

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

ANNOUNCEMENT

MAJOR TRANSACTION AND CONNECTED TRANSACTION ENTERING INTO OF THE SHARE TRANSFER AGREEMENT

SHARE TRANSFER AGREEMENT

The Board hereby announces that on 15 November 2023 (after trading hours), the Company entered into the Share Transfer Agreement with CITIC Group and CITIC Polaris (a wholly-owned subsidiary of CITIC Group), pursuant to which CITIC Polaris conditionally agreed to transfer and the Company conditionally agreed to purchase the Target Shares, representing 5.01% of the issued shares of CITIC Limited, at an aggregate consideration of HK\$13,626,897,177.3. Upon completion of the Acquisition, the Company will hold 5.01% of the issued shares of CITIC Limited.

Listing Rules Implications

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company. CITIC Group is a substantial shareholder of the Company and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. CITIC Polaris is a wholly-owned subsidiary of CITIC Group. Accordingly, CITIC Polaris is an associate of CITIC Group and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. The Share Transfer Agreement and the transactions contemplated thereunder therefore constitute connected transactions of the Company, and is subject to the reporting, announcement, circular (including Independent Financial Adviser) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Independent Board Committee and Independent Financial Adviser

An Independent Board Committee (comprising all independent non-executive Directors) has been established in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders in relation to the Share Transfer Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms and conditions of the Share Transfer Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

An EGM will be convened for, among other things, the Shareholders to consider and, if thought fit, approve the Share Transfer Agreement and the transactions contemplated thereunder. A circular containing, amongst other things, (1) further information on the Share Transfer Agreement and the transactions contemplated thereunder; (2) a letter from the Independent Board Committee to the Independent Shareholders; (3) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (4) other information as required by the Listing Rules as well as the notice to convene the EGM, will be despatched to the Shareholders on or before 30 November 2023.

The completion of the Acquisition is subject to, among other things, approval from the Independent Shareholders and relevant regulatory authorities. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

1. SHARE TRANSFER AGREEMENT

The Board hereby announces that on 15 November 2023 (after trading hours), the Company entered into the Share Transfer Agreement with CITIC Group and CITIC Polaris (a wholly-owned subsidiary of CITIC Group), pursuant to which CITIC Polaris conditionally agreed to transfer and the Company conditionally agreed to purchase the Target Shares, representing 5.01% of the issued shares of CITIC Limited, at an aggregate consideration of HK\$13,626,897,177.3. Principal terms of the Share Transfer Agreement are set out as follows:

Date

15 November 2023

Parties

CITIC Group and CITIC Polaris (collectively, “**Party A**”); and

The Company.

The Acquisition

As at the date of this announcement, CITIC Polaris held 9,463,262,637 shares of CITIC Limited, representing 32.53% of the issued shares of CITIC Limited. CITIC Polaris conditionally agreed to transfer and the Company conditionally agreed to purchase the Target Shares, representing 5.01% of the issued shares of CITIC Limited. Upon completion of the Acquisition, the Company will hold 5.01% of the issued shares of CITIC Limited.

Consideration

As agreed by the parties to the Share Transfer Agreement, the Company will purchase the Target Shares at HK\$9.35 per Target Share for an aggregate consideration of HK\$13,626,897,177.3 (excluding relevant transactional fees). The Company shall make a lump sum payment of the total consideration for the Acquisition on the Completion Date to the receiving account designated by Party A.

The Acquisition Price was determined after arm’s length negotiations among the parties to the Share Transfer Agreement after taking into consideration relevant circumstances, among other things, (1) the historical closing prices of the shares of CITIC Limited, the highest closing price of the shares of CITIC Limited in the past year is HK\$10.58 per share and the lowest closing price is HK\$6.60 per share. The Acquisition Price is within the above closing price range; (2) the historical trading volumes of the shares of CITIC Limited and the number of Target Shares in relation to the Acquisition, the average daily trading volume of the shares of CITIC Limited during the past year was less than 0.1% of the total number of issued shares of CITIC Limited, according to this calculation, it may take approximately seven months if the Company intends to acquire the Target Shares in the open market; and (3) restrictions on the transfer prices by relevant laws and regulations, pursuant to the Share Transfer Agreement and the financial state asset management requirements, the Acquisition Price shall not be lower than the weighted average price of the daily weighted average price of the shares of CITIC Limited on the 30 trading days before the signing date of the Share Transfer Agreement, or the weighted average price of the previous trading day, whichever is higher. Please refer to the section headed “Reasons for and Benefits of the Share Transfer Agreement and the Transactions Contemplated Thereunder” in this announcement for the details of other factors considered upon which the Acquisition Price was determined.

The Group expects to fund the consideration for the Acquisition by the Group’s own funds.

Conditions Precedent

The Acquisition is subject to the fulfilment of the following conditions precedent:

- (1) Party A has obtained the necessary internal approvals and authorizations in relation to the Share Transfer Agreement and the Acquisition;
- (2) the resolution in relation to the Share Transfer Agreement and the Acquisition has been approved by the Shareholders of the Company at the EGM;
- (3) the Acquisition has been approved by Ministry of Finance of the PRC; and
- (4) the Acquisition has been approved or filed with the National Development and Reform Commission of the PRC and the Ministry of Commerce of the PRC.

Transitional Period Arrangements

Save for the 2023 interim dividend declared by CITIC Limited, all interests arising from all dividends on the Target Shares declared, made or paid by CITIC Limited and distributions, share splits or rights issue made by CITIC Limited shall belong to the Company with effect from the signing date of the Share Transfer Agreement.

Moreover, subject to the agreement above, for all interests derived from the Target Shares obtained by Party A in the event of any distributions, share splits or rights issue made by CITIC Limited during the period between the signing date of the Share Transfer Agreement and the Completion Date, the number of Target Shares shall be adjusted correspondingly. A cash bonus will not result in adjustment of Target Shares and in the event that Party A receives a cash bonus from CITIC Limited during the period between the signing date of the Share Transfer Agreement and the Completion Date, Party A shall compensate a corresponding equal amount of the Target Shares to the Company within ten Working Days upon receipt of the cash bonus.

Completion

Completion of the Acquisition is intended to take place at such time as agreed by the parties to the Share Transfer Agreement within 20 Working Days after the Share Transfer Agreement becomes effective or such other time as agreed by the parties.

2. INFORMATION OF CITIC LIMITED

CITIC Limited is a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00267). CITIC Limited is one of the largest comprehensive enterprise groups in China and a constituent company of the Hang Seng Index. CITIC Limited is principally engaged in five major segments, namely comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanization.

Set out below are the relevant financial information of CITIC Limited as extracted from its financial statements:

	As at 30 June 2023 <i>(RMB million)</i> (Unaudited)
Total assets	10,976,305
Net assets	1,276,174

	As at 31 December 2021 <i>(HK\$ million)</i> (Audited)	As at 31 December 2022 <i>(HK\$ million)</i> (Audited)
Revenue	708,936	771,133
Profit before taxation	121,141	147,839
Net profit	100,278	123,011

3. REASONS FOR AND BENEFITS OF THE SHARE TRANSFER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

The Acquisition is beneficial to improve the asset quality of the Company, optimize its industrial layout, and help the Company improve its financial conditions. It can effectively replenish capital and enhance sustainable profitability of the Company. It is an important measure to optimize the layout of state-owned assets. CITIC Group will also support the transformation and development of the Company and improve the operational profitability of state-owned assets through brand authorization, personnel exchange and asset trading under the principles of marketization and legalization. CITIC Limited has unique advantages of clear strategies, stable operation, high dividend distribution and strong risk resistance ability. Facing a series of challenges in domestic and international economic operation recently, the operation performance of CITIC Limited has maintained steady growth and contributed stable dividend income to its shareholders. The comprehensive financial services segment of

CITIC Limited focuses on the three tasks, namely serving the real economy, preventing and controlling financial risks and deepening financial reform, utilizes its comprehensive financial advantages, consolidates its leading position, and fully performs its roles as the “ballast stone” and “propeller”. The non-financial business segment of CITIC Limited aims to meet the needs of national strategic development and industrial upgrading, focuses on cultivating industry-leading enterprises, solidifies leading position in the industries it operates and continuously enhances value creation. CITIC Limited is committed to pioneering national strategic goals. With the long-term positive development of China’s economy and the advantage of a comprehensive enterprise group combining industry and finance, CITIC Limited can better capture emerging opportunities brought by economy development and create long-term value for its shareholders.

CITIC Limited has consistently maintained a growth trend in its operation performance. In the first half of 2023, CITIC Limited recorded total revenue of RMB334 billion, representing a year-on-year increase of 2.8%, and net profit attributable to ordinary shareholders of RMB32.1 billion. On a comparable basis excluding the one-time revaluation gain from CITIC Securities in the same period last year, the net profit attributable to ordinary shareholders increased by 2.3% year-on-year. In 2022, CITIC Limited recorded total revenue of HK\$771.1 billion, representing a year-on-year increase of 8.8%, net profit attributable to ordinary shareholders of HK\$75.5 billion, representing a year-on-year increase of 7.5%, and return on net assets of 10.1%, representing a year-on-year increase of 0.2 percentage point. In 2021, CITIC Limited recorded total revenue of HK\$708.9 billion, representing a year-on-year increase of 28%, net profit attributable to ordinary shareholders of HK\$70.2 billion, representing a year-on-year increase of 24%, and return on net assets of 9.9%, representing a year-on-year increase of 1 percentage point.

After the Acquisition is officially approved, the Company intends to recommend a director to CITIC Limited to further deepen our strategic cooperation with CITIC Limited under the principles of marketization and legalization. The Company can fully rely on the advantages of CITIC Limited in both industry and finance, leverage the “finance-finance synergy” and “industry-finance synergy” effects and achieve complementary advantages, which can help comprehensively promote the transformation and development of the business of the Company.

The Acquisition is a long-term strategic investment of the Company, which will bring long-term stable financial returns to the Company. In respect of the continuing income to be received every year during the period of holding the shares of CITIC Limited only, in future years, the Company will continue to share the profits of CITIC Limited. Based on different assumptions of completing the Acquisition on 1 January 2022 and 1 January 2023, the expected investment income for the entire year of 2022 and from January to June 2023, which can be recognized by the Company after considering the tax impact, is as follows:

Assumed completion date of the Acquisition	Financial year/period	Expected impact on the net profit attributable to equity holders of the Company <i>(RMB million)</i>
1 January 2022	for the year ended 2022	3,021
1 January 2023	for the six months ended June 2023	1,542

Given the above factors, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of the Independent Financial Adviser) are of the view that although the entering into of the Share Transfer Agreement and the transactions contemplated thereunder are not in the ordinary course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As (1) Mr. Liu Zheng Jun and Mr. Xu Wei hold positions in CITIC Group; (2) Mr. Liu Zheng Jun is an executive director of CITIC Limited; and (3) Mr. Li Zimin was recommended by CITIC Group as a Director, Mr. Liu Zheng Jun, Mr. Li Zimin and Mr. Xu Wei are considered to be interested in the Share Transfer Agreement and the transactions contemplated thereunder and they have abstained from voting on the Board resolutions in relation to approving the entering into of the Share Transfer Agreement and the transactions contemplated thereunder. Save as aforesaid, none of the Directors have a material interest in the Share Transfer Agreement and the transactions contemplated thereunder.

4. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition exceeds 25% but is less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company. CITIC Group is a substantial shareholder of the Company and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. CITIC Polaris is a wholly-owned subsidiary of CITIC Group. Accordingly, CITIC Polaris is an associate of CITIC Group and constitutes a connected person of the Company. The Share Transfer Agreement and the transactions contemplated thereunder therefore constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and is subject to the reporting, announcement, circular (including Independent Financial Adviser) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

5. GENERAL INFORMATION

The Company is principally engaged in managing distressed assets, providing financial and asset management services and investment.

CITIC Group is a company incorporated in the PRC with limited liability. It is a large state-owned comprehensive multinational enterprise group in China which has five major business segments, namely comprehensive financial services, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanization. CITIC Group is ultimately and beneficially owned by Ministry of Finance of the PRC.

CITIC Polaris is a company incorporated in the British Virgin Islands with limited liability and is a wholly-owned subsidiary of CITIC Group. CITIC Polaris is principally engaged in investment holding.

6. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee (comprising all independent non-executive Directors) has been established in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders in relation to the Share Transfer Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on whether the terms and conditions of the Share Transfer Agreement are on normal commercial terms, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

7. GENERAL

An EGM will be convened for, among other things, the Shareholders to consider and, if thought fit, approve the Share Transfer Agreement and the transactions contemplated thereunder. A circular containing, amongst other things, (1) further information on the Share Transfer Agreement and the transactions contemplated thereunder; (2) a letter from the Independent Board Committee to the Independent Shareholders; (3) a letter from Gram Capital to the Independent Board Committee and the Independent Shareholders; and (4) other information as required by the Listing Rules as well as the notice to convene the EGM, will be despatched to the Shareholders on or before 30 November 2023.

The completion of the Acquisition is subject to upon, among other things, approval from the Independent Shareholders and relevant regulatory authorities. Therefore, the Acquisition may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

8. DEFINITIONS

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

“Acquisition”	the matter in relation to the transfer of the Target Shares, representing 5.01% of the issued shares of CITIC Limited, to the Company by CITIC Polaris pursuant to the Share Transfer Agreement
“Acquisition Price”	HK\$9.35 per Target Share
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“CITIC Group”	CITIC Group Corporation, a substantial shareholder of the Company, whose ultimate beneficial owner is Ministry of Finance of the PRC
“CITIC Limited”	CITIC Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 00267)

“CITIC Polaris”	CITIC Polaris Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of CITIC Group
“Completion Date”	such time as agreed to by the parties to the Share Transfer Agreement within 20 Working Days after the Share Transfer Agreement becomes effective or such other time as may be agreed to by the parties
“Company”	China Huarong Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB
“EGM”	the extraordinary general meeting to be convened by the Company to approve, among other things, the Share Transfer Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“H Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK\$ and listed on the Main Board of the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	the independent board committee comprising Mr. Tse Hau Yin, Mr. Shao Jingchun, Mr. Zhu Ning and Ms. Chen Yuanling, all being independent non-executive Directors, established to advise the Independent Shareholders on the Share Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Transfer Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than those required to abstain from voting on the resolution in relation to the Share Transfer Agreement and the transactions contemplated thereunder to be proposed at the EGM pursuant to the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
“PRC” or “China”	the People’s Republic of China
“RMB”	the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	share(s) of the Company, including Domestic Share(s) and H Share(s)
“Share Transfer Agreement”	the share transfer agreement dated 15 November 2023 entered into between the Company and CITIC Group and CITIC Polaris in relation to the Acquisition
“Shareholder(s)”	holder(s) of the Share(s) of the Company
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Target Shares”	1,457,422,158 shares of CITIC Limited directly held by CITIC Polaris

“Working Day(s)” common statutory working day(s) in both PRC and Hong Kong

“%” per cent

By order of the Board
China Huarong Asset Management Co., Ltd.
LIU Zheng Jun
Chairman

Beijing, China
15 November 2023

As at the date of this announcement, the Board comprises Mr. LIU Zhengjun and Mr. LI Zimin as executive Directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping, Mr. XU Wei and Mr. TANG Hongtao as non-executive Directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive Directors.