The scope of assets actually valued by the valuation institution is consistent with the scope of assets commissioned for valuation; the valuation institution has implemented relevant valuation procedures during valuation and followed the principles of independence, objectivity, scientificity and fairness, the principles of evaluated value analysis, the model adopted, the discount rate selected and other important valuation parameters are in line with the actual circumstances of the Issuance, and the basis of valuation and the valuation conclusion are reasonable.

The valuation assumption prerequisites and restrictions set by China United Assets Appraisal and its valuers were implemented in accordance with relevant national laws, regulations and rules, followed common market practices or guidelines and in line with the actual situation of the valuation object, and the valuation assumption prerequisites were reasonable.

The valuation institution engaged by the Company for the Issuance is independent, the valuation assumption prerequisites are reasonable, the valuation approach and purpose are relevant, the appraised price in the Asset Valuation Report issued is fair, and there is no case of damage to the interests of the Company and other Shareholders, especially minority Shareholders. The Company has no dissent with the Asset Valuation Report.

## **(2) Issuance price**

The price of the Issuance will be based on the net assets per Share of RMB1.02/Share of the Company upon valuation as of 31 December 2020, and the price of the Issuance will be RMB1.02/Share after a comprehensive review by the Company. The exchange rate for the final issuance price of the Issuance of H Shares is the mid-rate of the HK\$ to RMB exchange rate as announced by the People's Bank of China on the Delivery Date of the H Shares Subscription Agreement.

On 1 April 2021, the Company issued the announcement on Delay in Publication of 2020 Annual Results, Possible Delay in Despatch of 2020 Annual Report, Postponement of Board Meeting and Suspension of Trading, stating that the trading in the H Shares of the Company would be suspended with effect from 1 April 2021 until now. Before the suspension of trading, the latest price of H Shares of the Company is HK\$1.02 per Share. Based on the settlement rate of 0.8182 between RMB and HK\$ dated 12 November 2021, it equals to RMB0.83 per Share.

The price of the Issuance was RMB1.02 per Share, representing a premium of 22.89% as compared with the price of Shares of the Company before the suspension of trading.

As of 31 December 2020, the net assets per Share of the Company was approximately RMB0.46 per Share; based on the financial data as of 31 December 2020, the net assets per Share of the Company was estimated to be approximately RMB0.75 per Share upon completion of the Issuance, representing an increase of approximately 61.32%.

As of 30 June 2021, the net assets per Share of the Company was RMB0.49 per Share; based on the financial data as of 30 June 2021, the net assets per Share of the Company was estimated to be RMB0.76 per Share upon completion of the Issuance, representing an increase of approximately 55.12%.

## **5. Issuance method**

The Issuance will be proceeded by way of non-public directed Share issuance to specific targets under specific mandate.

## **6. Lock-up**

Upon completion of the Issuance, the lock-up periods of substantial Shareholders will be subject to the approval of the regulatory authorities.

## **7. Use of proceeds**

The total proceeds of the Issuance are no more than RMB42.0 billion, the net amount of which, after deducting the relevant issuance expenses, will be used to replenish the Company's core tier-1 capital.

## **8. Distribution of accumulated undistributed profits**

The accumulated undistributed profits prior to the completion of the Issuance shall be shared by the new and existing Shareholders after the Issuance in proportion to their respective shareholdings.

## **9. Information disclosure**

The Company has designated the Hong Kong Stock Exchange HKEXnews website and the Company's website as the information disclosure platform in accordance with the provisions of the Measures for the Supervision and Administration of Non-listed Public Companies, the Listing Rules and other laws and regulations to ensure that information disclosure obligations are fulfilled in a standardized manner and that Shareholders can obtain information about the Company in a timely and convenient manner.

## **10. Validity period of the plan for the Issuance**

The validity period of the plan for the Issuance is 12 months from the date on which this resolution is considered and approved by the general meeting of Shareholders, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting of the Company. The Board may, depending on the actual situation, submit to the shareholders' general meeting and Class Meetings for an extension of the validity period of the plan for the Issuance.

## **11. Listing arrangements**

The Company will apply to the Hong Kong Stock Exchange for the listing of and permission to deal in the new H Shares in the H Share Issuance on the Hong Kong Stock Exchange.

The above proposal has been considered and approved by the Board of Directors and is subject to the consideration and approval of the shareholders' general meeting and Class Meetings.

### **Main Terms of the Share Subscription Agreements**

The Company entered into Share Subscription Agreements with the Investors including CITIC Group, China Insurance Investment (to deal with the signing of agreements and other related matters on behalf of China Insurance Rongxin Fund before the completion of its registration with the authority for industrial and commercial administration), China Cinda, China Life and ICBC Investment on 17 November 2021, respectively. The Share Subscription Agreements were all entered into based on similar terms, of which the main contents are as follows:

#### **Date**

17 November 2021

#### **Contractual Parties**

The Company; and

CITIC Group, China Insurance Investment (on behalf of China Insurance Rongxin Fund), China Cinda, China Life and ICBC Investment

Of which, China Insurance Investment will deal with the signing of agreements and other related matters on behalf of China Insurance Rongxin Fund before the completion of the registration with the authority for industrial and commercial administration of China Insurance Rongxin Fund. The Company will enter into the share subscription agreement with consistent substantive terms and content with China Insurance Rongxin Fund within five working days after its duly incorporation, success in fundraising, and obtaining of the private equity investment fund product filing from the Asset Management Association of China.

#### **The Subscription**

The Investors intend to subscribe for the Domestic Shares and H Shares under the Issuance of the Company pursuant to the terms and conditions of the Share Subscription Agreements, with a nominal value of RMB1.00 per Share; the Company issues to the Investors the Domestic Shares and H Shares under the Issuance of the Company pursuant to the terms and conditions of the Share Subscription Agreements, with a nominal value of RMB1.00 per Share. The subscription by the Investors is subject to the regulatory approval finally.

## Subscription Price and Pricing Method

The subscription price of Domestic Shares is RMB1.02 per Share. Based on the evaluated value of the assets upon review, the subscription price is determined according to the Investors' intent from the public solicitation and the results of comprehensive appraisal in relation to the listing on the Beijing Financial Assets Exchange in accordance with the laws of the PRC.

The subscription price of H Share is the amount of HK\$ equivalent of RMB1.02 per Share. The exchange rate for the final subscription price of the subscription is the mid-rate of the HK\$ to RMB exchange rate as announced by the People's Bank of China on the Delivery Date of the Share Subscription Agreements. Based on the evaluated value of the assets upon review, the subscription price is determined in accordance with the negotiation between the Company and Investors.

## Subscription Quantity and Total Subscription Amount

Pursuant to the terms and conditions of the Share Subscription Agreements, and subject to approval from regulatory authorities in PRC, the Company agrees to issue (i) no more than (including) 39,215,686,272 Domestic Shares with a nominal value of RMB1.00 per Share in a total subscription amount of no more than (including) RMB40,000,000,000; and (ii) no more than (including) 1,960,784,313 H Shares with a nominal value of RMB1.00 per Share in a total subscription amount of HK\$ equivalent of no more than (including) RMB 2,000,000,000 (the exchange rate for the final subscription amount of the Subscription is the mid-rate of the HK\$ to RMB exchange rate as announced by the People's Bank of China on the Delivery Date of the Share Subscription Agreement) to the Investors on Delivery, with the subscription details as follows:

Investors	Class of Shares	Subscription quantity
CITIC Group	Domestic Shares	No more than (including) 18,823,529,411
China Insurance Rongxin Fund	Domestic Shares	No more than (including) 14,509,803,921
China Cinda	Domestic Shares	No more than (including) 3,921,568,627
China Life	H Shares	No more than (including) 1,960,784,313
ICBC Investment	Domestic Shares	No more than (including) 1,960,784,313

## Use of Subscription Amount

The Company shall use the Investors' subscription amount to replenish its core tier-1 capital.

## Subscription Methods

Investors of Domestic Shares shall subscribe for the Shares in cash in Renminbi; Investors of H Shares shall subscribe for the Shares in cash in HK\$.

## Payment Methods

On the Delivery Date, the Investors shall make a lump sum transfer of the subscription amount to the special deposit account for the proceeds designated by the Company.

## **Delivery**

Unless otherwise agreed, on the premise that the Share Subscription Agreements have become effective and all conditions precedent of delivery as set out below have been satisfied or waived by the party entitled to waive such conditions (for the avoidance of doubt, the premises that shall be satisfied during the Delivery are subject to the satisfaction of such premises during the Delivery or the waiver by the party entitled to waive such conditions), the Investors and the Company shall conduct the Delivery as agreed in the Share Subscription Agreements:

### **(1) Representations and warranties of the Company**

Conditional upon that any effect of the Issuance is not being taken into account, the representations and warranties made by the Company in the Share Subscription Agreements are true and accurate in all material respects as at the Delivery Date of the Share Subscription Agreements, as if such representations and warranties were made on the Delivery Date. However, the warranties given in respect of a particular date shall be true and accurate as at that date only.

### **(2) Barrier free**

There is no pending or threatened litigation, or any investigation, review or other proceedings initiated by any regulatory authorities in the country or region having the jurisdiction over either party that would prevent or hinder the completion of the subscription or the performance by either party of its obligations under the Share Subscription Agreements. In addition, for the purpose of the subscription, there are no legal or regulatory requirements/restrictions under the law provisions or by the governmental agencies and/or regulatory authorities for the Investors (including their related parties) in the country or region having the jurisdiction over either party, nor there are requirements or suggestions for any Group members or Investors (including their related parties) to make any application, report or approval by the governmental agencies and/or regulatory authorities having the jurisdiction over either party.

### **(3) No material adverse effect**

From the date of the signing of the Share Subscription Agreements to the Delivery Date, there were no events that have had a material adverse effect on the Group.

Subject to the aforementioned agreed terms, the Investors shall pay the subscription amount for the underlying Shares and the Company shall deliver the underlying Shares to the Investors (the “**Delivery**”) at 10:00 a.m. (Beijing time) on the next business day when the Company sends the Delivery Notice in writing to the Investors (the “**Delivery Date**”), in the office of the Company at No. 8 Financial Street, Xicheng District, Beijing, the PRC.



## **Conditions for the Agreements to Become Effective**

The Share Subscription Agreements shall become effective subject to the following conditions (the “**Conditions of Effectiveness**”) being satisfied in full or waived by the Investors within 60 days after the date of signing of the Share Subscription Agreements or within or prior to such period as the Company and the Investors may agree on extension in writing (which is applicable):

### **(1) Internal approvals and authorization of the Company**

Both the Board and general meeting of Shareholders of the Company have considered and approved this subscription.

### **(2) Investors’ internal approval and authorization**

The Investors have obtained all internal approvals and authorizations applicable to the Investors for the subscription.

For China Insurance Rongxin Fund, it has completed the fund raising and obtained the private equity investment fund product filing with Asset Management Association of China.

### **(3) Regulatory approval**

For the Issuance of Domestic Shares, the Company and the Investors have obtained applicable approval from PRC regulatory authorities, the verification of the Hong Kong Stock Exchange (if required), and the consent or verification of the Hong Kong SFC (if required) for the Subscription; each such consent, approval, verification, permission, waiver shall remain in full force and effect, and none of such consents, approvals, verifications, permissions, waivers shall materially modify or invalidate any provision of the Share Subscription Agreements nor have any material adverse effect on the rights of the Investors or the Company.

For the Issuance of H Shares, the Company and the Investors have obtained applicable approval from PRC regulatory authorities, the listing and trading of the underlying Shares approved by the Hong Kong Stock Exchange, and the consent or verification of the Hong Kong SFC (if required) for the Subscription; each such consent, approval, verification, permission, waiver shall remain in full force and effect, and none of such consents, approvals, verifications, permissions, waivers shall materially modify or invalidate any provision of the Share Subscription Agreements nor have any material adverse effect on the rights of the Investors or the Company.

Each of the parties shall use its best efforts to procure the fulfillment of the Conditions of Effectiveness of each of the Share Subscription Agreements that shall be caused by such party as set forth in the Share Subscription Agreements and use its best efforts to cause the Delivery Date to take place within 60 days after the date of signing the Share Subscription Agreements.

## **Distribution of Accumulated Profits**

The accumulated undistributed profits before and after the Issuance shall be shared by the new and existing Shareholders upon the Issuance of the underlying Shares.

## **Termination**

The Share Subscription Agreements may terminate at any time prior to the Delivery in following manners for the reasons below:

- (1) In case that the Delivery hasn't been completed within 60 days following the date of signing of the Share Subscription Agreements (except that the Company and Investors agree to extend the above term in writing), either party can send written notice to the other party to terminate the Share Subscription Agreements upon the expiration of the term. The terminating party takes no responsibility for the termination, provided that the party who sends notice of termination has no material breach. Despite of above regulations, with the mutual consent of the Company and the Investors, the term can be extended in writing but not exceed 60 days;
- (2) Both parties agree to terminate the Share Subscription Agreements in writing;
- (3) If the subscription fails to be made due to the force majeure, either party of the Share Subscription Agreements can send written notice to the other party to terminate the Share Subscription Agreements and the terminating party takes no responsibility for the termination;
- (4) If either party of the Share Subscription Agreements (i) expresses explicitly or indicates by its behavior that it will not fulfil major obligations, or (ii) delays in fulfilling major obligations and fails to fulfil such obligations after being reminded within reasonable period; or (iii) delays in fulfilling its obligations or has other breach which makes it unable to perform the subscription, the other party of the Share Subscription Agreements may send written notice to the breaching party to terminate the Share Subscription Agreements, and require the breaching party to take corresponding responsibility. The terminating party takes no responsibility for the termination.

## **Conditions Precedent of the Issuance**

The conditions precedent of the Issuance are as follows:

- (1) To publish application documents at the assets exchange and to publicly solicit Investors;
- (2) The Company convenes the meeting of the Board of Directors to consider and approve the Issuance plan;
- (3) The Company convenes the shareholders' general meeting and Class Meetings to consider and approve the Issuance plan;

- (4) To obtain the regulatory opinion letter and approval of the Issuance plan and Shareholders' qualifications from the CBIRC;
- (5) To obtain the approval of the Issuance plan of H Shares and the Issuance plan of Domestic Shares from the CSRC, respectively;
- (6) To obtain the listing approval for issuance of H Shares from the Hong Kong Stock Exchange.

As of the date of this announcement, the Company has completed the public solicitation of Investors by the public listing at the assets exchange, and has completed comprehensive review and selection of Investors. The Company entered into Share Subscription Agreements with the Investors on 17 November 2021.

### **Effects of the Issuance on the Shareholding Structure of the Company**

The Company proposes to issue no more than (including) 39,215,686,272 Domestic Shares and no more than (including) 1,960,784,313 H Shares, both with nominal value of RMB1.00 per Share. Therefore, the aggregate nominal value of Shares under the Issuance is no more than (including) RMB41,176,470,585.

For reference and illustration purposes only, assuming that (i) there is no change of the total issued share capital of the Company or the number of Shares held by the Ministry of Finance from the date of this announcement up to the completion of the Issuance other than the issuance of Domestic Shares and H Shares of the Company pursuant to the proposed issuance plan; (ii) a total of 39,215,686,272 Domestic Shares are issued (representing approximately 100.37% of the total issued share capital of the Company as at the date of this announcement and approximately 48.87% of the total issued share capital of the Company as enlarged by the issuance of the Domestic Shares and H Shares due to the Issuance); and (iii) a total of 1,960,784,313 H Shares are issued (representing approximately 5.02% of the total issued share capital of the Company as

at the date of this announcement and approximately 2.44% of the total issued share capital of the Company as enlarged by the issuance of the Domestic Shares and H Shares due to the Issuance), the shareholding structure of the Company as of the date of this announcement and immediately after completion of the Issuance is set out as follows:

	As of the date of this announcement		Immediately after completion of the Issuance	
	Number of Shares	Approximate percentage in the Company's total issued share capital (%)	Number of Shares	Approximate percentage in the Company's total issued share capital (%)
<b>Domestic Shares</b>				
Ministry of Finance	9,901,084,435	25.34	9,901,084,435	12.34
Other Domestic Shareholders	4,125,271,109	10.56	4,125,271,109	5.14
Domestic Shares newly issued due to the Issuance:	N/A	N/A	39,215,686,272	48.87
CITIC Group	N/A	N/A	18,823,529,411	23.46
China Insurance Rongxin Fund	N/A	N/A	14,509,803,921	18.08
China Cinda	N/A	N/A	3,921,568,627	4.89
ICBC Investment	N/A	N/A	1,960,784,313	2.44
<b>Total Domestic Shares</b>	<b>14,026,355,544</b>	<b>35.90</b>	<b>53,242,041,816</b>	<b>66.35</b>
<b>H Shares</b>				
Ministry of Finance	12,376,355,544	31.68	12,376,355,544	15.42
Other H Share public Shareholders	12,667,497,374	32.42	12,667,497,374	15.79
H Shares newly issued due to the Issuance:	N/A	N/A	1,960,784,313	2.44
China Life	N/A	N/A	1,960,784,313	2.44
<b>Total H Shares</b>	<b>25,043,852,918</b>	<b>64.10</b>	<b>27,004,637,231</b>	<b>33.65</b>
Among which, H Shares held by the public:	12,667,497,374	32.42	14,628,281,687	18.23
— Existing H Share public Shareholders	12,667,497,374	32.42	12,667,497,374	15.79
— China Life	N/A	N/A	1,960,784,313	2.44
<b>Total</b>	<b>39,070,208,462</b>	<b>100.00</b>	<b>80,246,679,047</b>	<b>100.00</b>

*Notes:*

- As at the date of this announcement, China Life holds 1,650,000,000 Domestic Shares of the Company, taking up approximately 4.22% of the total issued share capital of the Company; after the Issuance, China Life will hold 1,650,000,000 Domestic Shares and 1,960,784,313 H Shares of the Company, taking up approximately 2.06% and approximately 2.44% of the total issued share capital of the Company upon the Issuance, respectively.
- As at the date of this announcement, the substantial Shareholder of the Company only includes the Ministry of Finance. The Shares held by public Shareholders before the Issuance are those H Shares held by other H Shareholders except for the Ministry of Finance; and after the Issuance, the Shares held by public Shareholders are the H Shares held by existing H Share public Shareholders and China Life.
- The sum of shareholding percentages might not be in line with the total due to rounding.

As at the date of this announcement, based on the publicly available information and to the best of the Directors' knowledge as at the date of this announcement, the Ministry of Finance is a core connected person of the Company holding 9,901,084,435 and 12,376,355,544 issued Domestic Shares and H Shares of the Company respectively, representing approximately 25.34% and approximately 31.68% of the total issued share capital of the Company respectively, in aggregate representing approximately 57.02% of the total issued share capital of the Company. The public float of the Company is approximately 32.42%.

Upon the completion of the Issuance, in addition to the Ministry of Finance, whose shareholding represents approximately 27.76% of the total share capital of the Company upon the Issuance, the core connected persons of the Company will also include CITIC Group and China Insurance Rongxin Fund, which will hold 18,823,529,411 and 14,509,803,921 Domestic Shares of the Company, respectively, representing approximately 23.46% and approximately 18.08% of the total share capital of the Company upon the Issuance. After the Issuance, the public float of the Company will be approximately 18.23%. The public float shortfall, which equals to the minimum public float required by Rule 8.08(1)(a) of Listing Rules of 25% minus the percentage of Shares held by public Shareholders after the Issuance of the Company, is 6.77% after completion of the Issuance.

As the 2020 annual results of the Company has decreased sharply and the capital adequacy ratio of the Company is considerably lower than that of regulatory requirements, the Company is in urgent demands of capital injection. The Company has entered into non-binding framework agreements with some potential investors on 18 August 2021 in relation to capital injection. Also, the Company has made public solicitation for the subscription of newly issued Shares of the Company at Beijing Financial Assets Exchange on 16 September 2021. By the end of disclosure period at Beijing Financial Assets Exchange, most of the prospective investors intend to subscribe for newly issued Domestic Shares of the Company, mainly due to: (a) the main operating businesses of the Company are based in mainland China, and on account of the understanding of asset management market and recognition of the Company, most of the potential investors are domestic corporations; and (b) some of the potential investors lack proper offshore entity, foreign currency and QDII qualifications to subscribe for H Shares. After having consulted with professional institutions, studied and tried multiple methods, upon careful consideration of the Company, it is of the view that the Issuance is the only practical measure to solve the capital insufficiency difficulty of the Company and to satisfy the regulatory requirement.

The Company has applied to the Hong Kong Stock Exchange for a waiver from strict compliance with the requirements under Rule 8.08(1)(a) of the Listing Rules. The Company will announce any update in relation to the waiver application in due course.

The Company has contemplated to carry out the listing and circulation of a certain number of Domestic Shares of the Company, which would be transferred into H Shares upon completion, on the Hong Kong Stock Exchange (“**Full Circulation**”) after the completion of the Issuance, in order to restore the public float to at least 25% of the Company’s total issued Shares as soon as reasonably practicable. The Full Circulation, if carried out would include, among others, the following procedures:

- **First stage (expected to last around one month and a half):** Shareholders to issue authorization letter to the Company to proceed with matters related to Full Circulation; the Company to convene Board meeting to approve the Full Circulation proposal, and to prepare for the applications in the Second and the Third stages;
- **Second stage (expected to last around 2 months and a half):** The CBIRC to issue regulatory opinion on the Full Circulation and other application documents; the Ministry of Finance to issue the state-owned equity management plan for the Company’s application of Full Circulation and to approve the transfer of state-owned Shares into H Shares;
- **Third stage (expected to last around 3 months):** The CSRC to approve the application of Full Circulation by the Company; and
- **Fourth Stage (expected to last around one week):** The Hong Kong Stock Exchange to grant the listing approval and the Full Circulation completed.

*Note: The above procedure and timetable are estimated by reference to general practice which are for reference only, and shall be subject to regulatory review and approval.*

According to the negotiation between the Company and some Investors in the Issuance, some of the Investors subscribing for Domestic Shares intend to participate in Full Circulation and would transfer their Domestic Shares into H Shares of the Company. Some Investors have generally agreed to participate in the Full Circulation with no less than 5,882,352,940 Domestic Shares to be converted into H Shares. Upon the completion of the Full Circulation, it is estimated that the public float of the Company would be restored to at least 25% of the Company’s total issued Shares. The Company has not yet initiated any work related to the Full Circulation. The Company will carry out and complete the Full Circulation after the Issuance as soon as practicable.

To the knowledge, information and belief of the Directors of the Company upon all reasonable enquiries, CITIC Group, China Insurance Investment, China Cinda, China Life and ICBC Investment and their respective ultimate beneficial owners are third parties independent from the Company and its connected persons. As at the date of this announcement, the Company did not enter into or intend to enter into any agreement with any connected persons of the Company in respect of the Issuance.

## Rationale and Purpose of the Issuance

The Issuance is an important act aiming to address the Company's current difficulty of capital shortage, fill the capital gap and meet the regulatory requirements. Under the background of overall risks mitigation of the Company, the Issuance is an important act aiming to safeguard the interest of the Company's minority Shareholders, maintain the Company's sustainable operation and meet the regulatory requirements.

As of the end of 2020 and June 2021, the capital adequacy ratio of the Company was 4.16% and 6.32% respectively, which was considerably lower than the CBIRC's requirement that the capital adequacy ratio shall be 12.5% or above. According to the requirements of the Measures for the Capital Management of Financial Asset Management Companies (Provisional) (Yin Jian Fa [2017] No. 56) (《金融資產管理公司資本管理辦法(試行)》(銀監發[2017]56號)), if the capital adequacy ratio fails to meet the minimum regulatory requirements, regulatory authorities may take various measures, including but not limited to order of suspension of all the high-risk asset businesses, order of the liquidation and consolidation of subsidiaries, adjustment of the equity structure of subsidiaries or transfer of assets, restriction or prohibition on the establishment of new institutions or new businesses, restriction on the distribution of dividends and other income, restriction on equity investments or the repurchase of capital instruments, restriction on important capital expenditure of the Group, and takeover or facilitation of the restructuring of entities in accordance with the law until the measures or orders are revoked. At present, the Company is still at the risk of being subject to the above regulatory measures and the regulatory authorities have not yet taken the above regulatory measures only because the Company has been actively introduced strategic and financial investors to replenish its capital. As China's regulatory authorities implement capital supervision-core supervision measures on financial institutions, failure to meet the capital adequacy ratio standard may lead to the Company's difficulty in meeting the new financing credit requirements, which puts a lot of pressure on the Company to maintain stable liquidity. The Company has been actively coordinating with various financing parties to ensure liquidity safety.

According to the existing regulatory requirements, the capital adequacy ratio of the Company is the ratio of net qualified capital to the risk-weighted assets. The net qualified capital could be replenished by accumulation of profits, capital increase, issuance of capital instruments and other ways. The size of risk-weighted assets could be controlled by adjusting and optimizing the asset structure and accelerating the transformation of main business, etc. At present, firstly, the Company is proactively promoting the introduction of strategic and financial investors and capital increase with the proposed size of capital increase of no more than RMB42.0 billion. Secondly, the Company will take measures including promotion of business transformation, rational allocation of resources, equity transfer of subsidiaries with consumer finance, trust, securities and other financial licenses, so as to (a) recover the long-term equity investment in the financial license subsidiaries, with the premium of control transfer (subject to final transaction outcome) correspondingly increasing the endogenous capital replenishment; and (b) to return to core business, adjust business structure, reduce the capital consumption and increase capital return. The above measures are expected to support the year-end capital adequacy level of the Company to arrive at 12.5% so as to meet the regulatory requirements. The Company will use best endeavours to complete the Issuance and receive funds before 31 December 2021, and the Company's capital adequacy ratio will reach 12.5% by then, satisfying regulatory requirements.

After the completion of capital increase, the Company will study and formulate the capital plans in accordance with the medium and long-term development strategies and reasonably calculate the changes of capital adequacy indicators based on the demands of future business development, and issue capital instruments on a random basis based on the actual situation to ensure that the capital adequacy indicators of the Company continue to meet the regulatory requirements.

### **Equity Financing Activities in the Past Twelve Months**

The Company did not conduct any equity financing activities or issue any equity securities in the last twelve months as of the date of this announcement.

### **The General Information on the Investors**

#### *CITIC Group*

CITIC Group is a limited liability company incorporated in the PRC and a large-scale state-owned comprehensive multinational conglomerate operating in 5 business sectors, namely comprehensive financial service, advanced intelligent manufacturing, advanced materials, new consumption, and new-type urbanization.

#### *China Insurance Rongxin Fund*

China Insurance Rongxin Fund is a fund company, which is intended to be invested and established by China Insurance Investment (Beijing) as fund manager. Before the establishment of the China Insurance Rongxin Fund, China Insurance Investment will be entrusted to deal with matters relating to the Issuance. China Insurance Investment is a limited liability company incorporated in the PRC, which mainly engages in the management and use of its own capital and other capital, entrusted or commissioned capital, asset management business, consulting business related to the above business, initiating the establishment of equity investment fund business in the name of the manager, and other business approved by the State Council and the CBIRC.

#### *China Cinda*

China Cinda is a joint stock limited liability company incorporated in the PRC. With its core business of distressed asset management, China Cinda provides customized financial solutions to customers through its coordinated and diversified business platform.

#### *China Life*

China Life is a limited liability company incorporated in the PRC, and the predecessor of China Life was the former People's Insurance Company of China, which was founded in 1949, separately established as PICC Life Company Limited in 1996, and renamed as China Life Insurance Company in 1999. Approved by the State Council and China Insurance Regulatory Commission, former China Life Insurance Company was restructured and changed into China Life, and exclusively established China Life Insurance Company Ltd in 2003. At present, China Life consists of China Life Insurance Company Limited, China Life Asset Management Company Limited, China Life Property and Casualty Insurance Company Limited, China Life Pension Company Limited, China Life Ecommerce Co., Ltd., China Life Insurance (Overseas) Company Limited, China Life Investment Management Company Limited, China Life Healthcare Investments Company Limited,



and a number of companies and institutions such as insurance vocational colleges. In 2016, China Life became the largest shareholder of China Guangfa Bank, and therefore opens a new era of synergic development of three business segments involving insurance, investment and banking.

### *ICBC Investment*

ICBC Investment is a limited liability company incorporated in the PRC, which mainly engages in bank's debt-to-equity swaps and other supporting businesses.

### **Proposed Authorization to the Board and its Authorized Persons to Deal with Specific Matters in Connection with the Non-public Issuance of Domestic Shares and H Shares**

As the Company intends to conduct the non-public issuance of Domestic Shares and H Shares, according to the needs of the Issuance, it is hereby submitted to the general meeting of Shareholders to grant authorities to the Board, and for the Board to grant to the Chairman, and other persons authorized by the Chairman to decide and handle specific matters related to the Issuance, including but not limited to:

1. formulating and adjusting the specific plan for the Issuance, including but not limited to determining the number of the Issuance, issuance price, pricing method, target and time of the Issuance, use of proceeds, lock-up period and other specific matters related to the Issuance according to domestic and foreign laws, regulations and other regulatory documents, relevant regulations and opinions of domestic and foreign regulatory authorities and the Hong Kong Stock Exchange, combined with the market conditions and the Company's specific conditions; making corresponding adjustments (including the suspension and termination of the implementation of the Issuance plan) to matters in relation to the concrete plan of the Issuance as a result of changes in relevant laws, regulations or regulatory documents, or changes in regulatory policies, or changes in market conditions, save for those matters required to be voted on again at the general meeting of Shareholders under the requirements of the relevant laws, regulations, regulatory documents and the Articles of Association;
2. negotiating with the subscribers on share subscription matters (including the content of the Share Subscription Agreements) according to the Issuance plan, and deciding on, signing, executing and completing the Share Subscription Agreements (including supplementary agreement(s) required);
3. applying for approvals, registration, filings, verification and consent for matters related to the Issuance with domestic and foreign regulatory authorities and the Hong Kong Stock Exchange according to the Issuance plan; signing, executing, modifying, and completing the submission of all necessary documents related to the Issuance to domestic and foreign institutions, organizations and individuals; conducting all necessary, proper or appropriate behaviors related to the Issuance;
4. drafting, modifying, signing, submitting, publishing, disclosing, executing, suspending, and terminating agreements, contracts, announcements, circulars or other relevant legal documents related to the Issuance; engaging financial consultant(s), law firm(s), accounting firm(s) and other intermediaries related to the Issuance, and deciding on and paying the related expenses of the Issuance;

5. adjusting and modifying the Articles of Association and other corporate governance documents, which are amended by the Company in accordance with domestic and overseas laws, regulations and other regulatory documents due to the Issuance as considered and approved by the general meeting of Shareholders and the Board, in accordance with the changes in domestic and overseas laws, regulations and other regulatory documents, as well as the requirements and recommendations of relevant domestic and overseas government authorities and regulatory authorities, and the actual situation of the Issuance; upon completion of the Issuance, making corresponding amendments to the Articles of Association with respect to the registered capital and shareholding structure of the Company as well as other terms, reporting to relevant government departments and regulatory authorities for approval and filing, and handling the modification, filing and registration procedures with administrative authorities for industry and commerce and other relevant departments;
6. upon completion of the Issuance, increasing the registered capital of the Company according to the results of the Issuance and going through the relevant approval formalities with the regulatory authorities and the relevant registration, filing and other formalities with the administrative authorities for industry and commerce (including the application for change of registration particulars of the Company and the renewal of business license, etc.);
7. going through the registration formalities for the Domestic Shares in the Issuance of Domestic Shares with China Securities Depository and Clearing Corporation Limited and, upon completion of the Issuance of H Shares, handling matters relating to registration and listing of Shares (subject to the final class of Shares to be issued);
8. handling, on behalf of the Company, other matters which are necessary, proper or appropriate for the Issuance, to the extent permitted by relevant laws, regulations and other regulatory documents;
9. the validity period of the above authorization is 12 months from the date on which this resolution is considered and approved by the general meeting of Shareholders, the Domestic Shareholders' Class Meeting and the H Shareholders' Class Meeting of the Company. The Board may, depending on the actual situation, submit to the shareholders' general meeting and Class Meetings for an extension of the validity period of this authorization.

The above resolution has been considered and approved by the Board, and is subject to the consideration and the approval by the shareholders' general meeting and Class Meetings.

### **Shareholders' General Meeting, Shareholders' Class Meetings and Circular**

The Issuance will be carried out under specific mandate, and in accordance with Rule 19A.38 of the Listing Rules and the Articles of Association, requires the approval of the shareholders' general meeting and shareholders' class meetings for the granting of specific mandate for the Issuance. A circular containing, among other things, further details of the Issuance and other related matters, together with the notices of EGM and Class Meetings, will be despatched to Shareholders in due course.

**This announcement does not constitute any invitation or solicitation of acquisition, purchase or subscription for the securities of the Company.**

**The Issuance may or may not proceed as its completion subject to the satisfaction of certain conditions. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **Definitions**

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

“Articles of Association”	the articles of association of the Company, as amended from time to time
"Board" or "Board of Directors"	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“China Cinda”	China Cinda Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 01359)
“China Insurance Investment”	China Insurance Investment Co., Ltd. (中保投資有限責任公司), which was established upon the approval by the State Council and mainly funded by insurance companies and insurance asset management companies, etc. and has no controlling shareholder. According to the publicly available information as at the date of this announcement, to the Company’s knowledge, there is no other individual or entity holding more than 10% of the equity of China Insurance Investment
“China Insurance Investment (Beijing)”	China Insurance Investment (Beijing) Co., Ltd. (中保投資(北京)有限責任公司), as at the date of this announcement, China Insurance Investment (Beijing) is wholly-owned by China Insurance Investment

“China Insurance Rongxin Fund”	China Insurance Rongxin Private Fund Co., Ltd. (中保融信私募基金有限公司, name for temporarily use, subject to its registration in the industrial and commercial registration authority), a corporate equity investment fund, which is intended to be promoted and established by China Insurance Investment (Beijing) as fund manager. China Insurance Rongxin Fund proposed to subscribe for the Issuance of the Company. Prior to its registration with the authority for industrial and commercial administration, according to the authorization by the investors of China Insurance Rongxin Fund, China Insurance Investment, on behalf of China Insurance Rongxin Fund, will bid in the public tender via the Beijing Financial Assets Exchange, sign Share Subscription Agreements and other transaction documents and deal with other related matters in connection with the subscription of the Issuance of the Company. China Insurance Rongxin Fund, upon its establishment, shall bear the corresponding rights, obligations and responsibilities of Investors
“China Life”	China Life Insurance (Group) Company. As at the date of this announcement, China Life is owned as to 90% by the Ministry of Finance and 10% by the National Council for Social Security Fund
“CITIC Group”	CITIC Group Corporation. As at the date of this announcement, CITIC Group is wholly-owned by the Ministry of Finance
“Class Meetings”	the Domestic Shareholders’ Class Meeting and the H Shareholders’ Class Meeting
“Company”	China Huarong Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Company Law”	the Company Law of the PRC
“CSRC”	China Securities Regulatory Commission

“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/(are) subscribed for or credited as fully paid in RMB
“Domestic Shareholders’ Class Meeting”	the Company will hold the first domestic shareholders’ class meeting for 2021, immediately after the conclusion or adjournment of the EGM (whichever is later) on Thursday, 2 December 2021 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC
“EGM”	the Company will hold the second extraordinary general meeting of shareholders for 2021 at 10:00 a.m. on Thursday, 2 December 2021 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC
“Group” or “the Group”	the Company and its subsidiaries
“H Shareholders’ Class Meeting”	the Company will hold the first H shareholders’ class meeting for 2021, immediately after the conclusion or adjournment of the Domestic Shareholders’ Class Meeting (whichever is later) on Thursday, 2 December 2021 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC
“H Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/(are) subscribed for and traded in HK\$ and is/(are) listed on the Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“ICBC Investment”	ICBC Financial Asset Investment Co., Ltd. As at the date of this announcement, ICBC Investment is wholly-owned by Industrial and Commercial Bank of China Limited, a joint stock limited liability company incorporated in the PRC, the H shares and overseas preference shares of which are listed on the Hong Kong Stock Exchange (stock code of H shares: 01398; stock code of EUR preference shares: 4604; and stock code of USD preference shares: 4620) and the A shares and domestic preference shares of which are listed on the Shanghai Stock Exchange (stock code of A shares: 601398; and stock code of domestic preference shares: 360011, 360036)
“Investors”	CITIC Group, China Insurance Rongxin Fund, China Cinda, China Life and/or ICBC Investment
“Issuance”	the Company intends to introduce strategic and financial investors by the non-public issuance of Domestic Share(s) and H Share(s), Issuance of Domestic Shares and/or Issuance of H Shares
“Issuance of Domestic Shares”	the Company’s proposed non-public issuance of Domestic Share(s)
“Issuance of H Shares”	the Company’s proposed non-public issuance of H Share(s)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Ministry of Finance”	Ministry of Finance of the PRC
“PRC” or “China”	the People’s Republic of China
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities Law”	the Securities Law of the PRC

“Share Subscription Agreements”	the share subscription agreements entered into between the Company and the Investors on 17 November 2021 in respect of no more than (including) 39,215,686,272 Domestic Shares and no more than (including) 1,960,784,313 H Shares, respectively, which the Company intends to issue to the Investors
“Share(s)”	share(s) of the Company, including Domestic Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s) of the Company
“State Council”	the State Council of the PRC
“%”	percent

## Continued Suspension of Trading

At the request of the Company, trading in the Shares of the Company on Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the satisfaction of resumption conditions and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate. The Company will keep the Company’s Shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in Shares of the Company.**

By order of the Board  
**China Huarong Asset Management Co., Ltd.**  
**WANG Zhanfeng**  
*Chairman*

Beijing, the PRC  
17 November 2021

*As at the date of this announcement, the Board comprises Mr. WANG Zhanfeng, Mr. LIANG Qiang and Mr. WANG Wenjie as executive directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping, Mr. XU Nuo and Mr. ZHOU Langlang as non-executive directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive directors.*