

**CHINA HUARONG ASSET MANAGEMENT COMPANY LTD:
WHEN YOU BUY INTO THIS COMPANY, CAVEAT EMPTOR**

It is plausible that most ordinary investors, on learning for the first time that China Huarong Asset Management Company Ltd () (Code: 2799, Main Board, The Stock Exchange of Hongkong Ltd) was desirous of raising a veritable mountain of cash, amounting to about \$HK18 billion (about \$US2.32 billion), thought that the Global Offering was doomed.

But, on scanning the Global Offering Prospectus, dated October 16, 2015, those same ordinary investors would have learned that 10 Cornerstone Investors had entered into Cornerstone Investment Agreements with Management to spend a maximum of \$HK12,535,530,000 in purchasing shares in this **Initial Public Offering (IPO)**.

That sum of \$HK12,535,530,000 is \$HK5,376,470,000 less than the anticipated Net Proceeds of the IPO, assuming that the share price is struck at the midpoint of the Indicative Offer Price Per Share, being \$HK3.21.

Ergo, Senior Management of China Huarong Asset Management only needs to entice investors, other than the 10 Cornerstone Investors whose cash investments in the Company's shares form part of the International Offering, to apply for shares up to a maximum cash investment of about \$HK5.38 billion.

Management of this financial asset management company, which is domiciled in the People's Republic of China (PRC) and which is beneficially controlled by the PRC Government's Ministry of Finance (), is Offering 5,769,880,000 'H' Shares at the Indicative Offer Price Per Share, ranging from a low of \$HK3.03 to a high of \$HK3.39.

At the midpoint of the Indicative Offer Price Per Share, being \$HK3.21, China Huarong Asset Management will net about \$HK17,912,000,000 (minus, of course, the \$HK12,535,530,000 that is, already, in the bag, so to speak, that amount of money, having been '*donated*' by the 10 Cornerstone Investors).

The net proceeds of this IPO will be utilised, one is informed at Page 466 of the Global Offering Prospectus, for the following purposes:

- Approximately, 60 percent, that is about \$HK\$10,747,200,000, '*will be used to develop distressed asset management, our core business. We are devoted to continuous innovation and to seizing the opportunities brought by the structural transformation of the Chinese economy, increasing the scale of distressed assets acquired, further developing the management of distressed assets acquired from financial and non-financial enterprises, and enhancing the overall profitability of distressed asset management business through structural adjustment of capital source and other means*';
- Approximately, 30 percent, that is about \$HK5,373,600,000, '*will be used to develop business of financial services by increasing capital contribution to our subsidiaries of such business segment. We will provide flexible, customized and diversified financing channels and financial products and services to our customers through a multi-license financial service platform, and effectively integrate the distressed assets operation with our asset management and investment*

business to form a comprehensive financial service system with coverage of various life cycles of customers and a long service chain covering all upstream and downstream industries’; and,

- Approximately, 10 percent, that is about \$HK1,791,2000,000, ‘*will be used to develop asset management and investment business, expand the investment business of the Company and increase capital contribution to our subsidiaries of such business segment*’.

The Business

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