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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)**

## **MAJOR TRANSACTION DISPOSAL OF THE EQUITY INTERESTS IN HUARONG TRUST**

References are made to the announcements of the Company dated 2 August 2021, 17 August 2021 and 29 April 2022, and the supplemental circular of the first extraordinary general meeting of shareholders for 2021 dated 3 August 2021 in relation to, among other things, the relevant matters on the Company's proposed transfer of 76.79% equity interests held in Huarong Trust to external parties by way of public listing, and the publication of the information and relevant documents regarding the Transfer on the CFAE.

The Board hereby announces that the Company (as the transferor) solicited a potential transferee, being China Trust Protection Fund Co., Ltd., after the end of the listing disclosure period on the CFAE. On 16 August 2022, the Company entered into the Unlisted State-owned Equity Transaction Contract of Financial Enterprise with China Trust Protection Fund Co., Ltd., an independent third party. The aggregate consideration of the Transfer is RMB6,152.3407 million.

Upon completion of the Transfer, the Company will cease to have any interest in Huarong Trust and Huarong Trust will no longer be a subsidiary of the Company and will cease to be consolidated into the Group's consolidated financial statements.

As the highest applicable percentage ratio calculated in respect of the Transfer exceeds 25% but is less than 75%, the Transfer constitutes a major transaction of the Company in accordance with Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

A circular of the general meeting of Shareholders containing, among others, the details of the above resolutions, together with the notice of the general meeting of Shareholders, will be despatched to the Shareholders of the Company as and when appropriate.

**The completion of the Transfer and the transactions contemplated thereunder are subject to approval by the Shareholders and China Banking and Insurance Regulatory Commission. Therefore, the Transfer may not proceed. In addition, the financial impact of the Transfer is preliminary estimation, and the actual financial impact shall be subject to the audited financial data of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **Introduction**

References are made to the announcements of the Company dated 2 August 2021, 17 August 2021 and 29 April 2022, and the supplemental circular of the first extraordinary general meeting of shareholders for 2021 dated 3 August 2021 in relation to, among other things, the relevant matters on the Company's proposed transfer of 76.79% equity interests held in Huarong Trust to external parties by way of public listing, and the publication of the information and relevant documents regarding the Transfer on the CFAE.

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## **Main Terms of the Agreement**

### **Date**

16 August 2022

### **Parties**

- The Company, as the transferor; and
- China Trust Protection Fund Co., Ltd. (as the manager of China Trust Protection Fund, representing China Trust Protection Fund), as the transferee

To the knowledge, information and belief of the Directors after making all reasonable inquiries, China Trust Protection Fund Co., Ltd. and its ultimate beneficial owner are third parties independent from the Company and its connected persons.

## The Transfer

The Company intends to transfer 76.79% equity interests held in Huarong Trust to China Trust Protection Fund Co., Ltd.. The aggregate consideration is RMB6,152.3407 million.

Huarong Trust, a national non-banking financial institution, was established in 2008 on the basis of the Company's restructuring of Xinjiang International Trust & Investment Co., Ltd. (新疆國際信託投資有限責任公司). In recent years, Huarong Trust has deepened the transformation of its core business, resolutely returned to the origin of trust related services, and served the development of the real economy. At present, its business types are mainly trust business and proprietary businesses. As of the date of this announcement, the Company holds 76.79% equity interests in Huarong Trust, which is a non-wholly-owned subsidiary of the Company. To the knowledge, information and belief of the Directors after making all reasonable inquiries, China Trust Protection Fund Co., Ltd. is not a connected person (as defined in the Listing Rules) of other shareholders of Huarong Trust.

The owners' equity attributable to the parent company of Huarong Trust (being its book value) on 31 December 2021, as prepared in accordance with China Accounting Standards for Business Enterprises, is approximately RMB3,409.5083 million. Set out below are the key financial data of Huarong Trust for the two financial years ended 31 December 2020 and 2021, which have been prepared in accordance with China Accounting Standards for Business Enterprises:

	<b>For the financial year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>RMB'0,000</i>	<i>RMB'0,000</i>
Profit/(loss) before tax	(596,168.22)	79,271.25
Profit/(loss) after tax	(595,583.24)	65,163.71

## Consideration and Payment

The Company has selected China United Assets as the asset valuation institution, and the asset valuation has been completed and reported to the MOF for record. With 31 July 2021 as the valuation benchmark date, the evaluated value (evaluated through the market approach) of 76.79% equity interests in Huarong Trust is RMB6,152.3407 million. The Company's initial listing price on the CFAE is the valuation results filed with the MOF. Pursuant to the Management Rules of Transfer of State-Owned Assets by Financial Institutions (Ministry of Finance 2009 No. 54) (Link: [http://www.gov.cn/gongbao/content/2009/content\\_1430800.htm](http://www.gov.cn/gongbao/content/2009/content_1430800.htm)), in a public listing, the final price of the Transfer shall be determined by public bidding if there are two or more intended transferees, or as agreed between the parties (but no less than the listing price) if there is only one intended transferee. As only one qualified intended transferee (being China Trust Protection Fund Co., Ltd.) was identified upon completion of the public listing on the CFAE, no public bidding was held and the consideration for the Transfer shall be the listing price, being RMB6,152.3407 million.

The paid refundable deposit, being RMB0.5 billion paid by China Trust Protection Fund Co., Ltd. and temporarily held in escrow by the CFAE, will be accounted for as part of transfer price according to the requirements of the Company and the CFAE. China Trust Protection Fund Co., Ltd. shall remit the remaining transfer price (excluding the deposits), being a total of RMB5,652.3407 million, in one lump sum to the settlement account designated by the CFAE within five business days upon the effectiveness of equity transaction contract.

The CFAE shall allot all the transfer price (including the deposits and remaining transfer price) to the bank account designated by the Company within three business days upon receiving the whole transfer price (including the deposits and remaining transfer price) paid by China Trust Protection Fund Co., Ltd..

### **Inheritance and Settlement of Claims and Debts Involved in the Transfer**

After China Trust Protection Fund Co., Ltd. received the transfer target, the original claims and debts of Huarong Trust shall be continuously enjoyed and assumed by Huarong Trust upon the Transfer.

### **Matters on Handover and Transitional Period**

China Trust Protection Fund Co., Ltd. shall become the shareholder with 76.79% equity interests in Huarong Trust from the Closing Date (being the day that China Trust Protection Fund Co., Ltd. pays all the transfer price in accordance with the agreement of the Contract and Huarong Trust provides China Trust Protection Fund Co., Ltd. with copies of its register of members and the certificate of capital contribution). During the transition period from the valuation benchmark date to the Closing Date, the profits or losses related to the transfer target shall be enjoyed and assumed by China Trust Protection Fund Co., Ltd.. The Company shall exercise due care in the management of the transfer target, shareholders' equity and the assets of Huarong Trust, and shall not conduct any activities which will cause material adverse changes to the operating results, business development and the net assets of Huarong Trust.

### **Liability for Breach of Contract**

If the Transfer is subject to the approval by the Shareholders of the Company but is not considered and approved by the Shareholders of the Company, the Contract doesn't take effect and the Company is not required to assume liability for breach of contract; the Company shall procure CFAE to return all the transfer price paid by China Trust Protection Fund Co., Ltd. (including the deposit) to China Trust Protection Fund Co., Ltd.. If China Trust Protection Fund Co., Ltd. fails to obtain the approval of qualification as the controlling shareholder of Huarong Trust from China banking and insurance regulatory authority, the Company shall procure CFAE to return all the transfer price paid by China Trust Protection Fund Co., Ltd. (including the deposit) to China Trust Protection Fund Co., Ltd., and China Trust Protection Fund Co., Ltd. shall not be deemed to have violated the provisions of the Contract.

## **Effectiveness of the Contract**

The Contract shall be executed from the date when the legal representatives or authorized representatives of both parties have signed the Contract and affixed the official seal, and shall be effective from the date when the shareholders' general meeting of the Company has considered and approved the Transfer and the China banking and insurance regulatory authority has approved the shareholder qualification of China Trust Protection Fund Co., Ltd., i.e. the formal completion of the Transfer is subject to the fulfilment of the following conditions:

- (1) the other existing shareholders of Huarong Trust have waived their pre-emptive rights in respect of the Transfer;
- (2) the Company has performed internal decision-making, approval by competent authorities, asset valuation and other relevant procedures in relation to the Transfer in accordance with relevant laws;
- (3) in accordance with the provisions of relevant laws, regulations and polices, the Company has completed the public listing and trading procedure on the CFAE for the Transfer;
- (4) the Transfer has been considered and approved at the shareholders' general meeting of the Company;
- (5) the shareholder qualification of China Trust Protection Fund Co., Ltd. has been approved by the China banking and insurance regulatory authority;
- (6) the Company has received all the consideration for the property right transaction from China Trust Protection Fund Co., Ltd.; and
- (7) Huarong Trust has provided China Trust Protection Fund Co., Ltd. with a certified copy of the register of members confirming the consistency with the original and an original of the capital contribution certificate certifying that China Trust Protection Fund Co., Ltd. holds 76.79% equity interests in Huarong Trust.

As at the date of this announcement, the abovementioned conditions (2) and (3) have been fulfilled.

## **The Impact of the Transfer**

As at the date of this announcement, Huarong Trust is a direct non-wholly-owned subsidiary of the Company, and its financial results and financial position are consolidated into the Group's financial statements. Upon completion of the Transfer, the Company will cease to have any interest in Huarong Trust and Huarong Trust will no longer be a subsidiary of the Company and will cease to be consolidated into the Group's consolidated financial statements.

Based on preliminary assessment, assuming that the Transfer had taken place as at 31 December 2021, upon the Closing Date, it is estimated that the Group will recognise from the Transfer an unaudited profit after tax of approximately RMB3,039 million, which equals to the following (1)–(2)–(3) representing:

- (1) the aggregate consideration of the Transfer, being RMB6,152 million;
- (2) proportion of net assets of Huarong Trust attributable to the Group as at 31 December 2021, being RMB2,618 million;
- (3) estimated taxation to be provided based on consideration and initial investment cost respectively, being RMB495 million.

Assuming that the Transfer had taken place as at 31 December 2021, upon the Closing Date, the Group's total assets and total liabilities will therefore decrease by approximately RMB15,060 million and approximately RMB17,307 million, respectively, as a result of the Transfer. Assuming that the Transfer had completed as at 1 January 2021, the net profit attributable to the Shareholders of the Company in 2021 would be expected to decrease by RMB500 million, without taking into account the impact on profit and loss resulting from the disposal of the equity interests in Huarong Trust.

The financial impact of the Transfer on the Group is subject to final audit by the Company's auditor upon completion of the Transfer of 76.79% equity interests in Huarong Trust.

Upon the Closing Date, the proceeds from the Transfer will be used to replenish the Company's capital and general working capital so as to further boost capital and to develop the core business of the Company.

## **Reasons and Benefits of the Transaction**

The Board believes that the Transfer helps the Company to return to its source and focus on core businesses to ensure its sustainable operation and development, which is in compliance with the requirements from regulatory authorities on financial asset management companies of gradual exit from the non-core businesses, being the “Guiding Opinions of the CBIRC on Promoting the High-Quality Development of the Banking and Insurance Industries (Yin Bao Jian Fa [2019] No. 52)” (such as financial services and asset management and investment businesses of the Group other than distressed assets management) and focus on its core business (i.e. distressed asset operation). In addition, capital will be released through the Transfer to be used for the development of the Group's core businesses, which is beneficial to the Group in reinforcing and strengthening its core business, focusing further resources in the development of its core business of distressed asset management, and is beneficial to the Group's future development and the long-term benefits of the Shareholders.



On 13 December 2021, 6 May 2022, 24 June 2022 and 30 June 2022, the Company completed the external transfer of its equity interests in Huarong Zhongguancun Distressed Asset Exchange Center Co., Ltd., Huarong Consumer Finance Co., Ltd., Huarong Securities Co., Ltd. and Huarong Xiangjiang Bank Co., Ltd. respectively. Currently, apart from the Transfer, the equity transfer of China Huarong Financial Leasing Co., Ltd., Huarong Rongda Futures Co., Ltd., and Huarong Jinshang Asset Management Co., Ltd. has commenced, and the initial preliminary information has been disclosed in the announcements dated 17 November 2021 and 7 December 2021 and the circular dated 7 December 2021, respectively. The Company will make further announcements in due course in accordance with the requirements of the Listing Rules. Save as disclosed, the Company currently has no other material disposal plans.

In 2022, the Group will seek opportunities to introduce strategic investors and capital increase. Standing at a new historical starting point, the Group will thoroughly implement the spirit of the Central Economic Work Conference on “prioritizing stability while pursuing progress”, return to the origin and focus on the core business. Under the overall goal of “making concerted efforts for transformation”, the Group will refine and implement the four major operating tasks of “resolving risks, revitalizing existing assets, optimizing incremental assets, and consolidating foundation” and play a counter-cyclical and financial rescue function based on the core business function of distressed assets, to fully promote the organic combination of business transformation and vitalization of existing assets. On the one hand, the Group will insist on strengthening and refining its core business, concentrating more resources and energy on the development of core business of distressed asset and consolidating the business system foundation centering on acquisition-and-disposal, acquisition-and-restructuring and debt-to-equity swap. Giving full play to its professional advantages and resource integration ability and flexibly using comprehensive financial services approaches, the Group will constantly strengthen the functions of the four major businesses of “disposal of problematic assets”, “revitalization of problematic projects”, “restructuring of problematic enterprises” and “relief of crisis institutions”. On the other hand, the Group will insist on digging deeper into the value of the existing assets, accelerate the disposal and revitalization of the existing assets, vitalize itself in reliance upon existing asset restructuring to promote the improvement on its financial position, and strengthen its internal development drivers and market core competitiveness. At the same time, adhering to the path of high-quality development, the Group will strive to become the scheme maker, resource integrator and financial investor in the “Great Distressed” industry and further improve its ability of serving the real economy and solving the financial risks by continuously strengthening business exploration and cultivating distressed asset ecosystem.

Taking into account the reasons above and the Transfer having been carried out through listing procedures, the consideration of the Transfer is based on the listing price which was determined in accordance with the valuation report and is in compliance with the pricing requirements in transfer of state-owned assets, in particular the consideration for the Transfer represents the final market-based price considering that only one participant ultimately showed its intention for the Transfer and participated in the listing procedures. The Directors (including all independent non-executive Directors) believe that the terms of the Transfer have been entered into based on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Listing Rules Implications**

As the highest applicable percentage ratio calculated in respect of the Transfer exceeds 25% but is less than 75%, the Transfer constitutes a major transaction of the Company in accordance with Chapter 14 of the Listing Rules, and is therefore subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. Therefore, the Company will present a special resolution in relation to the Transfer at the EGM according to the requirements of the Listing Rules for the Shareholders to consider and if thought fit, pass the resolution in relation to the approval of the Contract and the transactions contemplated thereunder. The special resolution to be presented at the EGM for approval will be voted on by poll. Accordingly, any Shareholders with material interest in the Transfer and their respective close associates (as defined in the Listing Rules) shall abstain from voting on the resolution to be presented at the EGM in relation to the Transfer. To the Directors' best knowledge, information and belief, no Shareholder has material interest in the Transfer and shall abstain from voting in respect of approving the Transfer. In addition, none of the Directors have material interest in the Contract, the Transfer and the transactions contemplated thereunder and therefore none of them is required to abstain from voting on the relevant Board resolutions approving the Transfer.

## **General Information**

### **1. The Company**

The Company mainly engages in such businesses as distressed asset management, financial services, and asset management and investment business in China.

### **2. China Trust Protection Fund Co., Ltd.**

China Trust Protection Fund Co., Ltd. is a banking financial institution approved by the State Council and established under the approval by the CBIRC. China Trust Protection Fund Co., Ltd. is jointly established by and which capital is jointly contributed by the China Trustee Association and 13 trust companies with sound management and strong background. The shareholders of China Trust Protection Fund Co., Ltd. are: China Trustee Association, CITIC Trust Co., Ltd., Ping An Trust Co., Ltd., Zhongrong International Trust Co., Ltd., Chongqing International Trust Co., Ltd., China Credit Trust Co., Ltd., AVIC Trust Co., Ltd., Hwabao Trust Co., Ltd., Shanghai International Trust Co., Ltd., Zhonghai Trust Co., Ltd., Minmetals International Trust Co., Ltd., China Railway Trust Co., Ltd., Huaneng Guicheng Trust Corporation Limited and Kunlun Trust Co., Ltd.. As the manager of China Trust Protection Fund, China Trust Protection Fund Co., Ltd. is responsible for the fundraising, management and use of China Trust Protection Fund, and carries out business in accordance with the business scope approved by the CBIRC. The primary tasks and targets of China Trust Protection Fund Co., Ltd. is to prevent, resolve and tackle of the risks of the trust industry in accordance with the principle of marketization and promote the sustainable and healthy development of the trust industry.



**The completion of the Transfer and the transactions contemplated thereunder are subject to approval by the Shareholders and China Banking and Insurance Regulatory Commission. Therefore, the Transfer may not proceed. In addition, the financial impact of the Transfer is preliminary estimation, and the actual financial impact shall be subject to the audited financial data of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

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

“Board”	the board of directors of the Company
“CFAE”	Beijing Financial Assets Exchange Co., Ltd.
“China Trust Protection Fund Co., Ltd.”	China Trust Protection Fund Co., Ltd. (中國信託業保障基金有限責任公司), a company with limited liability incorporated in the PRC
“China United Assets”	China United Assets Appraisal Group Co., Ltd., as the asset valuation institution for the Transfer
“Closing Date”	the day of paying all the transfer price by China Trust Protection Fund Co., Ltd. according to agreement of the Contract and Huarong Trust provide China Trust Protection Fund Co., Ltd. with a copy of its register of members and a certificate of capital contribution
“Contract”	the Unlisted State-owned Equity Transaction Contract of Financial Enterprise dated 16 August 2022 entered into between the Company and China Trust Protection Fund Co., Ltd. in relation to the Transfer
“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 Stock Exchange of Hong Kong Limited
“CBIRC”	China Banking and Insurance Regulatory Commission
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“Huarong Trust”	Huarong International Trust Co., Ltd. (華融國際信託有限責任公司), a company with limited liability incorporated in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MOF”	the Ministry of Finance of the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of Shares of the Company
“Transfer”	the relevant matters on the transfer of 76.79% equity interests held in Huarong Trust made by the Company to China Trust Protection Fund Co., Ltd.
“%”	percent

By order of the Board  
**China Huarong Asset Management Co., Ltd.**  
**LIU Zhengjun**  
*Chairman*

Beijing, the PRC  
16 August 2022

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