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中國華融
CHINA HUARONG

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 OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board of directors (the "**Board**") of China Huarong Asset Management Co., Ltd. (the "**Company**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**"), together with the audited comparative figures for the same period in 2018. For the reasons explained under "Unaudited Annual Results" in this announcement, the Group's auditing process for annual results for the year ended 31 December 2019 has not been completed.

The unaudited consolidated results of the Company have not been completed by the Company's auditor and have not been reviewed by the Audit Committee of the Company. Upon the completion of the audit work, the Company will publish the preliminary announcement of the audited results for the year ended 31 December 2019 as agreed with its auditor as soon as possible.

1. Financial Summary

	For the year ended December 31,	
	2019	2018
	(Unaudited)	(Audited)
	(in millions of RMB)	
Total income	**112,656.5**	107,253.1
Including: Income from distressed debt assets	**35,067.8**	34,449.6
Fair value changes on distressed debt assets	**9,963.7**	8,657.9
Fair value changes on other financial assets and liabilities	**11,727.2**	(386.4)
Interest income	**38,530.0**	44,809.2
Profit before tax	**10,970.1**	6,011.9
Profit for the year	**2,269.3**	1,509.0
Including: Profit attributable to equity holders of the Company	**1,424.4**	1,575.5

	As at/For the year ended December 31,	
	2019	2018
	(Unaudited)	(Audited)
Financial Ratios		
ROAE(1)	**1.2%**	1.3%
ROAA(2)	**0.1%**	0.1%
Liability to total assets ratio(3)	**90.4%**	90.1%
Basic earnings per share(4) (RMB)	**0.04**	0.04
Diluted earnings per share(5) (RMB)	**N/A**	N/A

(1) Represents the percentage of the net profit attributable to equity holders of the Company for the Reporting Period in the average balance of equity attributable to equity holders of the Company as at the beginning and the end of the Reporting Period.

(2) Represents the percentage of the net profit for the Reporting Period (including profit attributable to holders of perpetual capital instruments and non-controlling interests) in the average balance of total assets as at the beginning and the end of the Reporting Period.

(3) Represents the ratio of total liabilities to total assets at the end of the Reporting Period.

(4) Represents the net profit attributable to equity holders of the Company for the Reporting Period divided by the weighted average number of outstanding Shares.

(5) Represents the earnings per share based on the basic earnings per share adjusted according to the dilutive potential ordinary Shares.

2. Management Discussion and Analysis

2.1 Financial Business Overview

In 2019, under the background of the increasing downward pressure on the macroeconomics, through active return of the core business, downsizing and risk resolution, continuously strengthening risk management and improving its operation ability, the Group realized net profit of RMB2,269.3 million, representing an increase of 50.4% as compared with last year. This included (i) the distressed assets management business which is the Group's core business increased significantly, the profit before tax from distressed assets management segment was RMB19,590.8 million, representing a year-on-year increase of 51.8%; (ii) the financial services business which primarily performed by licensing financial subsidiaries achieved a steady progress, the profit before tax from financial services segment was RMB5,742.5 million, representing a year-on-year increase of 27.6%; and (iii) the performance of asset management and investment business which primarily performed by subsidiaries in Hong Kong and non-financial subsidiaries which will be canceled or merged declined significantly, due to the complicated and changeable business environment and the clean-up of business which made impairment losses increased.

2.1.1 Segment results

The following table sets forth the total income and profit before tax of each of business segments for the years indicated.

	For the year ended December 31,			
	2019		2018	
	(Unaudited)		(Audited)	
	(in millions of RMB, except for percentages)			
	Amount	**Percentage**	Amount	Percentage
Total income				
Distressed asset management segment	**69,790.8**	**62.0%**	64,770.7	60.4%
Financial services segment	**33,575.5**	**29.8%**	30,274.7	28.2%
Asset management and investment segment	**14,311.5**	**12.7%**	17,808.5	16.6%
Inter-segment elimination	**(5,021.3)**	**(4.5%)**	(5,600.8)	(5.2%)
Total	**112,656.5**	**100.0%**	107,253.1	100.0%
Profit before tax				
Distressed asset management segment	**19,590.8**	**178.6%**	12,904.3	214.6%
Financial services segment	**5,742.5**	**52.3%**	4,499.1	74.8%
Asset management and investment segment	**(13,487.2)**	**(122.9%)**	(9,735.7)	(161.9%)
Inter-segment elimination	**(876.0)**	**(8.0%)**	(1,655.8)	(27.5%)
Total	**10,970.1**	**100.0%**	6,011.9	100%

In 2019, the total income from distressed asset management segment, financial services segment and asset management and investment segment of the Group accounted for 62.0%, 29.8% and 12.7% of its total income, respectively, and the profit before tax of these segments accounted for 178.6%, 52.3% and -122.9% of our total profit before tax, respectively.

2.1.1.1 Distressed asset management segment

The Group's distressed asset management segment is mainly comprised of (i) distressed debt asset management business of the Company; (ii) policy-based DES business of the Company based on commercial buyout; (iii) market-oriented DES business; (iv) distressed asset management business conducted by our subsidiaries; (v) distressed asset-based special situations investments business conducted by our subsidiaries; and (vi) distressed asset-based property development business conducted by our subsidiaries.

Distressed asset management business is the foundation of all business product systems, the core business of the Group and the primary source of income and profit of the Group. In 2019, by following the overall keynote of "maintaining stability over the overall situation and promoting the core business", the Group actively returned to the core business and continued keeping an industry-leading scale of investment in the core business. It actively explored the business models of the core business, optimized the business structure of the core business and expanded the extensive business pattern in distressed assets. Even though facing deteriorated market environment and stricter supervision, the core business made steady progress and maintained a stable growth.

In 2018 and 2019, total income from the distressed asset management segment was RMB64,770.7 million and RMB69,790.8 million, accounting for 60.4% and 62.0% of our total income, respectively, representing a year-on-year increase of 7.8%, and its profit before tax was RMB12,904.3 million and RMB19,590.8 million, accounting for 214.6% and 178.6% of the total profit before tax of the Group, respectively, representing a year-on-year increase of 51.8%.

2.1.1.2 Financial services segment

As an important part of Group's business, the financial service business plays an important role in overall business collaboration. In 2019, by leveraging the Group's multiple financial licenses, the Group provides its clients with flexible, customized and diversified financing channels and financial products through a comprehensive financial services platform composed of Huarong Securities, Huarong Futures, Huarong Financial Leasing, Huarong Xiangjiang Bank and Huarong Consumer Finance as well as a comprehensive financial service which covers the different business life cycles and the entire value chain of clients. In 2018 and 2019, the total income from the Group's financial services segment was RMB30,274.7 million and RMB33,575.5 million, accounting for 28.2% and 29.8% of our total income, respectively, representing a year-on-year increase of 10.9%; profit before tax was RMB4,499.1 million and RMB5,742.5 million, accounting for 74.8% and 52.3% of the total profit before tax of the Group, respectively, representing a year-on-year increase of 27.6%.

2.1.1.3 Asset management and investment segment

Asset management and investment business of the Group is an extension and supplement of its distressed asset management business. In 2019, the Group continuously standardized its asset management and investment business and further reduced non-advantageous business, which resulted in a substantial decline in the performance of asset management and investment segment. In 2018 and 2019, the total income from asset management and investment segment was RMB17,808.5 million and RMB14,311.5 million, respectively, accounting for 16.6% and 12.7% of our total income, respectively, representing a year-on-year decrease of 19.6%; the loss before tax was RMB9,735.7 million and RMB13,487.2 million, respectively, representing a year-on-year increase of 38.5%.

2.1.2 Total income

Total income of the Group increased slightly by 5.0% from RMB107,253.1 million in 2018 to RMB112,656.5 million in 2019. In particular, the fair value changes on other financial assets and liabilities, net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures and the fair value changes on distressed debt assets (acquisition-and-disposal model) substantially increased, and income from distressed debt assets (acquisition-and-restructuring model) remained stable and grew slightly, and interest income, commission and fee income decreased.

2.1.2.1 Income from distressed debt assets

Income from distressed debt assets derives from the Group's core business, namely acquisition-and-restructuring business. In 2019, the Group pushed ahead with the transformation of acquisition-and-restructuring business, adjusted and optimized business structure, focused more on the compliance as well as risk prevention and control and increased investment, therefore, the amount of new investment for the year and the scale of investments as of the end of this year both increased slightly, and the income from distressed debt assets also increased accordingly. The Group's income from distressed debt assets increased by 1.8% from RMB34,449.6 million in 2018 to RMB35,067.8 million in 2019.

2.1.2.2 Fair value changes on distressed debt assets

Fair value changes on distressed debt assets derive from the Group's core business, namely acquisition-and-disposal business, which includes realized net gains from disposal of acquisition-and-disposal distressed debt assets and unrealized fair value changes on such assets. Any interest income from such assets is also included in the fair value changes. In 2019, with the core business of distressed assets as its continuous focus, the Group optimized the resource allocation around the core business, improved the efficiency of asset disposal, resulting in a significant increase in the income from acquisition-and-disposal business. The Group's fair value changes on distressed debt assets increased by 15.1% from RMB8,657.9 million in 2018 to RMB9,963.7 million in 2019.

2.1.2.3 Fair value changes on other financial assets and liabilities

Fair value changes on other financial assets and liabilities derive from the Group's financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**") other than the acquisition-and-disposal business. Fair value changes include realized gains or losses from disposal and liquidation of other financial assets and liabilities and unrealized fair value changes on such assets and liabilities. Any interest income from such assets is also included in the fair value changes. In 2019, the Group's fair value changes on other financial assets and liabilities increased significantly by RMB12,113.6 million from RMB-386.4 million in 2018 to RMB11,727.2 million in 2019.

2.1.2.4 Interest income

Interest income derives from the Group's debt investments at amortised cost and at fair value through other comprehensive income other than the acquisition-and-restructuring business. The Group's interest income decreased by 14.0% from RMB44,809.2 million in 2018 to RMB38,530.0 million in 2019, in particular, the Group's total interest income from debt instruments at amortised cost other than distressed debt assets and debt instruments at fair value through other comprehensive income ("**FVTOCI**") other than distressed debt assets decreased by 25.2% from RMB27,540.2 million in 2018 to RMB20,609.4 million in 2019, mainly because the Group actively promoted return to core business, downsizing and risk resolution, and the scale of debt investments of non-financial subsidiaries continuously declined.

The Group's banking business developed steadily, and relevant income increased continuously. The interest income from loans and advances to customers increased by 16.3% from RMB12,571.1 million in 2018 to RMB14,621.1 million in 2019.

2.1.3 Total expenses

Total expenses of the Group increased by 1.3% from RMB100,794.8 million in 2018 to RMB102,067.4 million in 2019, mainly due to the increase in impairment losses under ECL model as well as the decrease in interest expenses and operating expenses.

2.1.3.1 Interest expenses

In 2019, the interest expenses of the Group decreased by 6.0% from RMB64,098.1 million in 2018 to RMB60,256.7 million in 2019.

The interest expenses of borrowings of the Group decreased by 11.2% from RMB44,125.5 million in 2018 to RMB39,199.4 million in 2019 and the interest expenses of bonds and notes issued decreased by 0.8% from RMB14,713.9 million in 2018 to RMB14,591.8 million in 2019, mainly due to the continuous decrease in the Group's financing costs.

2.1.3.2 Impairment losses under expected credit loss ("ECL") model

The Group's impairment losses under ECL model increased by 44.3% from RMB17,297.8 million in 2018 to RMB24,966.2 million in 2019. In 2019, affected by the increasing downward pressure on the domestic economy and project risks exposure, the provision for impairment newly made by the Group under the ECL model of IFRS 9 increased significantly. Meanwhile, in line with the general arrangement for risk dissolution through downsizing, the Group stepped up its efforts in the project payback and risk dissolution, and withdrawn part of the impairment provision in this year. Affected by the above two factors, the Group's impairment losses under ECL model increased considerably in 2019.

2.1.3.3 Income tax expense

Income tax expense of the Group increased by 93.2% from RMB4,502.9 million in 2018 to RMB8,700.8 million in 2019. Income tax expense increased considerably this year, which was due to the following: on the one hand, certain loss-making subsidiaries failed to recognize deferred income tax assets that can be used to offset temporary differences, and on the other hand, the deferred income tax assets previously recognized could not be used in the future and were transferred back in the current year as a result of the Group's restructuring of subsidiaries.

2.1.4 Assets

As at December 31, 2018 and December 31, 2019, the Group's total assets amounted to RMB1,710,086.7 million and RMB1,705,012.4 million, respectively. As at December 31, 2019, the Group's major assets consist of: (i) financial assets at FVTPL; (ii) loans and advances to customers; (iii) debt instruments at FVTOCI; and (iv) debt instruments at amortised cost.

2.1.4.1 Financial assets at FVTPL

The Group's classified financial assets which fail to meet the classification standards as debt instruments at amortised cost or at FVTOCI, or equity instruments at FVTOCI as at FVTPL.

As at December 31, 2018 and December 31, 2019, the Group's financial assets at FVTPL amounted to RMB391,181.0 million and RMB367,669.9 million, respectively, representing a decrease of 6.0%.

Distressed debt assets at FVTPL are the distressed debt assets in the Group's acquisition-and disposal business. As at December 31, 2018 and December 31, 2019, the acquisition-and-disposal distressed debt assets of the Group amounted to RMB166,370.3 million and RMB173,071.7 million, respectively, representing an increase of 4.0%.

2.1.4.2 Loans and advances to customers

Loans and advances to customers of the Group are mainly from Huarong Xiangjiang Bank. As at December 31, 2018 and December 31, 2019, the Group's loans and advances to customers amounted to RMB190,654.0 million and RMB211,265.1 million, respectively, representing an increase of 10.8%.

As at December 31, 2018 and December 31, 2019, based on the ECL model, the Group's provisions for impairment of loans and advances to customers at amortised cost amounted to RMB5,126.3 million and RMB6,853.8 million, respectively, representing an increase of 33.7%.

2.1.4.3 Debt instruments at fair value through other comprehensive income

Debt instruments at FVTOCI are debt instruments held by the Group that meet the following conditions: (1) the debt instruments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and (2) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at December 31, 2018 and December 31, 2019, the Group's debt instruments at FVTOCI were RMB147,387.3 million and RMB103,739.3 million, respectively, representing a decrease of 29.6%.

Distressed debt assets at FVTOCI were acquisition-and-restructuring distressed debt assets of the Group. As at December 31, 2018 and December 31, 2019, the Group's distressed debt assets at FVTOCI amounted to RMB100,445.9 million and RMB64,573.2 million, respectively, representing a decrease of 35.7%.

Other debt instruments at FVTOCI consist of various bonds, entrusted loans, asset management plans, debt instruments and trust products the Group invested in. As at December 31, 2018 and December 31, 2019, the Group's other debt instruments at FVTOCI were RMB46,941.4 million and RMB39,166.1 million, respectively, representing a decrease of 16.6%.

2.1.4.4 Debt instruments at amortised cost

Debt instruments at amortised cost are debt instruments held by the Group that meet the following conditions: (1) the debt instruments are held within a business model whose objective is to collect contractual cash flows; and (2) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at December 31, 2018 and December 31, 2019, the Group's debt instruments at amortised cost were RMB612,133.1 million and RMB642,086.0 million, respectively, representing an increase of 4.9%.

Distressed debt assets at amortised cost were acquisition-and-restructuring distressed debt assets of the Group. As at December 31, 2018 and December 31, 2019, the Group's distressed debt assets at amortised cost were RMB266,157.8 million and RMB300,135.0 million, respectively, representing an increase of 12.8%.

Other debt instruments at amortized cost included various trust products, debt securities, debt instruments, entrusted loans and asset management plans invested by the Group, as well as receivables arising from the Group's sale and leaseback arrangements after adopting the New Lease Standards. As at December 31, 2018 and December 31, 2019, the Group's other debt instruments at amortised cost were RMB345,975.3 million and RMB341,951.0 million, respectively, representing a decrease of 1.2%.

As at December 31, 2018 and December 31, 2019, based on the ECL model, the Group's allowances for impairment losses for debt instruments at amortised cost were RMB50,929.5 million and RMB63,939.4 million, respectively, representing an increase of 25.5%. In particular, the allowances for impairment losses for distressed debt assets at amortised cost were RMB22,926.5 million and RMB21,038.1 million, respectively; the allowances for impairment losses for other debt assets at amortised cost were RMB28,003.0 million and RMB42,901.3 million.

2.1.5 Liabilities

The major components of the Group's liabilities include: (i) borrowings, including those from banks and other financial institutions; (ii) due to customers; and (iii) bonds and notes issued.

2.1.5.1 Borrowings

The balance of borrowings of the Group as at December 31, 2018 and December 31, 2019 amounted to RMB760,995.5 million and RMB761,506.4 million, respectively, representing an increase of 0.1%.

2.1.5.2 Due to customers

The balance due to customers of the Group mainly absorbed by Huarong Xiangjiang Bank. As at December 31, 2018 and December 31, 2019, the balance amount due to customers of the Group amounted to RMB209,116.5 million and RMB226,814.7 million, respectively, representing an increase of 8.5%.

2.1.5.3 Bonds and notes issued

As at December 31, 2018 and December 31, 2019, the balance of the Group's bonds and notes issued amounted to RMB353,305.3 million and RMB367,345.6 million, respectively, representing an increase of 4.0%. The increase was mainly due to the Group's continuous efforts to optimize debt structure, expand financing channels and take favorable market financing opportunities to reinforce debt financing business.

2.2 Development Outlook

In early of 2020, due to the fears of economic recession which has triggered by the outbreak and spread of COVID-19 across the world, and the breakdown of the negotiations on production cuts of oil between OPEC and Russia at the end, this makes global financial markets tempestuous turmoil and American stock market triggered circuit breaker for four times in a short time. On March 16, the Volatility Index (VIX) has climbed to 82.69, surpassing the peak of 80.86 during the global financial crisis in 2008. Governments around the world have introduced measures such as travel restrictions, interest rate cuts and financial assistance to deal with the COVID-19 in succession. The large-scale outbreak of COVID-19 has caused the stagnation of global economic activity in the short term. The transportation, logistics, catering industry and other service industry will be severely impacted. Both ends of the supply and demand of the global value chains face huge pressure, and global economy is facing risks of recession.

From a domestic perspective, China's economic growth is expected to face pressure in 2020 as a result of the COVID-19 outbreak in the first quarter and cyclical, structural, and exogenous factors collectively. Although China's economy including investment, consumption and export was affected in the first quarter, with effective control over the COVID-19 by the Chinese government and the promulgation out of a series of fiscal policies, monetary policies and relevant social security measures, the fundamentals of the Chinese economy have not been changed.

The year 2020 marks the closing year of the 13th Five-Year Plan and also the year of achieving the goal of doubling GDP and residents' income and building a moderately prosperous society in all respects. It is expected that countercyclical adjustment of policies will continue and intensify; monetary policies such as comprehensive RRR cut, targeted interest cut and LPR reform will be rolled out in a steady manner to effectively reduce the financing cost of real economy and maintain reasonable and adequate liquidity; more powerful and effective fiscal policies will be enacted, and a larger size of special bonds will be issued in advance, expecting a rise in deficit rate; various reform measures will be implemented more quickly, keeping a steady growth momentum, and economy maintains long-term positive growth.

The year 2020 marks the key year for implementing the construction of a new Huarong. Facing new internal and external trends and new circumstances of economy and finance, China Huarong will earnestly implement regulatory requirements, observe original mind, have steadfast faith, strengthen implementation, accelerate transformation, respond to market risks caused by COVID-19 actively, deepen the collaboration with customers, make use of professional advantages and skills to revitalize existing assets and mitigate risks, and strive to bring financial aid and counter-cyclical tools into play, so as to serve economic and social development and supply-side structural reform. With respect to the core business, the Company will focus on the distressed assets in the existing assets of the economic and financial system, continue to consolidate the market position of the distressed asset package business, vigorously expand restructuring of problematic enterprises, make active efforts in risk mitigation, crisis handling of institutions at risk, entrusted management and other businesses, steadily promote market-oriented debt-to-equity swap business, and constantly extend the value chain of distressed assets, striving to promote business model transformation and innovative development of the Company. At the same time, during the prevention and control of COVID-19, the Company will actively play the financial rescue function, comprehensively organize and promote the business operation, help the enterprises to resume work and production and tide over the difficult period. The Company will also focus on improving the management and control level of the Group, enhance the capability of risk prevention and mitigation, deepen classification management over institutions, promote collaborative business development, accelerate informatization construction and strengthen cultivation of professional talent, striving to achieve the quality reform, efficiency reform and dynamic reform in the Company's development.

3. Unaudited consolidated financial statements and notes

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Income from distressed debt assets	**35,067,829**	34,449,570
Fair value changes on distressed debt assets	**9,963,734**	8,657,926
Fair value changes on other financial assets and liabilities	**11,727,245**	(386,427)
Interest income	**38,530,000**	44,809,239
Finance lease income	**5,911,550**	6,784,372
Gains from derecognition of financial assets measured at amortised cost	**104,728**	76,863
Losses from derecognition of debt instruments at fair value through other comprehensive income	**(9,839)**	(79,249)
Commission and fee income	**2,595,786**	4,693,308
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures	**1,441,197**	228,033
Dividend income	**1,818,980**	2,392,206
Other income and other net gains or losses	**5,505,299**	5,627,306
Total	**112,656,509**	107,253,147
Interest expenses	**(60,256,729)**	(64,098,128)
Commission and fee expenses	**(2,207,718)**	(2,079,896)
Operating expenses	**(13,138,798)**	(14,549,995)
Impairment losses under expected credit loss model	**(24,966,214)**	(17,297,797)
Impairment losses on other assets	**(1,497,973)**	(2,769,014)
Total	**(102,067,432)**	(100,794,830)
Change in net assets attributable to other holders of consolidated structured entities	**(631,295)**	(1,928,194)
Share of results of associates and joint ventures	**1,012,305**	1,481,742
Profit before tax	**10,970,087**	6,011,865
Income tax expense	**(8,700,835)**	(4,502,860)
Profit for the year	**2,269,252**	1,509,005
Profit attributable to:		
Equity holders of the Company	**1,424,432**	1,575,501
Holders of perpetual capital instruments	**869,353**	976,844
Non-controlling interests	**(24,533)**	(1,043,340)
	2,269,252	1,509,005
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)		
— Basic	**0.04**	0.04

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Profit for the year	**2,269,252**	1,509,005
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit obligations	**4,466**	(2,317)
Fair value gains/(losses) on investments in equity instruments at fair value through other comprehensive income	**158,203**	(589,480)
Income tax effect	**(35,150)**	143,991
	127,519	(447,806)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(188,491)**	564,057
Fair value changes on hedging instruments designated in cash flow hedges	**(634,277)**	(35,861)
Financial assets measured at fair value through other comprehensive income		
— fair value changes	**257,194**	218,868
— reclassification of losses to profit or loss on disposals	**9,839**	79,249
— impairment provided/(reversals)	**1,511,644**	(105,815)
Income tax effect	**(509,616)**	(213,074)
Share of other comprehensive income/(expense) of associates, net of income tax	**54,605**	(56,605)
	500,898	450,819
Other comprehensive income for the year, net of income tax	**628,417**	3,013
Total comprehensive income for the year	**2,897,669**	1,512,018
Total comprehensive income attributable to:		
Equity holders of the Company	**1,843,508**	1,947,217
Holders of perpetual capital instruments	**869,353**	976,844
Non-controlling interests	**184,808**	(1,412,043)
	2,897,669	1,512,018

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Assets		
Cash and balances with central bank	**30,774,690**	29,909,098
Deposits with financial institutions	**149,461,964**	107,500,242
Placements with financial institutions	**2,709,937**	843,638
Financial assets at fair value through profit or loss	**367,669,904**	391,180,975
Financial assets held under resale agreements	**22,525,935**	20,126,943
Contract assets	**—**	114,715
Loans and advances to customers	**211,265,084**	190,654,038
Finance lease receivables	**68,040,296**	99,002,940
Debt instruments at fair value through other comprehensive income	**103,739,340**	147,387,307
Equity instruments at fair value through other comprehensive income	**3,583,661**	3,244,308
Inventories	**19,147,381**	19,243,035
Debt instruments at amortised cost	**642,085,956**	612,133,108
Interests in associates and joint ventures	**28,078,924**	36,975,454
Investment properties	**5,910,866**	5,326,055
Property and equipment	**12,325,049**	10,684,499
Right-of-use assets	**3,569,619**	—
Deferred tax assets	**12,193,797**	15,018,661
Other assets	**21,911,940**	20,478,316
Goodwill	**18,063**	263,357
Total assets	**1,705,012,406**	1,710,086,689

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

AS AT 31 DECEMBER 2019

(Amounts in thousands of Renminbi, unless otherwise stated)

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Liabilities		
Borrowings from central bank	**3,641,673**	2,402,169
Deposits from financial institutions	**10,276,669**	7,307,583
Placements from financial institutions	**2,253,597**	300,153
Financial assets sold under repurchase agreements	**15,665,408**	24,410,016
Borrowings	**761,506,427**	760,995,510
Financial liabilities at fair value through profit or loss	**3,223,853**	4,728,291
Due to customers	**226,814,717**	209,116,484
Tax payable	**2,887,422**	3,731,887
Contract liabilities	**575,076**	954,376
Lease liabilities	**1,983,254**	—
Deferred tax liabilities	**478,546**	605,835
Bonds and notes issued	**367,345,588**	353,305,299
Other liabilities	**144,883,694**	173,624,117
Total liabilities	**1,541,535,924**	1,541,481,720
Equity		
Share capital	**39,070,208**	39,070,208
Capital reserve	**18,405,019**	19,107,353
Surplus reserve	**6,971,780**	6,971,780
General reserve	**16,681,256**	15,872,819
Other reserves	**1,806,931**	987,763
Retained earnings	**38,323,587**	38,630,165
Equity attributable to equity holders of the Company	**121,258,781**	120,640,088
Perpetual capital instruments	**18,430,576**	20,258,532
Non-controlling interests	**23,787,125**	27,706,349
Total equity	**163,476,482**	168,604,969
Total equity and liabilities	**1,705,012,406**	1,710,086,689

3.1 General Information

China Huarong Asset Management Co., Ltd. (the "Company") was transformed from the former China Huarong Asset Management Corporation (the "Former Huarong") which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on 1 November 1999 as approved by the State Council of the PRC (the "State Council"). On 28 September 2012, the Company was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council. Its registered office is located at No. 8, Finance Street, Xicheng District, Beijing 100033, PRC. The ultimate controlling party of the Company is the MOF.

The Company has financial services certificate No. J0001H111000001 issued by the China Banking and Insurance Regulatory Commission (the "CBIRC"), and business license No. 911100007109255774 issued by the State Administration of Industry and Commerce of the PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 30 October 2015. The Company and its subsidiaries are collectively referred to as the "Group".

The principal activities of the Group comprise acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets, including debt-to-equity swap assets; bankruptcy management; investment; securities dealing; financial bonds issuance, inter-bank borrowing and lending, commercial financing for other financial institutions; approved asset securitisation business, financial institutions custody, closing and liquidation of business; consulting and advisory business on finance, investment, legal and risk management; assets and project evaluation; deposits taking from customers, lending to corporates and individuals; clearing and settlement services; financial leasing service; securities and futures services; fund management and asset management services; trust services; real estate and industrial investments and other businesses approved by the CBIRC or other regulatory bodies.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

3.2 Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 *Leases*

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 *Leases* ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

3.2 Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

IFRS 16 *Leases* — continued

As a lessee — continued

As at 1 January 2019, the Group recognised additional lease liabilities. For certain lease arrangements, the Group measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the Group's incremental borrowing rates at the date of initial application by applying IFRS 16.C8(b)(i) transition. For other lease arrangements, the Group recognised right-of-use assets at amounts equal to the related lease liabilities, adjusted by accrued lease payment by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery equipment, motor vehicles, electronic equipment, furniture and fixtures was determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied by the relevant group entities range from 4.00% to 6.00%.

3.2 Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

IFRS 16 *Leases* — continued

As a lessee — continued

	As at 1 January, 2019
Operating lease commitments disclosed as at 31 December 2018	**2,141,580**
Lease liabilities discounted at relevant incremental borrowing rates	**1,911,155**
Less: Recognition exemption — short-term leases	**(124,472)**
Lease liabilities as at 1 January 2019	**1,786,683**

The carrying amount of right-of-use assets for own use and those under subleases (classified as investment properties) as at 1 January 2019 comprises the following:

	Notes	As at 1 January, 2019
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		**1,769,927**
Add: Reclassified from other assets	(a)	**1,851,871**
Less: Reclassified to investment properties	(b)	**(135,029)**
Accrued lease liabilities relating to rent free period at 1 January 2019	(c)	**(29,660)**
		3,457,109
By class:		
Leasehold land		**1,792,431**
Buildings		**1,659,834**
Motor vehicles		**3,197**
Electronic equipment, furniture and fixtures		**1,118**
Machinery equipment		**529**

3.2 Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

IFRS 16 *Leases* — continued

As a lessee — continued

(a) Upfront payments of RMB1,792 million for leasehold lands in the PRC and rental prepayment of RMB60 million for other leases were classified as other assets as at 31 December 2018. Upon application of IFRS 16, other assets of RMB1,852 million were reclassified to right-of-use assets.

(b) Upon application of IFRS 16, certain properties held by the Group under leases met the definition of investment properties and therefore they were recognised as such on 1 January 2019.

(c) Rent free period: These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

Effective from 1 January 2019, leasehold lands which were classified as inventories are measured under IFRS 16 at cost less any accumulated depreciation and any impairment losses.

As a lessor

In accordance with the transitional provisions in IFRS 16, except for subleases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Sales and leaseback transactions

The Group acts as a buyer-lessor

In accordance with the transition provisions of IFRS 16, sales and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 as a sale. During the period, several sales and leaseback transactions in which the relevant seller-lessees have an obligation or a right to repurchase the relevant assets were accounted as financing arrangements under IFRS 9.

3.2 Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

IFRS 16 *Leases* — continued

The following table summarises the impact of transition to IFRS 16 on retained earnings at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019
Retained earnings	
The modified retrospective approach effects	**(15,349)**
Tax effects	**23**
Impact at 1 January 2019	**(15,326)**

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported as at 31 December, 2018	Adjustments	**Carrying amounts under IFRS 16 as at 1 January, 2019**
Assets			
Investment properties	5,326,055	135,029	**5,461,084**
Right-of-use assets	—	3,457,109	**3,457,109**
Deferred tax assets	15,018,661	23	**15,018,684**
Other assets	20,478,316	(1,851,871)	**18,626,445**
Liabilities			
Lease liabilities	—	1,786,683	**1,786,683**
Other liabilities	173,624,117	(29,660)	**173,594,457**
Equity			
Retained earnings	38,630,165	(15,326)	**38,614,839**
Non-controlling interests	27,706,349	(1,407)	**27,704,942**

3.2 Application of New and Amendments to International Financial Reporting Standards ("IFRSs") — continued

IFRS 16 *Leases* — continued

The following tables summarise the material impacts of applying IFRS 16 as a lessor on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement profit or loss and other comprehensive income for the year ended 31 December 2019 for each of the line items affected. Upon application of IFRS 16, for transfer of assets under sale and leaseback arrangements that do not satisfy the requirements of IFRS 15 are accounted for as sales of assets, the Group as a buyer-lessor does not recognise the transferred assets and recognises debt instruments at amortised cost equal to the transfer proceeds within the scope IFRS 9. Prior to the application of IFRS 16, these sale and lease back arrangements gave rise to finance lease assets accounted for under IAS 17. The Group is not required under IFRS 16 to reassess sale and leaseback transactions entered into before the date of initial application to determine whether the transfer of the underlying asset satisfies the requirements in IFRS 15 to be accounted for as a sale, the adoption of IFRS 16 only impacts sale and leaseback transactions entered after 1 January 2019.

Line items that were not significantly affected by the changes have not been included.

Material impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of IFRS 16, as a lessor
Assets			
Debt instruments at amortised cost	642,085,956	(41,306,688)	600,779,268
Finance lease receivables	68,040,296	41,306,688	109,346,984

Material impact on the consolidated statement of profit and loss and other comprehensive income

	As reported	Adjustments	Amounts without application of IFRS 16, as a lessor
Interest income	38,530,000	(1,269,301)	37,260,699
Finance lease income	5,911,550	1,269,301	7,180,851

3.3 Segment information

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including distressed asset management, debt equity swap asset management, distressed asset management business conducted by subsidiaries, distressed asset-based special situations investment and distressed asset-based property development.

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as banking, securities and futures, finance lease and consumer finance. These operations are mainly carried out by the subsidiaries of the Company.

Asset management and investment operations

The asset management and investment segment comprises relevant business operated by the Company and certain of its subsidiaries, mainly including trust, private equity fund, financial investment, international business and other business.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting financial information of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China and Hong Kong. There is no significant customer concentration of the Group's business with no customer contributing more than 10% of the Group's revenue.

3.3 Segment information — continued

Year ended 31 December 2019 (unaudited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	35,067,829	—	—	—	35,067,829
Fair value changes on distressed debt assets	9,963,734	—	—	—	9,963,734
Fair value changes on other financial assets and liabilities	10,557,131	2,213,335	(1,014,567)	(28,654)	11,727,245
Interest income	9,204,874	23,029,582	10,011,049	(3,715,505)	38,530,000
Finance lease income	—	5,826,999	84,551	—	5,911,550
Gains/(losses) from derecognition of financial assets at amortised cost	12,250	126,882	(34,404)	—	104,728
(Losses)/gains from derecognition of debt instruments at fair value through other comprehensive income	(112,750)	3,333	99,578	—	(9,839)
Commission and fee income	472,317	1,434,613	789,318	(100,462)	2,595,786
Net (losses)/gains on disposals or deemed disposal of subsidiaries, associates and joint ventures	(27,281)	130	1,468,348	—	1,441,197
Dividend income	1,282,873	40,675	1,327,300	(831,868)	1,818,980
Other income and other net gains or losses	3,369,795	899,972	1,580,319	(344,787)	5,505,299
Total	69,790,772	33,575,521	14,311,492	(5,021,276)	112,656,509
Interest expenses	(34,871,434)	(14,889,700)	(14,257,490)	3,761,895	(60,256,729)
Commission and fee expenses	(215,638)	(1,874,614)	(171,516)	54,050	(2,207,718)
Operating expenses	(6,687,309)	(4,744,032)	(1,977,566)	270,109	(13,138,798)
Impairment losses under expected credit loss ("**ECL**") model	(7,387,419)	(6,374,699)	(11,263,253)	59,157	(24,966,214)
Impairment losses on other assets	102,396	(90,831)	(1,509,538)	—	(1,497,973)
Total	(49,059,404)	(27,973,876)	(29,179,363)	4,145,211	(102,067,432)
Change in net assets attributable to other holders of consolidated structured entities	(1,880,168)	140,841	1,108,032	—	(631,295)
Share of results of associates and joint ventures	739,629	—	272,676	—	1,012,305
Profit before tax	19,590,829	5,742,486	(13,487,163)	(876,065)	10,970,087
Income tax expense					(8,700,835)
Profit for the year					2,269,252
Capital expenditure	485,336	3,043,722	542,274	—	4,071,332
Depreciation and amortisation	1,248,616	1,081,476	128,298	(277,678)	2,180,712
As at 31 December 2019					
Segment assets	852,849,750	573,775,805	347,989,092	(81,796,038)	1,692,818,609
Including: Interests in associates and joint ventures	6,397,421	—	21,681,503	—	28,078,924
Deferred tax assets					12,193,797
Total assets					1,705,012,406
Segment liabilities	746,955,403	522,828,557	342,632,616	(74,246,620)	1,538,169,956
Deferred tax liabilities					478,546
Tax payable					2,887,422
Total liabilities					1,541,535,924

3.3 Segment information — continued

Year ended 31 December 2018 (audited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	34,449,570	—	—	—	34,449,570
Fair value changes on distressed debt assets	8,657,926	—	—	—	8,657,926
Fair value changes on other financial assets and liabilities	3,766,268	(207,379)	(3,929,879)	(15,437)	(386,427)
Interest income	8,970,582	21,363,342	17,988,546	(3,513,231)	44,809,239
Finance lease income	—	6,673,585	110,787	—	6,784,372
Gains from derecognition of financial assets at amortised cost	41,175	2,565	33,123	—	76,863
Losses from derecognition of debt instruments at fair value through other comprehensive income	—	(25,032)	(54,217)	—	(79,249)
Commission and fee income	1,714,184	1,495,914	1,677,413	(194,203)	4,693,308
Net gains on disposals or deemed disposal of subsidiaries, associates and joint ventures	203,321	—	24,712	—	228,033
Dividend income	2,847,518	108,078	1,019,874	(1,583,264)	2,392,206
Other income and other net gains or losses	4,120,199	863,579	938,201	(294,673)	5,627,306
Total	64,770,743	30,274,652	17,808,560	(5,600,808)	107,253,147
Interest expenses	(37,110,205)	(14,088,278)	(16,335,879)	3,436,234	(64,098,128)
Commission and fee expenses	(588,801)	(1,365,745)	(301,973)	176,623	(2,079,896)
Operating expenses	(7,058,493)	(4,836,670)	(2,954,884)	300,052	(14,549,995)
Impairment losses on financial assets	(5,380,547)	(6,271,198)	(5,678,122)	32,070	(17,297,797)
Impairment losses on other assets	(370,320)	(189,850)	(2,208,844)	—	(2,769,014)
Total	(50,508,366)	(26,751,741)	(27,479,702)	3,944,979	(100,794,830)
Change in net assets attributable to other holders of consolidated structured entities	(1,821,022)	976,146	(1,083,318)	—	(1,928,194)
Share of results of associates and joint ventures	462,924	79	1,018,739	—	1,481,742
Profit before tax	12,904,279	4,499,136	(9,735,721)	(1,655,829)	6,011,865
Income tax expense					(4,502,860)
Profit for the year					1,509,005
Capital expenditure	137,463	2,714,150	871,315	—	3,722,928
Depreciation and amortisation	286,952	728,241	370,376	—	1,385,569
As at 31 December 2018					
Segment assets	866,250,051	545,778,885	355,404,796	(72,365,704)	1,695,068,028
Including: Interests in associates and joint ventures	7,768,968	6,449	29,200,037	—	36,975,454
Deferred tax assets					15,018,661
Total assets					1,710,086,689
Segment liabilities	752,223,753	497,956,323	348,971,694	(62,007,772)	1,537,143,998
Deferred tax liabilities					605,835
Tax payable					3,731,887
Total liabilities					1,541,481,720

3.4 Income from distressed debt assets

The amount represents interest income arising from distressed debt assets classified as debt instruments at fair value through other comprehensive income ("**FVTOCI**") and debt instruments at amortised cost of the Group, which include loans acquired from financial institutions and other debt instruments acquired from non-financial institutions (see 3.15 and 3.16).

3.5 Fair value changes on distressed debt assets

The amount represents fair value changes on distressed debt assets mandatorily measured at fair value through profit or loss ("**FVTPL**") of the Group during the year (see 3.13).

The fair value changes comprise both realised gains or losses from disposal of distressed debt assets measured at FVTPL and unrealised fair value changes on such assets. Any interest income arising from such assets are also included in fair value changes.

3.6 Fair value changes on other financial assets and liabilities

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Listed and unlisted shares and funds	**7,659,897**	(1,901,634)
Debt instruments	**1,097,751**	551,892
Derivatives	**677,553**	(233,529)
Other investments and financial liabilities	**2,292,044**	1,196,844
Total	**11,727,245**	(386,427)

The fair value changes comprise both realised gains or losses from disposal/settlement of financial assets/liabilities measured at FVTPL and unrealised fair value changes on such assets/liabilities. Any interest income arising from such assets are also included in fair value changes.

3.7 Interest income

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Debt instruments at amortised cost other than distressed debt assets	**18,086,072**	23,789,289
Debt instruments at FVTOCI other than distressed debt assets	**2,523,282**	3,750,955
Loans and advances to customers		
Corporate loans and advances	**7,352,320**	7,383,673
Personal loans and advances	**6,396,394**	4,606,933
Loans to margin clients	**872,368**	580,517
Deposits with financial institutions	**1,638,124**	2,301,682
Financial assets held under resale agreements	**1,006,958**	1,518,585
Balances with central bank	**415,760**	476,618
Placements with financial institutions	**238,722**	400,987
Total	**38,530,000**	44,809,239

3.8 Interest expenses

Interest expenses mainly arises from the distressed asset management, banking and financial leasing business of the Group.

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Borrowings	**(39,199,396)**	(44,125,461)
Bonds and notes issued	**(14,591,771)**	(14,713,925)
Due to customers	**(5,001,475)**	(3,011,373)
Financial assets sold under repurchase agreements	**(672,450)**	(1,194,515)
Deposits from financial institutions	**(257,317)**	(529,839)
Placements from financial institutions	**(57,852)**	(87,128)
Lease liabilities	**(54,056)**	—
Borrowings from central bank	**(52,255)**	(87,446)
Other liabilities	**(370,157)**	(348,441)
Total	**(60,256,729)**	(64,098,128)

3.9 Impairment losses under expected credit loss model

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Debt instruments at amortised cost	**(17,038,872)**	(12,620,382)
Loans and advances to customers	**(4,399,038)**	(3,901,306)
Financial assets held under resale agreements	**(1,014,467)**	(578,695)
Debt instrument at FVTOCI	**(1,748,502)**	105,815
Financial lease receivables	**(501,849)**	(240,251)
Others	**(263,486)**	(62,978)
Total	**(24,966,214)**	(17,297,797)

3.10 Income tax expense

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Current income tax		
PRC Enterprise Income tax	**(6,279,542)**	(6,354,622)
Hong Kong profits tax	**(350,096)**	(219,705)
(Under)/over-provision in prior years	**(26,661)**	64,963
Deferred income tax	**(2,044,536)**	2,006,504
Total	**(8,700,835)**	(4,502,860)

3.11 Earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is as follows:

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Earnings:		
Profit attributable to equity holders of the Company	**1,424,432**	1,575,501
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**39,070,208**	39,070,208
Basic earnings per share (RMB Yuan)	**0.04**	0.04

No diluted earnings per share has been presented for the years ended 31 December 2019 and 2018 as the Group had no potential ordinary shares in issue during the years.

3.12 Dividends

	Year ended 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Dividends for ordinary shareholders of the company recognised as distribution during the year:		
Final dividend for 2018[1]	**472,750**	—
Final dividend for 2017	**—**	6,598,954

(1) Distribution of final dividend for 2018

On 20 June 2019, the Company declared dividends of RMB0.121 yuan per 10 shares (tax inclusive), in an aggregate amount of RMB473 million for the year ended 31 December 2018.

3.13 Financial assets at FVTPL

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Financial assets mandatorily measured at FVTPL		
Distressed debt assets	**173,071,741**	166,370,280
Funds	**48,251,590**	59,361,725
Trust products	**27,920,759**	42,867,043
Equity instruments		
— Listed	**26,892,473**	23,149,465
— Unlisted	**33,552,989**	28,001,634
Debt securities		
— Corporate bonds	**8,114,738**	15,797,463
— Government bonds	**1,760,109**	—
— Financial institution bonds	**586,935**	648,469
— Public sector and quasi-government bonds	**1,966,136**	413,469
Wealth management products	**14,690,357**	13,347,104
Convertible bonds	**9,686,578**	12,819,736
Structured products	**8,466,928**	8,580,833
Asset management plans	**6,790,890**	10,307,930
Other debt assets	**3,149,511**	5,179,572
Negotiable certificates of deposit	**2,131,873**	2,668,343
Entrusted Loans	**597,056**	742,526
Asset-backed securities	**39,241**	264,559
Others	**—**	660,824
Total	**367,669,904**	391,180,975

3.14 Loans and advances to customers

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Loans and advances to customers measured at amortised cost		
Corporate loans and advances		
— Loans and advances	**116,712,715**	119,311,190
Subtotal	**116,712,715**	119,311,190
Personal loans and advances		
— Loans for business operations	**18,504,210**	12,740,825
— Mortgages	**24,430,038**	18,511,719
— Personal consumption loans	**31,028,230**	27,562,917
— Others	**2,546,254**	2,802,609
Subtotal	**76,508,732**	61,618,070
Loans to margin clients	**6,142,737**	6,282,373
Gross loans and advances to customers — measured at amortised costs	**199,364,184**	187,211,633
Less: Allowance for ECL		
— 12-month ECL	**(1,941,342)**	(1,967,655)
— Lifetime ECL	**(4,912,474)**	(3,158,610)
Subtotal	**(6,853,816)**	(5,126,265)
Net loans and advances to customers measured at amortised cost	**192,510,368**	182,085,368
Loans and advances measured at fair value through other comprehensive income		
— Discounted bills	**18,754,716**	8,568,670
Net loans and advances to customers	**211,265,084**	190,654,038

3.15 Debt instruments at FVTOCI

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Distressed debt assets	**64,573,237**	100,445,929
Debt securities		
— Corporate bonds	**20,923,922**	26,494,833
— Public sector and quasi-government bonds	**5,047,069**	6,144,591
— Financial institution bonds	**890,329**	319,240
— Government bonds	**455,034**	284,500
Entrusted loans	**4,283,029**	4,421,136
Asset management plans	**3,874,250**	4,255,391
Debt instruments	**1,878,915**	1,902,184
Trust products	**1,258,522**	2,490,562
Asset-backed securities	**555,033**	628,941
Total	**103,739,340**	147,387,307

3.16 Debt instruments at amortised cost

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Distressed debt assets		
Loans acquired from financial institutions	**27,334,528**	24,042,643
Other debt assets acquired from non-financial institutions	**293,838,586**	265,041,671
Subtotal	**321,173,114**	289,084,314
Less: Allowance for ECL		
— 12-month ECL	**(1,394,118)**	(2,748,284)
— Lifetime ECL	**(19,644,006)**	(20,178,201)
Subtotal	**(21,038,124)**	(22,926,485)
Carrying amount of distressed debt assets	**300,134,990**	266,157,829
Other debt assets		
Trust products	**102,574,799**	114,321,352
Debt securities	**83,037,861**	86,699,355
Entrusted loans	**73,898,769**	78,871,297
Debt instruments	**73,719,964**	84,360,813
Receivables arising from sales and leaseback arrangements	**41,567,595**	—
Asset management plans	**9,199,223**	7,076,241
Others	**854,069**	2,649,200
Subtotal	**384,852,280**	373,978,258
Less: Allowance for ECL		
— 12-month ECL	**(4,307,803)**	(3,970,302)
— Lifetime ECL	**(38,593,511)**	(24,032,677)
Subtotal	**(42,901,314)**	(28,002,979)
Carrying amount of other debt assets	**341,950,966**	345,975,279
Total	**642,085,956**	612,133,108

3.17 Borrowings

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Unsecured loans	**692,926,260**	649,429,694
Guaranteed loans	**36,980,694**	71,769,892
Pledged loans	**23,906,939**	32,976,544
Loans secured by properties	**7,692,534**	6,819,380
Total	**761,506,427**	760,995,510

3.18 Due to customers

	As at 31 December,	
	2019	2018
	(Unaudited)	(Audited)
Demand deposits		
Corporate customers	**66,837,524**	82,228,418
Individual customers	**19,233,296**	19,092,892
Time deposits		
Corporate customers	**70,490,136**	55,072,139
Individual customers	**50,515,767**	30,477,840
Pledged deposits	**7,803,263**	7,364,094
Others	**11,934,731**	14,881,101
Total	**226,814,717**	209,116,484

3.19 Bonds and notes issued

	As at 31 December,		Term	Coupon rate per annum	Interest payment terms
	2019	2018			
	(Unaudited)	(Audited)			
Mid-term U.S. dollar notes	**105,884,544**	97,607,756	1–30 years	2.75%-5.50% fixed rate	Interest payable semi-annually
Financial bonds	**79,131,458**	73,466,289	3–5 years	3.35%-5.42% fixed rate	Interest payable annually
Negotiable certificates of deposit	**68,916,112**	70,980,371	1–12 months	2.75%-5.20%	Interest payable on maturity date
Mid-term U.S. dollar notes	**27,047,699**	21,093,767	3–5 years	3 months LIBOR+1.15%-1.85%	Interest payable quarterly
Tier II capital bonds	**25,701,949**	25,686,940	10 years	4.95%-6.00% fixed rate	Interest payable annually
Corporate bonds	**19,892,272**	18,015,220	3–5 years	3.80%-6.60% fixed rate	Interest payable annually
Subordinate bonds	**13,434,936**	10,814,544	3–4 years	3.50%-5.80% fixed rate	Interest payable annually
Micro bonds	**6,677,956**	—	3 years	3.60%-3.70% fixed rate	Interest payable annually
Mid-term SGD notes	**5,195,738**	5,024,428	4–8 years	3.20%-3.80% fixed rate	Interest payable semi-annually
Euro bonds	**3,888,877**	3,896,788	5 years	1.625% fixed rate	Interest payable annually
Green financial bonds	**3,611,305**	3,609,666	3 years	4.90%-5.35% fixed rate	Interest payable annually
Beneficiary certificates	**2,537,154**	4,842,730	14 days–3 years	4.80%-6.00% fixed rate	Interest payable semi-annually or on maturity date
U.S. Dollar bonds	**2,091,005**	8,376,163	5 years	4.00% fixed rate	Interest payable annually
Leasing asset-backed securities	**1,813,402**	4,343,448	6–10 years	4.00%-5.30% fixed rate and/or floating rate	Interest payable quarterly
Mid-term HK dollar notes	**896,432**	—	1 year	3.00% fixed rate	Interest payable semi-annually
Private placement note instrument	**624,749**	3,109,802	2 years	4.70% fixed rate	Interest payable annually
Asset-backed securities	**—**	1,424,539	159–723 days	5.50%-6.70% fixed rate	Interest payable on maturity date
Interbank bonds	**—**	1,012,848	270 days	5.21% fixed rate	Interest payable on maturity date
Total	**367,345,588**	353,305,299			

4. Code of Corporate Governance

During the Reporting Period, the Board has reviewed the disclosures in the Corporate Governance Report, and confirmed that the Company had complied with the provisions of the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and adopted the applicable recommended best practices according to actual situations.

During the Reporting Period, the Board, and through its special committees, performed the following corporate governance functions: (1) further modified the Rules of Procedures of the Shareholders' General Meeting, Rules of Procedures of the Board Meeting, Terms of Reference of the Audit Committee of the Board and Terms of Reference of the Nomination and Remuneration Committee of the Board in accordance with regulatory requirements; (2) enhanced the training for directors of the Company and senior management and their professional development; and (3) constantly assessed and optimized corporate governance and performed their duties in strict compliance with all requirements on corporate governance.

5. Dividend Distribution

The Company proposes to convene the Board meeting on April 9, 2020 to consider the 2019 audited annual result and the proposal on 2019 profit distribution. The proposal on 2019 profit distribution will be disclosed in the audited annual results announced by the Company in due course.

6. Purchase, Sale and Redemption of Shares

For the year ended December 31, 2019, neither the Company nor its subsidiaries has purchased, sold or redeemed any Shares of the Company.

7. Unaudited Annual Results

Due to the impact of COVID-19, the audit work of annual results for the year ended December 31, 2019 has not been fully completed as at the date of this announcement. The unaudited annual financial results set out in this announcement has not been approved by the auditor of the Company in accordance with Rule 13.49(2) of the Listing Rules. The Company will publish an announcement regarding the audited results once the audit work is completed in due course.

8. Audit Committee

The Audit Committee of the Board of Directors has not reviewed the annual results of the Group for 2019 and the 2019 consolidated financial statements prepared in accordance with IFRS and PRC GAAP.

9. Publication of Annual Results Announcement and Annual Report

The unaudited annual results announcement is available on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the website of the Company at www.chamc.com.cn. The Company's 2019 annual report containing all the information required by the Listing Rules will be despatched to the H Shareholders of the Company in April 2020 and will be published on the websites of The Stock Exchange of Hong Kong Limited and the Company.

The financial information on annual results of the Group set out by the Company is unaudited and has not been approved by the auditor of the Company. Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Huarong Asset Management Co., Ltd.
WANG Zhanfeng
Chairman

Beijing, the PRC
31 March 2020

As at the date of this announcement, the Board comprises Mr. WANG Zhanfeng and Ms. LI Xin as executive directors of the Company; Mr. ZHOU Langlang as a non-executive director of the Company; Mr. TSE Hau Yin, Mr. LIU Junmin, Mr. SHAO Jingchun and Mr. ZHU Ning as independent non-executive directors of the Company.