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中国中信金融资产
China CITIC Financial AMC

中國中信金融資產管理股份有限公司
China CITIC Financial 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 the Company transfers 60% of the issued shares in Financial Leasing Company held by the Company (the Target Shares) to CITIC Group by virtue of an agreement pursuant to the requirements of the MOF on the transfer of state-owned assets in financial enterprises. On 28 May 2024 (after trading hours), the Company entered into the Share Transfer Agreement with CITIC Group, pursuant to which the Company conditionally agreed to transfer and CITIC Group conditionally agreed to purchase the Target Shares, representing 60% of the issued shares of Financial Leasing Company. The total consideration of the Disposal is RMB11,997,543,239.36. Upon completion of the Disposal, the Company will hold 19.92% of the issued shares of Financial Leasing Company, Financial Leasing Company will cease to be the Company's subsidiary and its financial results will not be consolidated into the Group's financial statements.

Listing Rules Implications

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75%, the Disposal 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. The Share Transfer Agreement and the transactions contemplated thereunder therefore constitutes a connected transaction of the Company, and is subject to the reporting, announcement, circular (including opinions of 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.

Zero2IPO 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 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 Independent Shareholders to consider and, if thought fit, approve the Share Transfer Agreement and the transactions contemplated thereunder. Due to the additional time required by the Company to prepare the relevant circular, a circular containing, among 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 Zero2IPO 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 of EGM, will be published on the websites of the Company and the Hong Kong Stock Exchange on or before 11 June 2024.

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

1. SHARE TRANSFER AGREEMENT

The Board hereby announces that the Company transfers the Target Shares to CITIC Group by virtue of an agreement pursuant to the requirements of the MOF on the transfer of state-owned assets in financial enterprises. On 28 May 2024 (after trading hours), the Company entered into the Share Transfer Agreement with CITIC Group, pursuant to which the Company conditionally agreed to transfer and CITIC Group conditionally agreed to purchase the Target Shares, representing 60% of the issued shares of Financial Leasing Company. The total consideration of the Disposal is RMB11,997,543,239.36. Upon completion of the Disposal, the Company will hold 19.92% of the issued shares of Financial Leasing Company, Financial Leasing Company will cease to be the Company's subsidiary and its financial results will not be consolidated into the Group's financial statements.

Principal terms of the Share Transfer Agreement are set out as follows:

Date

28 May 2024

Parties

The Company, as transferor; and

CITIC Group, as transferee.

Disposal

As at the date of this announcement, the Company held 10,041,001,883 shares of Financial Leasing Company, representing 79.92% of the issued shares of Financial Leasing Company. The Company conditionally agreed to transfer and CITIC Group conditionally agreed to purchase the Target Shares, representing 60% of the issued shares of Financial Leasing Company.

Consideration

The total consideration for the Disposal is RMB11,997,543,239.36 (excluding the related transaction costs). CITIC Group shall make a lump sum payment to the receiving account designated by the Company of the total consideration for the Disposal after the various regulatory approvals relating to the Disposal are completed and the Share Transfer Agreement becomes effective.

The consideration for the Disposal was determined after arm's length negotiations between the Company and CITIC Group on normal commercial terms, after taking into consideration various factors, including (a) the valuation of 100% equity interests in Financial Leasing Company as assessed by the Valuer of RMB19,995.9054 million as at the Valuation Reference Date, being 30 June 2023; (b) the audited net asset value of Financial Leasing Company being RMB19,707,669,685 as at 31 December 2023; and (c) the factors set out in the section headed "Reasons for and Benefits of the Share Transfer Agreement and the Transactions contemplated thereunder", such as capital will be released through the Disposal 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, concentrating more resources and energy on the development of its core business of distressed asset management. As such, the Board is of the view that the consideration is appropriate and in the interests of the Company and Shareholders.

The Company has selected China United Assets as the asset appraiser for the Disposal. The asset valuation of Financial Leasing Company has been completed and reported to the MOF for its record, details of which are set out in the circular in relation to the Disposal to be published on the websites of the Company and the Hong Kong Stock Exchange.

Conditions Precedent

The Share Transfer Agreement will become effective upon the fulfilment or waiver of the following conditions precedent:

- (a) each of the Company and CITIC Group has obtained relevant internal approvals and authorizations required by the laws of the PRC and its articles of association in relation to the Disposal (including the Independent Shareholders' approval);
- (b) the Disposal has been approved by the MOF;
- (c) the shareholders' meeting of Financial Leasing Company considered and approved the change of equity and the corresponding amendments to its articles of association; and
- (d) the NFRA has approved the change in Financial Leasing Company's equity in relation to the Disposal.

Transitional Period Arrangements

The period from the Valuation Reference Date to the last day of the month in which the Completion Date falls shall be the Disposal Transitional Period. CITIC Group shall be entitled to any profit or loss of Financial Leasing Company during the transitional period.

In addition to the above, all rights, obligations and risks in respect of the Target Shares will be transferred to CITIC Group from the Completion Date. After the Completion Date, the Company and CITIC Group shall jointly urge and cooperate with Financial Leasing Company in the industrial and commercial registration and filing changes in relation to the Disposal.

Completion

Completion of the Disposal shall take place on the date on which CITIC Group pays the total consideration to the Company.

2. INFORMATION OF FINANCIAL LEASING COMPANY

Financial Leasing Company is a joint stock limited liability company incorporated in the PRC. Financial Leasing Company is a national non-banking financial institution regulated by the NFRA. It is held by the Company as at the date of the Share Transfer Agreement as to 79.92% of its issued shares and is a subsidiary of the Company. Its main scope of business is to carry out financial leasing business and other businesses approved by the NFRA.

Set out below is the relevant financial information of Financial Leasing Company Group as extracted from its financial statements:

	As at 31 December 2023 <i>(in millions of RMB)</i> (audited)
Total assets	117,642
Net assets	19,708

	As at 31 December 2022 <i>(in millions of RMB)</i> (audited)	As at 31 December 2023 <i>(in millions of RMB)</i> (audited)
Revenue	7,557	5,850
Profit before taxation	1,617	132
Net profit	1,228	158

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

The Board is of the view that the Disposal 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 to gradually exit the non-core businesses. In addition, the gains and losses from disposal generated in the parent company's financial statements due to the disposal of this part of the equity can replenish the core tier-one capital of the parent company in one go. After taking into account the impact of income tax and stamp duty, a capital replenishment effect of more than RMB6.3 billion can be achieved and the released capital can be used for the development of the Group's core business of distressed assets, which is beneficial to the Group in reinforcing and strengthening its core business, concentrating more resources and energy on 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.

After implementing the transfer of five licensed subsidiaries, including Huarong Securities and Huarong Trust, the Company has been proceeding with the transfer of the remaining licensed subsidiaries in an orderly manner under the market-oriented and law-based principle. The Disposal is an important measure to implement the regulatory requirements in the early stage. Upon completion of the Disposal, it will be conducive to the Company's focus on its core business, giving full play to its functional advantages, preventing and resolving financial risks, supporting small and medium-sized financial institutions in reforming and reducing risks, contributing to the maintenance of the stable operation and healthy development of the financial market.

In view of the above factors, the Directors (other than the members of the Independent Board Committee who will give their opinion after taking into account the advice of the Independent Financial Adviser) are of the view that although the Share Transfer Agreement and the transactions contemplated thereunder are not entered into in the ordinary and usual course of business of the Group, the terms and conditions of the Share Transfer Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms, are fair and reasonable and in the interests of the Company and the Shareholders as a whole. As (1) Mr. Liu Zhengjun and Mr. Xu Wei hold positions in CITIC Group; and (2) Mr. Li Zimin was recommended by CITIC Group as a Director of the Company, Mr. Liu Zhengjun, 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 resolution 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. Financial Impact of the Disposal on the Group

As at the date of the Share Transfer Agreement, Financial Leasing Company is a direct non-wholly-owned subsidiary of the Company, and its financial performance and financial position are consolidated into the Group's financial statements. Upon completion of the Disposal, the Company will hold and retain 2,502,779,316 shares of Financial Leasing Company, representing 19.92% of its issued shares. After the Disposal, Financial Leasing Company will become an associate of the Company and cease to be the Company's subsidiary, and its financial results will not be consolidated into the Group's financial statements.

Based on preliminary assessment, assuming that the Disposal had taken place as at 31 December 2023, upon the Completion Date, the unaudited net profit after tax expected to be recognised in the unconsolidated financial statements of the Company due to the Disposal amounted to approximately RMB6.378 billion. The details of the unaudited net profit and loss after tax to be recognised by the Group and the Company due to the Disposal based on the consolidated financial statements of the Group and the unconsolidated financial statement of the Company are set out in the table below:

Unit: RMB

Items	The Group	The Company
Total consideration of the Disposal	11,997,543,239.36	11,997,543,239.36
Fair value of 2,502,779,316 shares of Financial Leasing Company retained by the Group	3,965,025,479.29	N/A
Proportion of net assets of Financial Leasing Company attributable to the Group as at 31 December 2023	15,750,369,612.37	N/A
Carrying amount of 7,538,222,567 shares of Financial Leasing Company disposed of by the Company	N/A	4,855,505,058.98
Amount of other comprehensive income related to equity investment in Financial Leasing Company reclassified to profit or loss for the period when the Group lost control thereof as at 31 December 2023	56,379,846.29	N/A
Gains and losses from the Disposal	212,199,106.92	7,142,038,181.00
Estimated taxation to be provided based on the consideration and investment cost*	795,966,787.96	795,966,787.96
2023 net profit of Financial Leasing Company enjoyed by the Company calculated by using the equity methods based on the percentage of remaining shareholding	N/A	31,475,791.90
Unaudited net profit and loss after tax to be recognised due to the Disposal*	(527,387,835.38)	6,377,547,184.32

* Note: The estimated amount of taxation to be provided based on the consideration and investment cost is estimated based on the theoretical maximum. Taking into account the actual tax liability of the taxpayer, the final actual tax cost may not lead to a decrease in the net profit of the Group attributable to the parent company.

Assuming that the Disposal had taken place as at 31 December 2023, upon the Completion Date, the Group's total assets and total liabilities will decrease by approximately RMB101,679 million and approximately RMB97,138 million, respectively, as a result of the Disposal. Assuming that the Disposal had been completed as at 1 January 2023, the net profit attributable to the Shareholders of the Company in 2023 would be expected to decrease by RMB95 million, without taking into account the impact on nonrecurring profit and loss resulting from the Disposal during the year.

The financial impact of the Disposal on the Group is subject to final audit by the Company's auditor upon completion of the Disposal.

Upon the Completion Date, the proceeds from the Disposal will be used to replenish the Company's capital and general working capital.

5. LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Disposal exceeds 25% but is less than 75%, the Disposal 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. The Share Transfer Agreement and the transactions contemplated thereunder therefore constitutes a connected transaction of the Company, and is subject to the reporting, announcement, circular (including opinions of independent financial adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

6. GENERAL INFORMATION

The Company mainly engages in distressed asset management, financial services, and asset management and investment businesses in PRC.

As a company incorporated in the PRC with limited liability, CITIC Group is a large state-owned comprehensive multinational corporation operating in five business sectors: comprehensive financial service, advanced intelligent manufacturing, advanced materials, new consumption, and new-type urbanization. The ultimate beneficial owner of CITIC Group is the MOF.

7. 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.

Zero2IPO 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 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.

8. GENERAL

An EGM will be convened for, among other things, the Independent Shareholders to consider and, if thought fit, approve the Share Transfer Agreement and the transactions contemplated thereunder. Due to the additional time required by the Company to prepare the relevant circular, a circular containing, among 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 Zero2IPO 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 of EGM, will be published on the websites of the Company and the Hong Kong Stock Exchange on or before 11 June 2024.

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

9. DEFINITIONS

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

“Board”	the board of Directors of the Company
“CITIC Group”	CITIC Group Corporation, a substantial shareholder of the Company, whose ultimate beneficial owner is the MOF
“Completion Date”	the date on which CITIC Group paid the total consideration of the Disposal to the Company

“Company”	China CITIC Financial 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
“Disposal”	the related matters of the Company’s transfer of the Target Shares to CITIC Group pursuant to the Share Transfer Agreement
“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
“Huarong Securities”	China Reform Securities Co., Ltd. (formerly known as Huarong Securities Co., Ltd.)
“Huarong Trust”	Huarong International Trust Co., Ltd.
“Financial Leasing Company”	China Huarong Financial Leasing Co., Ltd., a joint stock limited liability company incorporated in the PRC

“Financial Leasing Company Group”	Financial Leasing Company and its subsidiaries
“Independent Board Committee”	the independent board committee comprising Mr. Shao Jingchun, Mr. Zhu Ning, Ms. Chen Yuanling and Mr. Lo Mun Lam, Raymond, all being independent non-executive Directors, established by the Company to advise the Independent Shareholders on the Share Transfer Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Zero2IPO Capital”	Zero2IPO 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
“MOF”	the Ministry of Finance of the PRC
“NFRA”	the National Financial Regulatory Administration of the PRC
“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 28 May 2024 entered into between the Company and CITIC Group in relation to the Disposal

“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”	60% of the issued shares in Financial Leasing Company held by the Company (being 7,538,222,567 shares as at the date of the Share Transfer Agreement)
“Valuer” or “China United Assets”	China United Assets Appraisal Group Co., Ltd.
“Valuation Reference Date”	30 June 2023
“%”	per cent

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

Beijing, the PRC
28 May 2024

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