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**華融國際金融控股有限公司**

**HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 993)**

**DISCLOSEABLE TRANSACTION  
IN RELATION TO SUBSCRIPTION OF PREFERRED SHARES AND  
ACCEPTANCE OF THE PUT OPTIONS**

**SUBSCRIPTION OF PREFERRED SHARES**

On 8 June 2017, the Subscriber, Huaxin Hong Kong and Huaxin Shanghai entered into the Subscription Agreement, pursuant to which Huaxin Hong Kong agreed to issue, and the Subscriber agreed to subscribe from Huaxin Hong Kong, 900,000 Preferred Shares at the Issue Price of HK\$1,000 per Preferred Share for a total consideration of HK\$900,000,000, subject to the terms and conditions therein.

**ACCEPTANCE OF THE PUT OPTIONS**

In connection with the Subscription, on 8 June 2017, the Subscriber, Huaxin Hong Kong and Huaxin Shanghai entered into the Put Options Deed and Shareholders' Agreement, pursuant to which the Subscriber has the right to, in certain circumstances, put the Preferred Shares back to Huaxin Hong Kong. The total premium payable for the Put Options is HK\$1.00.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Transaction Documents exceed(s) 5% but are less than 25%, the entering into of the transactions contemplated under the Transaction Documents constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## **SUBSCRIPTION AGREEMENT**

Date: 8 June 2017

Parties:

1. The Subscriber
2. Huaxin Shanghai
3. Huaxin Hong Kong

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Huaxin Hong Kong, Huaxin Shanghai and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

### **Subject Matter**

Pursuant to the Subscription Agreement, Huaxin Hong Kong agreed to issue, and the Subscriber agreed to subscribe from Huaxin Hong Kong, 900,000 Preferred Shares at the Issue Price of HK\$1,000 per Preferred Share for a total consideration of HK\$900,000,000, subject to the terms and conditions therein.

The consideration was determined after arm's length negotiations among the parties with reference to (i) the rapid expansion of Huaxin Hong Kong's business and its fast improving operational performance; (ii) Huaxin Hong Kong's market position in the petroleum trading industry and the growth potentials of Huaxin Hong Kong; and (iii) the strategic value of Huaxin Hong Kong to the Company.

The subscription monies payable by the Subscriber for the Subscription will be funded by internal resources of the Group.

### **Conditions Precedent**

The obligation of the Subscriber to complete the subscription for the Preferred Shares is subject to the fulfillment, prior to or simultaneously at Closing, among others, of the following conditions, any one or more of which may be waived by the Subscriber:

1. *Put Options Deed and Shareholders' Agreement.* The Put Options Deed and Shareholders' Agreement was executed and delivered on 8 June 2017.
2. *Security Deed.* The Security Deed was executed and delivered on 8 June 2017. In addition, evidence satisfactory to the Subscriber of effective registration and filing of the Security Deed shall be delivered to the Subscriber on the Closing Date.

3. *Guarantee*. The PRC Guarantee was executed and delivered on 8 June 2017.
4. *Supplemental Agreement to the PRC Guarantee*. The Supplemental Agreement to the PRC Guarantee was executed on 8 June 2017.
5. *Restated Articles*. The Subscriber has received a certified true copy of the restated Articles.

## **Closing**

Closing shall take place on the Closing Date, or at such other time and place as the parties may agree or as may be determined pursuant to the Subscription Agreement.

Upon Closing, the Subscriber will hold 900,000 Preferred Shares, representing (i) 100% of the total issued preferred shares of Huaxin Hong Kong, and (ii) 14.26% of the total issued shares of Huaxin Hong Kong.

## **Principal terms of the Preferred Shares**

Issuer:	Huaxin Hong Kong
Subscriber:	The Subscriber
Category:	Preferred Share
Maturity:	The Preferred Shares are perpetual in nature and will not have a maturity date
Preferential Dividend:	Subject to any applicable laws and regulations and the Articles, Huaxin Shanghai, the Subscriber and Huaxin Hong Kong agree that:

- a) the holders of the Preferred Shares shall be entitled to receive in priority to payment of dividend to the holders of the ordinary shares of Huaxin Hong Kong, a fixed preferential dividend at not less than HK\$60 per each Preferred Share on a yearly basis commencing from and including the Closing Date, in arrears on 9 June each year, after the declaration of dividend distribution by the board of directors of Huaxin Hong Kong, as follows:

$$\text{Preferential Dividend} = A \times (B \times C)$$

*WHEREAS:*

A = number of the Preferred Shares;

B = not less than HK\$60 per annum (as adjusted pursuant to the Articles and Put Options Deed and Shareholders' Agreement)/365; and

C = the actual number of days elapsed within a year of 365 days.

- b) In the event that the relevant authority's approval with respect to the PRC Guarantee has been obtained within three (3) calendar months from the Closing Date, the Preferential Dividend shall, commencing from and including 10 June 2018, be calculated as follows:

$$\text{Preferential Dividend} = A \times (B \times C)$$

*WHEREAS:*

A = number of Preferred Shares;

B = not less than HK\$55 per annum (as adjusted pursuant to the Articles and Put Options Deed and Shareholders' Agreement)/365; and

C = the actual number of days elapsed within a year of 365 days.

- c) In the event that (i) any trigger event under the 2020 Put Option or the Events of Default Put Option (both as defined below) under the Put Options Deed and Shareholders' Agreement has occurred; or (ii) Huaxin Hong Kong or Huaxin Shanghai is unable to fulfill its undertakings in accordance with the Put Options Deed and Shareholders' Agreement, the Preferential Dividend, commencing from the date of occurrence of such event, shall be calculated as follows:

$$\text{Preferential Dividend} = A \times (B \times C)$$

*WHEREAS:*

A = number of Preferred Shares;

B = not less than HK\$150 per annum (as adjusted pursuant to the Articles and Put Options Deed and Shareholders' Agreement)/365; and

C = the actual number of days elapsed within a year of 365 days.

All the Preferential Dividend payable to the holders of the Preferred Shares is cumulative.

- Lock-up Period: There will be no lock-up period for the Preferred Shares and the ordinary shares of Huaxin Hong Kong converted pursuant to the Put Options Deed and Shareholders' Agreement and the Articles. All the Preferred Shares and the ordinary shares of Huaxin Hong Kong shall be freely transferable.
- Share Rights: Each of the ordinary shares and the Preferred Shares constitute different classes of shares. The Preferred Shares shall have the preferential rights as provided in the Articles and the Put Options Deed and Shareholders' Agreement.
- Liquidation Preference:
- a) Upon Huaxin Hong Kong being placed in liquidation, dissolution or winding up (whether voluntary or involuntary) in the form of sale, lease, transfer, exclusive license or other disposition of all or substantially all of Huaxin Hong Kong's assets or a merger or consolidation of Huaxin Hong Kong with any other company, the holders of the Preferred Shares shall (i) rank in priority to the holders of ordinary shares of Huaxin Hong Kong; (ii) have the right to receive the liquidation money in the amount of the subscription price (plus any accrued but unpaid dividends, including any accrued but unpaid Preferential Dividend under the Put Options Deed and Shareholders' Agreement) of the Preferred Shares before the other shareholders of Huaxin Hong Kong.
  - b) If there are insufficient remaining assets/proceeds upon the distributions specified in (a) above to cover the amounts payable in full on the Preferred Shares, the holders of the Preferred Shares will share rateably in the distribution of such remaining assets (if any) of Huaxin Hong Kong in proportion to the full amounts to which they respectively entitled.
  - c) Upon completion of the distributions specified in (a) above, all of the remaining assets/proceeds of Huaxin Hong Kong available for distribution shall be distributed among all the holders of shares of Huaxin Hong Kong (including the holders of the Preferred Shares) on a pro-rata basis based on the number of shares of Huaxin Hong Kong held by each such holder.

Conversion and  
Conversion Price:

After consultation with Huaxin Hong Kong, the Subscriber has the right to convert the Preferred Shares into ordinary shares of Huaxin Hong Kong based on a conversion price of not higher than the book value of the net asset per share as calculated by reference to the audited financial statements for the most recent financial year immediately prior to a listing as disclosed in the Prospectus, in one of the following two circumstances:

- a) Huaxin Hong Kong receives a formal approval letter approving the listing of the ordinary shares of Huaxin Hong Kong on a Recognized Stock Exchange by 10 June 2019; or
- b) (if the Subscriber does not exercise the 2019 Put Option under the Put Options Deed and Shareholders' Agreement), Huaxin Hong Kong receives a formal approval letter approving the listing of the ordinary shares on a Recognized Stock Exchange by 10 June 2020.

Voting:

Holder of Preferred Shares shall have no voting rights but shall have veto right with respect to certain reserved matters as specified in the Put Options Deed and Shareholders' Agreement.

## **PUT OPTIONS DEED AND SHAREHOLDERS' AGREEMENT**

- Parties:
1. The Subscriber
  2. Huaxin Shanghai
  3. Huaxin Hong Kong

### **Subject Matter**

In connection with the Subscription, pursuant to the Put Options Deed and Shareholders' Agreement, the Subscriber has the right to, in certain circumstances, put the Preferred Shares back to Huaxin Hong Kong. The total premium payable for the Put Options is HK\$1.00.

## Put Options

1. *2019 Put Option.* Without limiting any other rights that the Subscriber may have in the Put Options Deed and Shareholders' Agreement and under the Articles, at any time during the period from 10 June 2019 and 15 October 2019 (both dates inclusive), the Subscriber shall have the right but not the obligation to have all or part of the Option Shares purchased by Huaxin Hong Kong (the "**2019 Put Option**"), in the event that any of the following has occurred:

- a. the net profit for the year ending 2017 of Huaxin Hong Kong is less than HK\$2,000,000,000 (as stated in the audited consolidated account of Huaxin Hong Kong for the year ending 31 December 2017 prepared in accordance with HKFRS);
- b. the net profit for the year ending 2018 of Huaxin Hong Kong is less than HK\$3,000,000,000 (as stated in the audited consolidated account of Huaxin Hong Kong for the year ending 31 December 2018 prepared in accordance with HKFRS);  
or
- c. Huaxin Hong Kong is unable to obtain a formal approval letter approving the listing of the ordinary shares on a Recognized Stock Exchange prior to 10 June 2019,

at a put price of HK\$1,050 per Preferred Share (as adjusted pursuant to the Articles and Put Options Deed and Shareholders' Agreement), for an aggregate put price that is equal to the product of HK\$1,050 multiplied by that number of Option Shares for which the Subscriber has elected to exercise the put option.

2. *2020 Put Option.* Without limiting any other rights that the Subscriber may have in the Put Options Deed and Shareholders' Agreement and under the Articles, at any time between 10 June 2020 and 15 October 2020 (both dates inclusive), the Subscriber shall have the right but not the obligation to have all or part of the Option Shares purchased by Huaxin Hong Kong (the "**2020 Put Option**"), in the event that any of the following has occurred:

- a. the net profit for the year ending 2019 of Huaxin Hong Kong is less than HK\$4,000,000,000 (as stated in the audited consolidated account of Huaxin Hong Kong for the year ending 31 December 2019 prepared in accordance with HKFRS);  
or
- b. Huaxin Hong Kong is unable to obtain a formal approval letter approving the listing of the ordinary shares on a Recognized Stock Exchange prior to 10 June 2020,

at a put price of HK\$1,075 per Preferred Share, for an aggregate put price that is equal to the product of HK\$1,075 multiplied by that number of Option Shares for which the Subscriber has elected to exercise the put option.

3. *Events of Default Put Option.* At any time during the Option Period, if any of the following events (each an “**Event of Default**”) has occurred, the Subscriber shall have the right to have all or part of the Option Shares purchased by Huaxin Hong Kong (the “**Events of Default Put Option**”):

- a. Huaxin Hong Kong fails to pay Preferential Dividend in accordance with the Put Options Deed and Shareholders’ Agreement or the Articles on the due date for payment thereof;
- b. Huaxin Hong Kong breaches or fails to comply with any of its obligations or any provisions under the Put Options Deed and Shareholders’ Agreement and the Security Deed; and
- c. cross-default of Huaxin Hong Kong or Huaxin Shanghai on any indebtedness of Huaxin Hong Kong and Huaxin Shanghai, including without limitation (i) any indebtedness which becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like; or (ii) any amount payable by it under any guarantee of any indebtedness for which Huaxin Hong Kong or Huaxin Shanghai fails to pay when due,

if the relevant Event of Default occurs:

- a. during the period commencing on the Closing Date and ending on 10 June 2018 (both dates inclusive), at a put price of HK\$1,085 per Preferred Share (as adjusted pursuant to the Articles and Put Options Deed and Shareholders’ Agreement), for an aggregate put price that is equal to the product of HK\$1,085 multiplied by that number of Option Shares for which the Subscriber has elected to exercise the put option;
- b. during the period commencing on 11 June 2018 and ending on 10 June 2019 (both dates inclusive), at a put price of HK\$1,110 per Preferred Share (as adjusted pursuant to the Articles and Put Options Deed and Shareholders’ Agreement), for an aggregate put price that is equal to the product of HK\$1,110 multiplied by that number of Option Shares for which the Subscriber has elected to exercise the put option;
- c. during the period commencing on 11 June 2019 and ending on 15 October 2020 (both dates inclusive), at a put price of HK\$1,135 per Preferred Share (as adjusted pursuant to the Articles and Put Options Deed and Shareholders’ Agreement), for an aggregate put price that is equal to the product of HK\$1,135 multiplied by that number of Option Shares for which the Subscriber has elected to exercise the put option.

## **Completion**

The completion shall take place on the Completion Date.



## GUARANTEE AND SECURITY

The Subscription and the Put Options are to be guaranteed or secured by:

- (a) the Security Deed;
- (b) the PRC Guarantee; and
- (c) the Supplemental Agreement to the PRC Guarantee.

## INFORMATION ON THE SUBSCRIBER AND THE GROUP

The Subscriber is an investment holding company incorporated in the British Virgin Islands with limited liability, and an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment, provision of management and consultancy services.

## INFORMATION ON HUAXIN HONG KONG AND HUAXIN SHANGHAI

Huaxin Hong Kong is a company incorporated in Hong Kong with limited liability. The principal business of Huaxin Hong Kong is petroleum trading.

Set out below is a summary of the financial information on Huaxin Hong Kong for the two years ended 31 December 2015 and 2016 prepared in accordance with HKFRS:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2015</b>	<b>2016</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(unaudited)
Revenue	31,075,825	33,568,147
Net profits before taxation	389,432	615,389
Net profits after taxation	334,753	426,822
Net assets	6,060,957	6,487,149

Huaxin Shanghai is a company established in the PRC with limited liability. The principal business of Huaxin Shanghai is energy and financial services.

## REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The main reasons and benefits for entering into transactions contemplated under the Transaction Documents are as follows: (i) the Subscription and the acceptance of the Put Options will be complementary to the Group's development strategy; (ii) the Subscription and the acceptance of the Put Options will allow the Group to optimize its investment portfolio and diversify its investment risks; and (iii) the Subscription and the acceptance of the Put Options will generate stable income for the Group.

The Directors consider that the terms of the transactions contemplated under the Transaction Documents are on normal commercial terms which are fair and reasonable and are in the best interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the transactions contemplated under the Transaction Documents exceed(s) 5% but are less than 25%, the entering into of the transactions contemplated under the Transaction Documents constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following words and expressions shall have the following meanings when used herein:

“Articles”	the Articles of Association of Huaxin Hong Kong, as may be amended and/or restated from time to time
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong
“Closing”	the closing of the Subscription
“Closing Date”	9 June 2017
“Company”	Huarong International Financial Holdings Limited (華融國際金融控股有限公司), a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 993)
“Completion Date”	within seven (7) Business Days after the date on which the put notice is delivered by the Subscriber to Huaxin Hong Kong
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants as in effect from time to time.

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaxin Hong Kong”	Shanghai Huaxin Group (HongKong) Limited (上海華信集團(香港)有限公司), a company incorporated in Hong Kong with limited liability, a direct wholly-owned subsidiary of Huaxin Shanghai, and the issuer under the Subscription Agreement and the Put Options Deed and Shareholders’ Agreement
“Huaxin Shanghai”	上海華信國際集團有限公司 (CEFC Shanghai International Group Limited*), a company established in the PRC with limited liability, the sole shareholder of Huaxin Hong Kong as at the date of this announcement
“Issue Price”	HK\$1,000 per Preferred Share
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option Period”	the period commencing on the Closing Date and ending on 15 October 2020
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Guarantee”	the PRC law governed guarantee granted by Huaxin Shanghai in favour of the Subscriber dated 8 June 2017 (as supplemented by the Supplemental Agreement to the PRC Guarantee)
“Preferred Shares” or “Option Shares”	the 900,000 preferred shares in Huaxin Hong Kong to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Prospectus”	prospectus to be prepared by Huaxin Hong Kong in connection with the listing of the ordinary shares of Huaxin Hong Kong on a Recognized Stock Exchange
“Put Options”	the put options granted by Huaxin Hong Kong to the Subscriber under the Put Options Deed and Shareholders’ Agreement
“Put Options Deed and Shareholders’ Agreement”	a put options deed and shareholders’ agreement dated 8 June 2017 entered into between the Subscriber, Huaxin Hong Kong and Huaxin Shanghai in relation to the Subscription and the grant of the Put Options to the Subscriber

“Recognized Stock Exchange”	a stock exchange recognized by the Subscriber, which, for the avoidance of doubt, includes the Main Board of the Stock Exchange
“Shareholder(s)”	the holder(s) of the issued shares of the Company
“Security Deed”	an assignment over certain receivable contracts granted by Huaxin Hong Kong in favour of the Subscriber dated 8 June 2017
“Security Documents”	(i) the Security Deed; (ii) the PRC Guarantee; and (iii) the Supplemental Agreement to the PRC Guarantee
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Gain Sun Ventures Limited (盈暉創投有限公司), a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company, and the subscriber under the Subscription Agreement and the Put Options Deed and Shareholders’ Agreement
“Subscription”	the proposed subscription of the Preferred Shares by the Subscriber from Huaxin Hong Kong pursuant to the Subscription Agreement
“Subscription Agreement”	a subscription agreement dated 8 June 2017 and entered into between the Subscriber, Huaxin Hong Kong and Huaxin Shanghai in relation to the Subscription
“Supplemental Agreement to the PRC Guarantee”	the supplemental agreement to the PRC Guarantee dated 8 June 2017 with respect to certain onshore settlement arrangement to be entered into by Huaxin Shanghai
“Transaction Documents”	the Subscription Agreement, the Put Options Deed and Shareholders’ Agreement and the Security Documents
“%”	per cent.

By Order of the Board  
**Huarong International Financial Holdings Limited**  
**Wang Qiang**  
*Chairman*

Hong Kong, 8 June 2017

*As at the date of this announcement, the executive directors of the Company are Mr. Wang Qiang, Mr. Lai Jinyu and Ms. Wang Wei, the non-executive director is Ms. Yu Xiaojing, and the independent non-executive directors are Dr. Wong Tin Yau Kelvin, Mr. Ma Lishan and Mr. Guan Huanfei.*

\* *For identification purposes*