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中國華融資產管理股份有限公司

**China Huarong Asset Management Co., Ltd.**

*(A joint stock limited liability company incorporated in the People's Republic of China)*

**(Stock Code: 2799)**

## INSIDE INFORMATION

This announcement is made by China Huarong Asset Management Co., Ltd. (the “**Company**”) pursuant to Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Pursuant to relevant regulations of the Administrative Measures for the Issuance and Trading of Corporate Bonds (《公司債券發行與交易管理辦法》), the Standards for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 38 — Contents and Formats of Annual Reports on Corporate Bonds (《公開發行證券的公司信息披露內容與格式準則第 38 號 — 公司債券年度報告的內容與格式》) and the Shanghai Stock Exchange, Huarong Rongde Asset Management Co., Ltd. (“**Huarong Rongde**”), a subsidiary of the Company and as the issuer of the Bonds, is required to disclose the 2020 Annual Report on Corporate Bonds of Huarong Rongde Asset Management Co., Ltd., the Summary of 2020 Annual Report on Corporate Bonds of Huarong Rongde Asset Management Co., Ltd. and the Audited Financial Statements of Huarong Rongde Asset Management Co., Ltd. for the year ended 31 December 2020 (the “**Huarong Rongde Financial Statements**”) by 30 April 2021 on the website of the Shanghai Stock Exchange and ChinaBond.com.cn, and the contents thereof were attached to this announcement. For the avoidance of doubt, the “**Company**” mentioned in the abovementioned reports and financial statements refers to Huarong Rongde.

Huarong Rongde Financial Statements accompanying with this announcement were prepared in accordance with generally accepted PRC accounting standards and have been audited by Ernst & Young Hua Ming (LLP) (the auditor of Huarong Rongde).

**Shareholders and potential investors of the Company 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  
28 April 2021

*As at the date of this announcement, the Board comprises Mr. WANG Zhanfeng and Mr. WANG Wenjie as executive directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping, Mr. XU Nuo and Mr. ZHOU Langlang as non-executive directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive directors.*

**Annual Report on Corporate Bonds 2020**  
**Huarong Rongde Asset Management Company Limited**

April 2021

### **Important Notice**

The directors and senior management of the Company have signed written comments on the Annual Report. The Company's Board of Supervisors (if any) has provided written comments on review and approval of the Annual Report, and the Supervisors have signed the Written Comments.

The Company and its directors, supervisors, and senior management shall guarantee that the contents of the Annual Report are true, accurate, and complete, and free of false records, misleading statements, or major omissions, and that they would bear resulting legal liabilities.

Ernst & Young Hua Ming LLP issued an auditor's report with standard unqualified opinions for the Company.

### **Significant Risk Prompts**

The investors shall, while assessing and purchasing the current bond, think over various risk factors that may adversely affect the current bond's reimbursement, bond value judgment, and investor protection, and carefully and thoroughly read the chapters related to "Risk Factors" in the Prospectus.

As of 31 December 2020, there was no significant change in the risk factors that have impacts on the Company compared to those described in Chapter II Risk Factors of the Prospectus.

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## Interpretations

Issuer/the Company/Rongde/Huarong Rongde	Huarong Rongde Asset Management Company Limited
Controlling Shareholder/Huarong Group/China Huarong	China Huarong Asset Management Co., Ltd.
CCC2	Cathay Capital Company (No.2) Limited
Actual Controller/Ministry of Finance	the Ministry of Finance of the People's Republic of China.
CSRC	China Securities Regulatory Commission
Bonding Registration and Hosting Organization/Settlement Company/Registration Agency	Shanghai Branch of China Securities Depository and Clearing Corporation Limited
SSE	Shanghai Stock Exchange
Articles of Association	Articles of Association of Huarong Rongde Asset Management Company Limited
The Company Law	the Company Law of the People's Republic of China
The Securities Law	the Securities Law of the People's Republic of China
The Administrative Measures	the Administrative Measures on the Issuance and Trading of Corporate Bonds
Standby Commitment	an underwriting way in which the Lead Underwriter is entrusted to sell the current bond, undertake relevant issuance risks, and purchase the bond balance after the expiry of the issuance period in accordance with the underwriting obligations stipulated in the Underwriting Agreement
Special Asset Investment	the asset investment whose value has been underestimated, which can be divided into the investment into special security asset, special credit asset, special equity asset, or other special assets based on the investment objectives
Mezzanine Investment	a flexible investment between equity investment and creditor's rights investment, maximizing their advantages to the fullest
Interest-bearing Year	the period starting on a value date and ending on the previous natural day of the next value date during the life of the bond
Transaction Date	the normal transaction date of the Shanghai Stock Exchange
Legal Holiday/Rest Day	the legal holiday or rest day in the People's Republic of China (excluding that of Hong Kong Special Administrative Region, Macao Special Administrative Region, and Taiwan)
CNY	the official currency of the People's Republic of China

## Chapter I Profiles of the Company and Relevant Intermediaries

### I Basic Information of the Company

Chinese Name	華融融德資產管理有限公司
Chinese Abbreviation	華融融德
English Name (if any)	Huarong Rongde Asset Management Company Limited
English Abbreviation (if any)	RDAMC
Legal representative:	Wu Kunda
Registered address	Suite B115, Wing 2, No.99 Kechuang 14th Street, Beijing Economic and Technological Development Zone, Beijing
Office address	Floor 9, Excel Building, No. 6 Wudinghou Street, Xicheng District, Beijing
Postal code of office address	100033
Company website	<a href="http://www.rongdeamc.com.cn">http://www.rongdeamc.com.cn</a>
E-mail	<a href="mailto:dingning@chamc.com.cn">dingning@chamc.com.cn</a>

### II Person in Charge of Information Disclosure

Name	Ren Ming
Title Type	Senior Management
Specific Title of Person in Charge of Information Disclosure	Assistant General Manager
Contact address	Floor 9, Excel Building, No. 6 Wudinghou Street, Xicheng District, Beijing
Tel	010-59400239
Fax	010-59400399
E-mail	<a href="mailto:renming@chamc.com.cn">renming@chamc.com.cn</a>

### III Website and Preparation Site of Information Disclosure

Please log on to the websites of trading venues on which the Annual Report is released, namely,	<a href="http://www.sse.com.cn">www.sse.com.cn</a> and <a href="http://www.chinabond.com.cn">www.chinabond.com.cn</a>
Preparation Site of the Annual Report	Floor 9, Excel Building, No. 6 Wudinghou Street, Xicheng District, Beijing



#### IV Changes in the Controlling Shareholders and the Actual Controllers during the Reporting Period

Name of the Controlling Shareholder at the End of the Reporting Period: China Huarong Asset Management Co., Ltd.

Name of the Actual Controller at the End of the Reporting Period: The Ministry of Finance of the People's Republic of China

Changes in the Information of the Controlling Shareholder and the Actual Controller: None

#### V Changes in Directors, Supervisors, and Senior Management during the Reporting Period

☒ Changes occurred ☐ No changes occurred

As of the end of 2019, basic information of the Issuer's Directors, Supervisors, and Senior Management is shown below:

Name	Gender	Current Title	Tenure
Wu Kunda	Male	Chairman	Three years
Maria Chang	Female	Vice-Chairman	Three years
Huang Chunyu	Male	Director, Deputy General Manager (Moderator)	Three years
Robert Petty	Male	Director	Three years
Xu Jingfan	Male	Director	Three years
Liu Fengwei	Male	Full-time Director	Three years
Guo Zhihai	Male	Full-time Director	Three years
Yang Yongzheng	Male	Full-time Director	Three years
Cao Lei	Male	Director, Chief Risk Officer (Deputy General Manager)	Three years
Cheam Heng Jien	Male	Supervisor	Three years
Liang Jianru	Male	Supervisor	Three years
Li Jingfeng	Male	Deputy General Manager	Three years
Yan Wencong	Male	Assistant General Manager	Three years
Yuan Xiaolong	Male	Assistant General Manager	Three years
Ren Ming	Female	Assistant General Manager	Three years

As of the end of 2020, basic information of the Issuer's Directors, Supervisors, and Senior Management is shown below:

Name	Gender	Current Title	Tenure
Wu Kunda	Male	Chairman	Three years
Maria Chang	Female	Vice-Chairman	Three years

Huang Chunyu	Male	Director, General Manager	Three years
Robert Petty	Male	Director	Three years
Zou Yibin	Male	Director	Three years
Liu Fengwei	Male	Full-time Director	Three years
Guo Zhihai	Male	Full-time Director	Three years
Yang Yongzheng	Male	Full-time Director	Three years
Cao Lei	Male	Director, Chief Risk Officer (Deputy General Manager)	Three years
Cheam Heng Jien	Male	Supervisor	Three years
Liang Jianru	Male	Supervisor	Three years
Li Jingfeng	Male	Deputy General Manager	Three years
Yan Wencong	Male	Assistant General Manager	Three years
Yuan Xiaolong	Male	Assistant General Manager	Three years
Ren Ming	Female	Assistant General Manager	Three years
Wang Cheng	Male	Assistant General Manager	Three years

## VI Information on the Intermediaries

### (I) Accounting Firm issuing the Auditor's Report

Name	Ernst & Young Hua Ming LLP
Office address	Level 16, Ernst & Young Tower, Oriental Plaza, No.1 East Changan Ave., Dongcheng District, Beijing
Certified public accountants	Zhang Fan, Liu Qing

### (II) Trustee/Creditor's Rights Agent

Bond code	145787, 166330, 166942, 175662
Bond abbreviation	17 融德 02, 20 融德 01, 20 融德 03, 21 融德 G2
Name	China Securities Co., Ltd.
Office address	Floor 2, Tower B, Metro World Center, No. 2 Chaonei Street, Dongcheng District, Beijing
Contact	Wang Sen, Wang Huijie
Tel.	010-65608411

### (III) Credit Rating Agency

Bond code	175662
Bond abbreviation	21 融德 G2
Name	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
Office address	Floor 13, Huasheng Building, No. 398 Hankou Road, Shanghai

**VII Changes in Intermediaries**

NA

**Chapter II Corporate Bond Matters****I Basic Information of the Bond**

Unit: CNY 100 million

1. Bond Code	145787	166330	166942	175662
2. Bond Abbreviation	17 融德 02	20 融德 01	20 融德 03	21 融德 G2
3. Bond Name	RDAMC Corporate Bond in a Private Placement in 2017 (Phase II)	RDAMC Corporate Bond in a Private Placement in 2020 (Phase I) (Grade I)	RDAMC Corporate Bond in a Private Placement in 2020 (Phase II)	RDAMC Corporate Bond to Professional Investors in 2021 (Phase I) (Grade II)
4. Issuance Date	17 October 2017	19 March 2020	3 June 2020	25 January 2021
5. Whether Put Provisions are Available or Not	Yes	Yes	Yes	Yes
6. Recent Put-back Date	17 October 2021	19 March 2022	3 June 2022	25 January 2023
7. Maturity Date	17 October 2022	19 March 2026	3 June 2026	25 January 2024
8. Bond Balance	4.10	5.00	8.50	9.00
9. Coupon Rate (%) as of the End of the Reporting Period	5.40	4.70	4.65	5.00
10. Repayment of Principal and Interest	The bond interest is calculated based on the simple interest method but not the compound interest method. The interest is paid annually, while the principal is repaid on the maturity date; the last installment of interest is	The bond interest is calculated based on the simple interest method but not the compound interest method. The interest is paid annually, while the principal is repaid on the maturity date; the last installment of interest is	The bond interest is calculated based on the simple interest method but not the compound interest method. The interest is paid annually, while the principal is repaid on the maturity date; the last installment of interest is	The bond interest is calculated based on the simple interest method but not the compound interest method. The interest is paid annually, while the principal is repaid on the maturity date; the last installment of interest is

	paid together with the principal	paid together with the principal	paid together with the principal	paid together with the principal
11. Trading Venue for the Listing or Transfer	Shanghai Stock Exchange	Shanghai Stock Exchange	Shanghai Stock Exchange	Shanghai Stock Exchange
12. Investor Suitability Arrangement	Bond Traded with Qualified Institutional Investors	Bond Traded with Qualified Institutional Investors	Bond Traded with Qualified Institutional Investors	Bond Traded with Qualified Investors
13. Interest Payment during the Reporting Period	During the Reporting Period, the interest for the bond was paid on 17 October 2020	During the Reporting Period, no interest for the bond was due and payable. The interest for the bond was paid on 19 March 2021	During the Reporting Period, no interest for the bond was due and payable	During the Reporting Period, no interest for the bond was due and payable
14. Triggering and Implementing the Option of Adjustment of Coupon Rate during the Reporting Period	Not triggered during the Reporting Period	Not triggered during the Reporting Period	Not triggered during the Reporting Period	Not triggered during the Reporting Period
15. Triggering and Implementing the Option of Selling Back of the Investors during the Reporting Period	Not triggered during the Reporting Period	Not triggered during the Reporting Period	Not triggered during the Reporting Period	Not triggered during the Reporting Period
16. Triggering and Implementing the Option of Redemption of the Issuer during the Reporting Period	NA	NA	NA	NA
17. Triggering and Implementing the Exchange Option of Exchangeable Creditor's Rights during the Reporting Period	NA	NA	NA	NA
18. Triggering and Implementing Other Special Provisions during the Reporting Period	NA	NA	NA	NA

## II Usage of Raised Funds

Unit: CNY 100 million

Bond Code: 145787

Bond abbreviation	17 融德 02
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The operation of the special account for the funds raised	Operation Criteria for Dedicated Account
Total Funds Raised	15
Closing Balance of Raised Funds	0
Amount Consumed and Usage of Raised Funds and Performance Procedures During the Reporting Period	Approval Procedures for the Issuer and Its Subsidiaries to Supplement Circulating Funds, Repay Corporate Debts, and Perform Corporate Financial Systems
Whether the Raised Funds Have Been Illegally Used, and How It is Rectified (if any)	NA

Unit: CNY 100 million

Bond Code: 166330

Bond abbreviation	20 融德 01
The operation of the special account for the funds raised	Operation Criteria for Dedicated Account
Total Funds Raised	5
Closing Balance of Raised Funds	0
Amount Consumed and Usage of Raised Funds and Performance Procedures During the Reporting Period	Approval Procedures to Supplement Circulating Funds and/or Repay Corporate Debts, and Perform Corporate Financial Systems
Whether the Raised Funds Have Been Illegally Used, and How It is Rectified (if any)	NA

Unit: CNY 100 million

Bond Code: 166942

Bond abbreviation	20 融德 03
The operation of the special account for the funds raised	Operation Criteria for Dedicated Account
Total Funds Raised	8.5
Closing Balance of Raised Funds	0
Amount Consumed and Usage of Raised Funds and Performance Procedures During the Reporting Period	Approval Procedures to Supplement Circulating Funds and/or Repay Corporate Debts, and Perform Corporate Financial Systems
Whether the Raised Funds Have Been Illegally Used, and How It is Rectified (if any)	NA

Unit: CNY 100 million

Bond Code: 175662

Bond abbreviation	21 融德 G2
The operation of the special account for the funds raised	Operation Criteria for Dedicated Account
Total Funds Raised	9
Closing Balance of Raised Funds	—
Amount Consumed and Usage of Raised Funds and Performance Procedures During the Reporting Period	Approval Procedures to Repay Corporate Debts and/or Supplement Circulating Funds, and Perform Corporate Financial Systems
Whether the Raised Funds Have Been Illegally Used, and How It is Rectified (if any)	NA

### III Credit Rating During the Reporting Period

Bond code	175662
Bond abbreviation	21G2
Credit Rating Agency	Shanghai Brilliance Credit Rating & Investors Service Co., Ltd.
Date of Issuing the Rating Report	31 December 2020
Rating Conclusion (Main Body)	AAA
Rating Conclusion (Debts)	AAA
Rating Outlook	Stable
Symbol Meanings	The Issuer has a very strong debt-servicing ability and is basically immune to the influence of an unfavorable economic environment, with a very low default risk; The bond has very high repayment potential and is basically immune to the influence of an unfavorable economic environment, with a very low default risk
Comparison with the Previous Rating Result	Remain unchanged
Influence on the Investor Suitability	NA

### IV Changes in Credit Enhancement Mechanism, Debt Repayment Plan and Other Debt Repayment Protection Measures and Their Implementations

NA

### V The Convening of Bond Holders' Meeting During the Reporting Period

NA

### VI Performance of the Trustee

China Securities Co., Ltd., the Trustee of Bonds 17 融德 02, 20 融德 01, 20 融德 03, and 21 融德 G2, in strict accordance with the Agreement on the Trusteeship of Bonds, continuously tracked the Company's credit status, management and usage of raised funds, and the repayment of principal and interest for the corporate bonds, and urged the Company to perform the obligations agreed in the Prospectus; It actively fulfilled its responsibilities as a trustee and protected the legitimate rights of bondholders.

## Chapter III Business Operation and Corporate Governance

### I Corporate Businesses and Operations

#### (I) Corporate Businesses

##### 1. Main business of the Company during the Reporting Period

As a unique asset investment and management platform co-founded by renowned financial institutions at home and abroad including China Huarong and Deutsche Bank, the Issuer is dedicated to building itself into a special asset investment platform that is designed to address

non-performing assets under China Huarong. Grounded on the traditional advantageous non-performing business, the Issuer will further scale up the huge non-performing asset business, focus on special investment opportunities, shape its own brand and develop featured businesses. The Issuer pays close attention to special asset investment opportunities and, by means of creditor's rights investment, mezzanine asset investment and equity investment, lifts dominant enterprises in relevant industries out of debt woes through asset reorganization or debt restructuring, or empowers them to achieve sustainable development and better serve the real economy by expanding production capacity, merging and acquiring or effectively enhancing the utilization rate of inefficient assets.

## 2. Major Products and Their Uses

By taking advantage of its own resource endowments, based on the stock market, centering on keywords relating to the huge non-performing asset like "problem" and "low-efficiency", the Issuer constantly seeks for the investment opportunities of reorganization, restructuring, revitalization, bailout, and relief, and enhances its investment capabilities, thus achieving high-quality development and shaping a featured brand; by means of debt restructuring, asset reorganization, business reorganization, and management reorganization, the Issuer aims to improve the clients' asset structure, management level, and operating status, create greater value, and finally exits through assignment, repurchase, listing, merger and acquisition and other ways. Funds are raised for the purposes of preventing and defusing risks, offering support for the real economy, serving the supply-side structural reform, facilitating national key development strategies, and benefiting structural transformation and upgrading and pioneering innovation. Keeping a foothold in the stock market, the Issuer proactively engages in reorganization, merger, acquisition, and inefficient asset revitalization businesses related to problematic enterprises.

## 3. Company Profile

Based on the overall strategy and positioning of China Huarong, on the one hand, the Issuer engages in special asset investments and services in coordination with the Group's non-performing asset disposal business and focuses on different types of assets whose value has been underestimated for asset purchase, reorganization, and follow-on investment; on the other hand, it further probes into non-performing assets, consumer finance, and medical health, and quickens commercial asset purchase, investment, and active management. After the investment, the Issuer improves asset structure, enhances management capability and operating status, and creates greater value through debt restructuring, asset reorganization, business reorganization, and management reorganization, and finally exits through assignment, repurchase, listing, merger, acquisition, and other ways.

During the Reporting Period, based on the current supervision and market status, the Issuer develops the business guidance principle of improving asset quality, places emphasis on the adjustment of business structure, imposes a restriction on the resources allocated to the traditional real estate projects, and vigorously expands the markets encouraged by national policies.

### (1) Actively developing financial service products centering on huge non-performing asset

Firstly, resolutely perform the functions of state-owned enterprises, fully implement various decisions and deployments of the Central Government, provide support for the development of the real economy, steadily advance the work of "Six Stabilizations", completely fulfill the tasks of "Six Guarantees", and deliver comprehensive financial services for strengthening the people's livelihood, employment, and supply chain, helping enterprises to solve actual problems, facilitate stable resumption of work and restore the order of life. Secondly, implement reorganization on distressed assets of the institutions in plight so as to get them out of the trouble and become revitalized. Thirdly, on the premise of not increasing corporate liabilities, provide liquidity support where the funds are used for repaying financial debts. Fourthly, engage in special opportunistic investments and properly lower corporate leverage.

## (2) Actively locate clients burdened with a huge non-performing asset

Firstly, by partnering with prestigious leading enterprises in the industry, vigorously render services like mergers and acquisitions, problematic enterprise restructuring, disposal of foreclosure assets, and other similar businesses. Secondly, by cooperating with premium listed companies and private equity firms, propel its visibility in the medical health field, and further serve the real economy. Thirdly, take the initiative to practice the three-year action plan for reforms of state-owned enterprise prospectively and systematically, and promote the cooperation with outstanding state-owned enterprises in terms of separation of primary and secondary businesses, supply chain finance, liabilities management, and other similar fields.

## (3) Actively explore non-real estate industries

In terms of target industries, following the principles of "research first, progressive entry", on the basis of expanding the businesses in the medical industry, the Company also vigorously explore non-real estate industries including food, energy, and mass consumption, so as to reduce the concentration risk. Judging by industry, the proportion of the real estate industry shrinks, while non-real estate industries tend to step up progressively.

## 4. Competitive advantages of the Issuer

Compared with various investing enterprises and financial institutions, the Company boasts three competitive edges:

Firstly, realize win-win cooperation with key accounts through tailored transaction structure. The Company makes individualized investments to the clients with great potential and obtains higher returns on investment than the average level by capturing special investment opportunities and designing a win-win transaction structure.

Secondly, professional and experienced investment and management teams. Having accumulated years of industry experience, our teams are able to achieve full-process risk control by all employees through systematic quantitative analytics and sufficient and detailed due diligence; with a history of more than ten years, the Company has been yielding fruitful results while maintaining a low-risk development trend and enhancing its sustainability.

Thirdly, positive and consistent internal and external comments. Through its unremitting efforts, the Company has won a series of honors within the system and was also highly acclaimed by external investors. Internally, it once won the honorary titles of "Huarong System Major Income Contributor", "Huarong System Innovation & Progress Award", "Huarong System Market Expansion Award" and "Huarong System Best Direct Investment Team"; externally, the Company was assigned AAA credit rating by Shanghai Brilliance Credit Rating & Investors Service Co., Ltd. In March 2019, the Company issued CNY 6 billion corporate bonds in full in a private placement, ranking Top 3 among all issuers of the same grade in terms of scale in 2019, demonstrating the market's recognition for and trust in the Company.

## 5. The Issuer's business policies and strategies

Guided by its strategic plans, the Issuer steadfastly pursues business development, seeks for a dynamic balance between scale and revenue, compliance and development, risk and profit, stock and increment, and resort to rational planning for maintaining reasonable growth rate and contributing to high-quality development.

Firstly, stick to strategic implementation and dynamic management. Guided by the three-year strategic plan, the Issuer adheres to the principle of "sketching a blueprint to the end", pursues sustainable development, upholds its functions and positioning, expands the business operations of huge non-performing asset, develops overall deployment strategically, and identifies targeted solutions tactfully.

Secondly, further the development of main business. Keeping a foothold in the stock market, the Issuer also pursues the goals of "compliance", "safety" and "benefits". Focusing on the depth and



breadth of businesses, the Issuer strives to make breakthroughs in terms of product modes and build a full chain of "value discovery, value reshaping, and value increase". To make full use of distressed assets of highly potential enterprises, with their quality assets as the enabler to achieve breakthrough, the Issuer pays close attention to problematic assets, problematic projects, problematic enterprises, and problematic institutions, and constantly captures business opportunities like the bailout of listed companies, the mixed restructuring of state-owned enterprises and special opportunistic investments. Moreover, it also fully discovers the value and potential of problematic assets and problematic institutions, enhances asset disposal ability, and collaborates with advantageous leading enterprises to discover and increase the value of problematic assets and enterprises through reorganization, restructuring, and revitalization, etc.

Thirdly, expand liabilities management. The Issuer continues to deepen a dynamic balance between assets and liabilities with liquidity management as the focus, thus giving play to perceptual guarantee and appropriate guidance of liabilities business for asset business. Furthermore, the Issuer also continues to strengthen the management on the quantity and quality of liabilities in terms of rhythm, scale, costs, period, and compliance.

Fourthly, optimize key account management. Upholding the client-centered principle, based on a timely grasp of the client's needs, pain points, and difficulties, the Issuer continues to maintain and expand leading enterprises and highly potential clients, makes use of the innovative results of the industry, the client, and the product, and diversify product toolkits, so as to solve actual difficulties, provide featured services and constantly enhance customer loyalty.

Fifthly, strengthen innovative practices of businesses. The Issuer establishes an innovative work framework with the product, client, and industry as the grippers.

## **(II) Future Prospects of the Company**

In the coming years, the Issuer will continue to expand huge non-performing asset businesses and shape a featured brand based on its traditional advantageous non-performing business. Moreover, focusing on special opportunistic investments to expand the business, the Issuer specializes in huge non-performing asset business, shapes a powerful featured brand, and becomes a market subject of "powerful party building, prominent primary business, high financial soundness, controllable risks, effective transformation, standardized management, and strict discipline", as well as a professional service provider centering on special opportunistic investments in China.

### **II New significant investment of the Company for the current year**

☐Yes ☒N/A

### **III Whether there is a serious violation when doing business with key accounts**

☐Yes ☒N/A

## **IV Corporate Governance**

### **(I) Whether the independence of the Company relative to the Controlling Shareholders or its independent operations cannot be guaranteed:**

☐Yes ☒No

The independence of the Company relative to the Controlling Shareholders in business, personnel, assets, institutions, and finances is shown below:

#### **1. The Issuer is independent in business**

The Issuer's current business is dominated by creditor's rights and equity investments. The Issuer sets up an indispensable Business Management Department responsible for business operations. The business management system is independent of the Controlling Shareholders, Actual Controllers, and their controlling enterprises; moreover, there is no direct competition or unfair related party transactions between the Issuer and its Controlling Shareholders, Actual Controllers, or their controlling enterprises. Therefore, the Issuer is independent in business.

## 2. The Issuer boasts independent and complete assets

None of the funds of the Issuer has been occupied by the Controlling Shareholders, Actual Controllers, and their controlling enterprises in the name of borrowing, debt repayment, entrusted payment, or other excuses, or has been embezzled for providing guarantee for the Controlling Shareholders or Actual Controllers. Moreover, other assets of the Issuer are also not occupied.

## 3. The Issuer is independent in personnel

According to the Articles of Association, the Issuer's Board of Directors consists of 9 directors, among which 6 directors are appointed by China Huarong, and the remaining 3 ones are designated by CCC2. With a total of 9 directors, the tenure for each director lasts for 3 years, but each director can only be dismissed at any time by the original appointing party and be replaced by a newly commissioned one. The Company's management consists of 1 General Manager, 1 Deputy General Manager, 1 Financial Director, 1 Chief Auditor, and 1 Assistant General Manager. The Issuer independently hires employees, signed labor contracts with them in accordance with applicable laws, and independently pays salaries to them. The Issuer is fully independent in labor, personnel, and salary management.

## 4. The Issuer is independent in institutions

The Issuer does not set up the Board of Shareholders. The Board of Directors is the institution with the highest authority within the Company, while the Board of Directors and the Board of Supervisors serve as corporate governance structures with separated functions of decision-making, supervision, and implementation. The Issuer has defined clear responsibilities for the Board of Directors and the Board of Supervisors; there is also a clear segregation of duties between the Board of Directors and the Managers: the Board of Directors will perform its decision-making obligation based on the authorization of the shareholders, while the Managers are responsible for implementing effective control over the Company's business management; the Board of Supervisors takes charge of supervising the performance of the decision-makers and the managers. The Issuer assigns different tasks to different departments and designs a complete management system and coherent international management system. Its organizations and internal business management institution are set in accordance with legitimate procedures and are independent of the Controlling Shareholders, Actual Controller, and their controlling enterprises. There is no mixed institution.

## 5. The Issuer is financially independent

The Issuer sets up an independent Finance Department and establishes an independent financial accounting system that allows it to make independent financial decisions. Furthermore, it is also equipped with a standardized financial accounting system and financial management system. The Issuer opens an independent bank account for independent accounting and is able to declare and pay taxes independently.

### (II) Whether there is an illegal guarantee for the Controlling Shareholders, Actual Controllers, or their related parties

☐Yes ☒No

### (III) Whether the Company's governance structure or internal control is inconsistent with the Company Law or the Articles of Association

☐Yes ☒No

### (IV) Whether the Issuer has violated any agreement or promise made in the Prospectus during the Reporting Period

☐Yes ☒No

## V Non-operating Intercourse Funds or Money Lending

### 1. Whether there are any non-operating intercourse funds or money lending during the Reporting Period:

☐Yes ☒No

### 2. Whether the non-operating intercourse funds and money lending unrecovered at the end of

the Reporting Period exceed 10% of the net assets of the combination

☐Yes ☒No

## Chapter IV Financial Information

### I Auditing of financial statements

☒Standard unqualified opinions ☐Others

### II Changes in accounting policies, accounting estimates, and corrections of previous major errors

☐Yes ☒NA

### III Major accounting data and financial indicators

#### (I) Major accounting data and financial indicators (including but not limited to)

Unit: CNY 100 million

No.	Item	Closing Balance of the current period	Closing Balance of the previous period	Variation (%)	Please give an explanation in case of a variation greater than 30%
1	Total assets	243.56	251.99	-3.35	NA
2	Total liabilities	185.22	195.91	-5.46	NA
3	Net assets	58.34	56.08	4.03	NA
4	Net asset attributable to the shareholders of the parent company	58.34	56.08	4.03	NA
5	Assets-Liabilities Ratio (%)	76.05	77.75	-2.19	NA
6	Assets-liabilities ratio (%) after deducting goodwill and intangible assets	76.05	77.75	-2.19	NA
7	Current ratio	0.60	0.97	-38.14	The Issuer improved the utilization efficiency of the funds and reduced its money management and investments
8	Quick ratio	0.60	0.97	-38.14	The Issuer improved the utilization efficiency of the funds and reduced its money management and investments
9	Cash and cash equivalents at end of the year	15.14	29.79	-49.18	The Issuer enhanced the cash management efficiency, and the

No.	Item	Closing Balance of the current period	Closing Balance of the previous period	Variation (%)	Please give an explanation in case of a variation greater than 30%
					closing cash balance was lowered down a bit

No.	Item	The current period	Amount in the same period last year	Variation (%)	Please give an explanation in case of a variation greater than 30%
1	Operating income	17.32	29.68	-41.64	The operating income for the previous period included that of the Issuer's wholly-owned subsidiary Huarong Rongde (Hong Kong), but its operating income was no longer included in the consolidated financial statements during the current period
2	Operating cost	12.49	22.18	-43.69	The operating cost for the previous period included that of the Issuer's wholly-owned subsidiary Huarong Rongde (Hong Kong), but its operating cost was no longer included in the consolidated financial statements during the current period
3	Total profits	5.76	7.85	-26.62	NA
4	Net profits	4.11	5.02	-18.13	NA
5	Net profits after deducting non-recurring profit and loss	3.42	4.76	-28.15	NA
6	Net profits attributable to the shareholders of the	4.11	3.74	9.89	NA

	parent company				
7	Earnings before interest, tax, depreciation, and amortization (EBITDA)	15.49	28.28	-45.23	The EBITDA for the previous period included that of the Issuer's wholly-owned subsidiary Huarong Rongde (Hong Kong), but its EBITDA was no longer included in the consolidated financial statements during the current period
8	Net cash flows arising from operating activities	-13.66	-4.21	224.34	The cash inflow from the net decrease in financial assets held for trading was less than that in the same period last year
9	Net cash flows arising from investment activities	26.24	32.71	-19.80	NA
10	Net cash flows arising from financing activities	-27.20	-31.68	-14.14	NA
11	Accounts receivable turnover	—	—	—	NA
12	Inventory turnover	—	—	—	NA
13	EBITDA debt ratio	0.08	0.14	-42.86	EBITDA for this year was reduced slightly due to the above reasons, but the two-year indicator "All Liabilities" just included those of Huarong Rongde in China Mainland, so this indicator may be lowered a bit
14	Interest protection multiples	1.61	1.39	15.83	NA
15	Cash interest protection multiples	-0.28	0.93	-130.11	The interest expenses for the previous period included that of the Issuer's wholly-owned subsidiary Huarong Rongde (Hong Kong), but

					its interest expenses were no longer included in the consolidated financial statements during the current period, so this indicator was optimized a bit
16	EBITDA interest multiples	1.65	1.39	18.71	NA
17	Loan repayment ratio (%)	100.00	100.00	—	NA
18	Interest repayment ratio (%)	100.00	100.00	—	NA

Note 1: Non-recurring profit and loss refer to the profit and loss arising out of various transactions and matters that are not directly related to the Company's normal business or are correlated with the normal business but with special nature and occasionally occurring, thus affecting the statements users' normal judgment of the Company's business performance and profitability. Please see details in Non-recurring Profit and Loss (2008), No. 1 of Explanatory Announcement on Information Disclosure Regarding the Issuance of Corporate Securities.

Note 2: EBITDA = EBIT+ depreciation expenses + amortization fees

## (II) The underlying reason for the changes in major accounting data and financial indicators

See the table above for more details about the changes.

## IV Information on Assets

### (I) Major assets and their changes

Unit: CNY 100 million

Asset item	Closing balance	Closing balance of the previous period or the closing balance at the end of the reporting period given in the Prospectus	Variation (%)	Please give an explanation in case of a variation greater than 30%
Cash and cash at banks	15.32	30.38	-49.57	The Issuer enhanced the cash management efficiency, and the closing cash balance was lowered down a bit
Financial assets held for trading	38.20	60.14	-36.48	The Issuer improved the utilization efficiency of the funds and reduced its money management and investments
Debt investments	169.66	95.60	77.47	The Issuer made more new creditor's rights investments during the Reporting

Asset item	Closing balance	Closing balance of the previous period or the closing balance at the end of the reporting period given in the Prospectus	Variation (%)	Please give an explanation in case of a variation greater than 30%
				Period compared to that of the previous period
Long-term equity investments	13.02	60.21	-78.38	Some long-term equity investments of the Issuer became mature during the Reporting Period
Total assets	243.56	251.99	-3.35	NA

**(II) Asset restrictions**

√Yes □NA

Total amount (book value) of restricted assets: CNY18,000,000

As of the end of December 2020, the book value of margin deposits made by the Issuer for the purpose of obtaining short-term borrowings was CNY 18,000,000.00. The aforementioned restricted fund amounted to CNY 18,000,000.00.

**V Information on Liabilities****(I) Major liabilities and their changes**

Unit: CNY 100 million

Liabilities items	Closing balance	Closing balance of the previous period or the closing balance at the end of the reporting period given in the Prospectus	Variation (%)	Please give an explanation in case of a variation greater than 30%
Short-term borrowings	88.55	92.14	-3.90	NA
Long-term borrowings	15.43	24.65	-37.41	Repaid some long-term borrowings in advance
Bonds payable	73.22	76.11	-3.80	NA
Total liabilities	185.22	195.91	-5.46	NA

**(II) Whether the Issuer has been burdened with any undue or due but not fully-paid overseas liabilities during the reporting period**

□Yes √NA

**(III) Whether the Issuer has been found with any new overdue interest-bearing debt with an amount of CNY 10,000,000 during the Reporting Period**

□Yes √No

**(IV) Progress of overdue interest-bearing debt during the previous reporting period**

NA

**(V) Prioritized repayment of liabilities against any third person as of the end of the Reporting Period**

NA

**(VI) Bank credit information**

As of the end of December 2020, the Issuer has obtained the following bank credit:

Unit: CNY 100 million

No.	Credit Bank	Credit Limit	Remaining Credit Limit Available
1	Industrial & Commercial Bank of China	45.00	25.00
2	Agricultural Bank of China	10.00	7.30
3	China Construction Bank	25.00	23.00
4	Bank of China	10.20	10.20
5	Bank of Communications	10.00	10.00
6	China Minsheng Bank	10.00	10.00
7	China Merchants Bank	0.50	0.50
8	Huaxia Bank	8.00	0.01
9	China Zheshang Bank	4.00	0.00
10	Shanghai Pudong Development Bank	5.00	0.00
11	Bank of Jiangsu	18.00	8.00
12	Bank of Nanjing	7.00	7.00
13	Bank of Hangzhou	1.00	1.00
14	Beijing Rural Commercial Bank	8.00	8.00
15	China Resources Bank of Zhuhai	8.00	1.30
16	Bank of Tianjin	5.00	5.00
17	Hana Bank	1.40	1.40
18	Bank of Beijing	10.00	8.36
19	Bank of Shanghai	10.00	2.20
20	Industrial Bank	10.00	0.00
21	China Bohai Bank	10.00	10.00
22	Wing Lung Bank	3.00	3.00
23	China CITIC Bank	5.00	2.50
24	Bank of Dalian	8.00	2.40
25	Weihai City Commercial Bank	12.00	6.00
26	Leshan Bank	10.00	10.00
27	China Guangfa Bank	8.00	5.15
28	Ningbo Commerce Bank	3.00	3.00
29	Xiangjiang Bank	6.00	6.00
30	Suining Bank	1.50	1.50
31	Hengfeng Bank	7.50	3.00
32	Fubon Bank	4.00	4.00
33	Bank of East Asia	5.00	0.00
	<b>Total</b>	<b>289.10</b>	<b>184.82</b>

**VI Sources of Profits and Other Gains and Losses**

Total Non-recurring Gains and Losses during the Reporting Period: CNY 92,000,000

During the reporting period, the major change in the Company's profit composition or profit sources comes from non-primary businesses.

☐ Yes ☒ No**VII External Guarantees**

Balance of External Guarantees at the End of the Reporting Period: CNY 0.00



Change in the Company's External Guarantee during the Reporting Period: CNY 0.00

Whether the total external guarantees completed and uncompleted exceed more than 30% of the net assets at the end of the reporting period: ☐Yes ☒No

## Chapter V Major Matters

### I Matters Relating to Major Litigations, Arbitrations and Major Administrative Penalties

☒Yes ☐No

Case	Case Progress	Principal Involved (Unit: CNY 10,000)	Whether to Constitute Expected Liabilities	Influence on the Company's Business Operations and Debt-servicing Ability
Debt Dispute between Shanghai Yuanmou Real Estate Co., Ltd. and the Company	The Debtor has undergone liquidation procedures and the Administrator would auction the Debtor's bankruptcy property. In the future, the Issuer will continue to actively communicate with the Bankruptcy Court and the Bankruptcy Administrator about the disposal of assets and exercise the priority of compensation for the collateral	110,000.00	No	It did not cause a great impact
Debt Dispute between Hanergy Dezhou Photovoltaic Power Generation Co., Ltd. and the	The Case has entered enforcement by the Court, and the Debtor's bank accounts and major assets	21,868.54	No	It did not cause a great impact

Company	have been sealed up and frozen			
Debt Dispute between Tahoe Investment Group Co., Ltd. and the Company	The Case has entered enforcement by the Court, and the Debtor's bank accounts and some equity assets have been sealed up and frozen	248,000.00	No	It did not cause a great impact
Debt Dispute with Shenzhen Kuaige Internet Technology Co., Ltd.	The Case has entered enforcement by the Court, and the Issuer has submitted an application to the Court to request that Debtor's bank accounts and major assets should be sealed up and frozen	16,500.00	No	It did not cause a great impact

## II Bankruptcy Matters

☐Yes ☒N/A

## III Investigations by Judicial Authorities

☐Yes ☒N/A

## IV Information Disclosure on Other Major Matters

Major Matters	Yes/No	Date of disclosure	Latest Progress	Influence on the Company's Business Operations and Debt-servicing Ability
There was a significant change in the Issuer's business policies, business scope or external production, and business conditions	No			
There was a	No			

change in the bond credit rating				
The Issuer's major assets have been sealed up, seized, or frozen	No			
The Issuer was caught in any default that would lead to its inability to repay the debts	No			
The Issuer's new cumulative loans or external guarantees have exceeded more than 20% of net assets at the end of the previous period	No			
The debts or property given up by the Issuer have exceeded more than 10% of net assets at the end of the previous period	No			
The Issuer has suffered major losses which exceeded more than 10% of net assets at the end of the previous period	No			
The Issuer has made a decision to reduce its capital, seek for a merger, a division, or a dissolution	No			
There was a major change in Guarantor, the collateral, or other repayment guarantee measures	No			
There was a	No			

major change in the Issuer that might make it disqualified for the bond listing				
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In accordance with the Resolution of the 12th Extraordinary Meeting of Huarong Rongde's Board of Directors in 2020, Mr Huang Chunyu was appointed as the General Manager with a tenure of three years. The above matter has been announced on the SSE website on 16 December 2020.

## Chapter VI Other Matters that Should be Disclosed for Special Grades of Bonds

### I. The Issuer is a convertible bond issuer

☐ Yes ☒ VNA

### II. The Issuer is a non-listed issuer of convertible corporate bond in a private placement

☐ Yes ☒ VNA

### III. The Issuer is a corporate bond issuer for the Belt and Road, environmental protection, poverty alleviation, and bailout

☐ Yes ☒ VNA

### IV. The Issuer is an extendable corporate bond issuer

☐ Yes ☒ VNA

### V. Matters on Other Special Grades of Bonds

NA

## Chapter VII Other Matters that Should be Disclosed According to the Issuer

NA

## **Chapter VIII Catalogue of Documents for Reference**

**I. Financial statements with signatures and seals of the person-in-charge of the Company, person-in-charge of accounting work, the Head of the accounting agency (accounting manager);**

**II. Original of the auditor's report with the seal of an accounting firm, signature, and seal of certified public accountants (if any);**

**III. Originals of all documents of the Company and manuscripts of announcements publicly disclosed at designated websites of CSRC during the reporting period;**

**IV. Annual reports and annual financial information disclosed to the public based on the requirements of other regulators and trading venues at home and abroad.**

**(Below is intentionally left blank)**



## Financial Statements

### Attachment I: Financial Statements of the Issuer

#### Consolidated Balance Sheet

31 December 2020

Prepared by: Huarong Rongde Asset Management Company Limited

Unit: CNY Currency: RMB

Item	31 December 2020	31 December 2019
<b>Current assets:</b>		
Cash and cash at banks	1,532,000,594.05	3,038,093,248.74
Settlement provision	-	-
Due from banks and other financial institutions	-	-
Financial assets held for trading	3,820,105,939.12	6,014,327,207.87
Financial assets measured at fair value with changes included in the current profit and loss	-	-
Derivative financial assets	-	-
Notes receivable	-	-
Accounts receivable	-	-
Receivables financing	-	-
Prepayments	-	-
Insurance receivable	-	-
Sub-insurance receivable	-	-
Provisions of sub-insurance contracts receivable	-	-
Other Receivables	-	-
Incl: Interest receivable	-	-
Dividends receivable	-	-
Repurchasing of financial assets	-	-
Inventories	-	-
Contract assets	-	-
Assets held for sale	-	-
Non-current assets due within 1 year	-	-
Other current assets	-	-
Total current assets	5,352,106,533.17	9,052,420,456.61
<b>Non-current assets:</b>	-	-
Loans and payment on other's behalf disbursed	-	-

Debt investments	16,965,735,052.11	9,559,742,027.71
Available-for-sale financial assets	-	-
Other debt investments	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	1,301,736,457.36	6,021,277,499.67
Other equity instrument investments	-	-
Other non-current financial assets	-	-
Investment properties		106,139,838.54
Fixed assets	240,713,800.15	1,374,106.11
Project under construction	-	-
Productive biological assets	-	-
Oil and gas assets	-	-
Right-of-use assets	43,401,154.91	83,674,455.92
Intangible assets	1,491,787.66	233,158.46
Research and development costs	-	-
Goodwill	-	-
Long-term deferred expenses	519,590.67	26,731,259.13
Deferred tax assets	276,432,823.58	241,096,424.30
Other assets	174,338,824.26	106,731,907.72
Other non-current assets	-	-
Total non-current assets	19,004,369,490.70	16,147,000,677.56
Total assets	24,356,476,023.87	25,199,421,134.17
<b>Current liabilities:</b>		
Short-term borrowings	8,854,627,558.09	9,214,334,754.45
Loan from Central Bank	-	-
Placement from banks and other financial institutions	-	-
Transactional financial liabilities	-	-
Financial liabilities measured at fair value with changes included in the current profit and loss	-	-
Derivative financial liabilities	-	-
Notes payable	-	-
Accounts payable	-	-
Accounts received in advance	-	-
Contract liabilities	-	-



Selling of repurchased financial assets	-	-
Deposit received and held for others	-	-
Entrusted trading of securities	-	-
Entrusted selling of securities	-	-
Employee benefits payables	56,292,002.14	72,748,861.93
Taxes payable	77,671,770.51	28,916,855.55
Other payables	-	-
Incl: Interests payable	-	-
Dividends payable	-	-
Fees and commissions receivable	-	-
Sub-insurance payable	-	-
Liabilities held for sale	-	-
Non-current liabilities due within 1 year	-	-
Other current liabilities	-	-
Total current liabilities	8,988,591,330.74	9,316,000,471.93
<b>Non-current liabilities:</b>	-	-
Insurance contract provision	-	-
Long-term borrowings	1,542,994,864.59	2,465,302,603.48
Bonds payable	7,322,321,157.80	7,611,496,066.55
Incl: Preferred shares		
Perpetual bond		
Other liabilities	625,606,834.48	5,814,652.18
Lease liabilities	42,729,006.21	192,739,569.65
Long-term payables	-	-
Long-term employee benefits payables	-	-
Expected liabilities	-	-
Deferred income	-	-
Deferred income tax liabilities	-	-
Other non-current liabilities	-	-
Total non-current liabilities	9,533,651,863.08	10,275,352,891.86
Total liabilities	18,522,243,193.82	19,591,353,363.79
<b>Owners' equity (or Shareholders' equity)</b>		
Paid-in capital (or Share capital)	1,788,000,000.00	1,788,000,000.00
Other equity instruments	-	-
Incl: Preferred shares	-	-

Perpetual bond	-	-
Capital reserves	-	-
Less: Inventory shares	-	-
Other comprehensive income	-	-
Special reserves	-	-
Surplus reserve	722,272,393.28	685,019,434.04
Common risk provision	-	-
Retained earnings	3,323,960,436.77	3,135,048,336.34
Total owners' equity (or shareholders' equity) attributable to the parent company	5,834,232,830.05	5,608,067,770.38
Minority shareholders' equity	-	-
Total owners' equity (or shareholders' equity)	5,834,232,830.05	5,608,067,770.38
Total liabilities and owners' equity (or shareholders' equity)	24,356,476,023.87	25,199,421,134.17

Legal representative: Wu Kunda Person-in-charge of accounting work: Ren Ming Head of the accounting agency: Yang Xuemei

#### Parent Company Balance Sheet

31 December 2020

Prepared by: Huarong Rongde Asset Management Company Limited

Unit: CNY Currency: RMB

Item	31 December 2020	31 December 2019
<b>Current assets:</b>		
Cash and cash at banks	1,138,922,558.08	3,032,013,373.67
Financial assets held for trading	4,074,250,405.79	5,023,975,067.64
Financial assets measured at fair value with changes included in the current profit and loss	-	-
Derivative financial assets	-	-
Notes receivable	-	-
Accounts receivable	-	-
Receivables financing	-	-
Prepayments	-	-
Other Receivables	-	-
Incl: Interest receivable	-	-
Dividends receivable	-	-
Inventories	-	-

Contract assets	-	-
Assets held for sale	-	-
Non-current assets due within 1 year	-	-
Other current assets	-	-
Total current assets	5,213,172,963.87	8,055,988,441.31
<b>Non-current assets:</b>	-	-
Debt investments	12,858,716,070.19	9,500,420,178.14
Available-for-sale financial assets	-	-
Other debt investments	-	-
Held-to-maturity investments	-	-
Long-term receivables	-	-
Long-term equity investments	4,966,866,015.13	6,902,474,350.82
Other equity instrument investments	-	-
Other non-current financial assets	-	-
Investment properties	-	-
Fixed assets	1,212,629.33	1,373,858.61
Project under construction	-	-
Productive biological assets	-	-
Oil and gas assets	-	-
Right-of-use assets	43,401,154.91	83,674,455.92
Intangible assets	59,437.20	233,158.46
Research and development costs	-	-
Goodwill	-	-
Long-term deferred expenses	519,590.67	721,051.62
Deferred tax assets	323,045,408.74	255,525,313.48
Other assets	91,248,489.17	88,767,403.86
Other non-current assets	-	-
Total non-current assets	18,285,068,795.34	16,833,189,770.91
Total assets	23,498,241,759.21	24,889,178,212.22
<b>Current liabilities:</b>		
Short-term borrowings	8,854,627,558.09	9,214,334,754.45
Transactional financial liabilities	-	-
Financial liabilities measured at fair value with changes included in the current profit and loss	-	-
Derivative financial liabilities	-	-

Notes payable	-	-
Accounts payable	-	-
Accounts received in advance	-	-
Contract liabilities	-	-
Employee benefits payables	56,160,841.25	72,748,861.93
Taxes payable	71,939,128.62	21,542,754.48
Other payables	-	-
Incl: Interests payable	-	-
Dividends payable	-	-
Liabilities held for sale	-	-
Non-current liabilities due within 1 year	-	-
Other current liabilities	-	-
Total current liabilities	8,982,727,527.96	9,308,626,370.86
<b>Non-current liabilities:</b>	-	-
Long-term borrowings	1,542,994,864.59	2,465,302,603.48
Bonds payable	7,322,321,157.80	7,611,496,066.55
Incl: Preferred shares		
Perpetual bond	-	-
Other liabilities	1,121,672.10	894,277.29
Lease liabilities	42,729,006.21	84,040,955.93
Long-term payables	-	-
Long-term employee benefits payables	-	-
Expected liabilities	-	-
Deferred income	-	-
Deferred income tax liabilities	-	-
Other non-current liabilities	-	-
Total non-current liabilities	8,909,166,700.70	10,161,733,903.25
Total liabilities	17,891,894,228.66	19,470,360,274.11
<b>Owners' equity (or Shareholders' equity)</b>	-	-
Paid-in capital (or Share capital)	1,788,000,000.00	1,788,000,000.00
Other equity instruments	-	-
Incl: Preferred shares	-	-
Perpetual bond	-	-
Capital reserves	-	-
Less: Inventory shares	-	-
Other comprehensive income	-	-
Special reserves	-	-
Surplus reserve	722,272,393.28	685,019,434.04

Retained earnings	3,096,075,137.27	2,945,798,504.07
Total owners' equity (or shareholders' equity)	5,606,347,530.55	5,418,817,938.11
Total liabilities and owners' equity (or shareholders' equity)	23,498,241,759.21	24,889,178,212.22

Legal representative: Wu Kunda Person-in-charge of accounting work: Ren Ming Head of the accounting agency: Yang Xuemei

### Consolidated Profit Statement

From January 2020 to December 2020

Unit: CNY Currency: RMB

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
I. Total operating revenue	1,732,380,647.35	2,968,002,778.58
Incl: Operating income	-	-
Interest income	1,356,019,734.98	1,127,569,257.35
Net commission and fee net income	9,422,410.18	10,810,064.39
Insurance fee earned	-	-
Fee and commission income	-	-
Net commission and fee net income	9,422,410.18	10,810,064.39
Other operating income	9,151,543.97	35,441,398.76
II. Total operating costs	1,248,664,837.56	2,217,898,260.66
Incl: Operating cost		
Interest expenses	938,478,495.46	2,003,188,581.85
Fee and commission paid	-	-
Operating expenses	153,664,679.47	247,223,576.38
Insurance discharge payment		
Net claim amount paid		
Net provision for insurance liability		
Insurance policy dividend paid		
Sub-insurance expenses		
Other operating expenses	19,352,703.75	46,333,563.55
Tax and surcharges	5,105,998.32	4,570,024.83
Sales expenses		
Administration expenses		
R&D expenses		
Financial expenses		
Incl: Interest expense	938,478,495.46	2,003,188,581.85

Interest income		
Add: Other income	27,336.58	
Investment income ("-" for loss)	224,533,282.16	1,811,356,095.35
Incl: Income from investments in associates and joint ventures	-36,912,909.79	841,767,126.67
Derecognized earnings of financial assets measured at amortized cost		
Losses on exchange differences ("-"for loss)	-2,107,790.33	-35,215,909.73
Net exposure hedging gains ("-" for loss)	-	-
Fair value changes on financial assets ("-" for loss)	121,669,196.71	18,043,967.82
Impairment losses under expected credit loss mode ("-"for loss)	114,671,167.42	-83,417,485.95
Asset impairment losses ("-" for loss)		
Gains/(Losses) on disposal of assets ("-" for loss)	13,664,933.10	-2,095.36
Impairment losses on other assets	17,391,793.14	-
III. Operating profits ("-" for loss)	483,715,809.79	750,104,517.92
Add: Non-operating income	94,839,662.89	38,078,934.20
Less: Non-operating expenses	2,744,097.06	3,158,119.14
IV. Total profits ("-"for total loss)	575,811,375.62	785,025,332.98
Less: Income tax expenses	164,646,315.95	282,736,309.59
V . Net profits ("-"for net loss)	411,165,059.67	502,289,023.39
(I) Classification by business continuity	-	-
1. Net profits of continuous operating ("-" for net loss)	-	-
2. Net profits of business termination ("-" for net loss)	-	-
(II) Classification by attribution of the ownership	-	-
1. Net profits attributable to the owners of the parent company ("-" for net loss)	411,165,059.67	373,945,433.08
2. Minority Interests ("-" for net loss)		128,343,590.31
VI. Other comprehensive income, net of income tax		432,398,485.88

(I) Other comprehensive income attributable to the owners of the parent company, net of tax		432,398,485.88
1. Other comprehensive income items that will not be reclassified to profit or loss		12,121,389.48
(1) Changes arising from remeasurement of defined benefit plans	-	-
(2) Other comprehensive income inconvertible to profit or loss under the equity method	-	-
(3) Changes in fair value of other equity instrument investments		12,121,389.48
(4) Changes in fair value of corporate credit risk	-	-
2. Other comprehensive income items that will be reclassified to profit or loss		420,277,096.40
(1) Other comprehensive income convertible to profit or loss under the equity method	-	-
(2) Changes in fair value of other debt investments		387,825,973.04
(3) Gains or losses arising from changes in fair value of available-for-sale financial assets	-	-
(4) Amount from reclassification of financial assets recorded into other comprehensive income	-	-
(5) Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets	-	-
(6) Credit loss reserve for other debt investments		-102,667,639.90
(7) Reserves of cash flow hedges (The effective portion of cash flow hedges and losses)	-	-
(8) Differences on translation of foreign currency financial statements		19,071,334.78
(9) Amount of other debt investment transferred to current profit and loss		116,047,428.48
(10) Others	-	-
(II) Other comprehensive income (net	-	-

of tax) attributable to minority interests		
VII. Total comprehensive income	411,165,059.67	934,687,509.27
(I) Total comprehensive income attributable to the owners of the parent company	411,165,059.67	806,343,918.96
(II) Total comprehensive income attributable to the minority Interests		128,343,590.31
VIII. Earnings per share:	-	-
(I) Basic earnings per share (CNY/share)	-	-
(II) Diluted earnings per share (CNY/share)	-	-

If a business combination involving entities under common control occurs during the reporting period, the net profit realized by the combined party before the combination is CNY 23,516,414.52, and the net profits realized by the combined party in the previous period is CNY 46,960,269.71.

Legal representative: Wu Kunda Person-in-charge of accounting work: Ren Ming Head of the accounting agency: Yang Xuemei

#### Parent Company Profit Statement

From January 2020 to December 2020

Unit: CNY Currency: RMB

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
I. Operating income	1,516,269,724.91	1,886,360,206.96
Interest income	1,342,147,570.66	322,989,120.39
Net commission and fee net income	1,905,943.40	8,606,495.21
Other operating income	-	23,929,026.01
Less: Operating costs		
Tax and surcharges	4,367,451.49	2,020,880.59
Operating expenses	142,981,396.86	171,868,295.95
Sales expenses		
Administration expenses		
R&D expenses		
Financial expenses		
Incl: Interest expenses	936,082,592.73	1,174,049,329.48
Interest income		
Add: Other income		
Investment income ("-" for loss)	234,199,395.57	1,528,892,138.71
Incl: Income from investments in associates and joint ventures	-18,245,901.50	635,435,929.86



Derecognized earnings of financial assets measured at amortized cost	-	-
Net exposure hedging gains ("-" for loss)	-	-
Fair value changes on financial assets ("-" for loss)	-64,198,955.30	6,068,970.48
Losses on exchange differences	-2,107,790.33	-4,123,448.48
Impairment losses under expected credit loss mode ("-" for loss)	14,490,752.05	49,442,761.15
Asset impairment losses ("-" for loss)	-	-
Gains/(Losses) on disposal of assets ("-" for loss)	4,323,560.91	-2,095.36
II. Operating profits ("-" for loss)	418,347,531.78	488,978,939.79
Add: Non-operating income	82,806,828.88	78,640.01
Less: Non-operating expenses	2,710,311.97	2,822,840.16
III. Total profits ("-" for total loss)	498,444,048.69	486,234,739.64
Less: Income tax expenses	125,914,456.25	121,957,817.55
IV. Net profits ("-" for net loss)	372,529,592.44	364,276,922.09
(I) Net profits of continuous operating ("-" for net loss)		
(II) Net profits of business termination ("-" for net loss)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which can not be reclassified subsequently to profit or loss		
1. Changes arising from remeasurement of defined benefit plans		
2. Other comprehensive income inconvertible to profit or loss under the equity method		
3. Changes in fair value of other equity instrument investments		
4. Changes in fair value of corporate credit risk		
(II) Other comprehensive income items reclassified subsequently to profit or loss		
1. Other comprehensive income convertible to profit or loss under the		

equity method		
2. Changes in fair value of other debt investments		
3. Gains or losses arising from changes in fair value of available-for-sale financial assets		
4. Amount from reclassification of financial assets that is recorded into other comprehensive income		
5. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets		
6. Impairment provisions for other creditors investment credit		
7. Reserves of cash flow hedges (The effective portion of cash flow hedges and losses)		
8. Differences on translation of foreign currency financial statements		
9. Others		
VI. Total comprehensive income	372,529,592.44	364,276,922.09
VII. Earnings per share:		
(I) Basic earnings per share (CNY/share)		
(II) Diluted earnings per share (CNY/share)		

Legal representative: Wu Kunda Person-in-charge of accounting work: Ren Ming Head of the accounting agency: Yang Xuemei

### Consolidated Statement of Cash Flows

From January 2020 to December 2020

Unit: CNY Currency: RMB

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>I. Cash flows arising from operating activities:</b>		
Cash received from selling commodities and providing labour services		
Net increase of customer deposits and capital kept for brother		
Net increase of loans from central		

bank		
Net increase of placement from banks and other financial institutions		
Cash received against original insurance contract		
Net cash received from reinsurance business		
Net increase of client deposit and investment		
Net decrease in financial assets held for trading	702,734,116.36	2,986,867,783.27
Net decrease in other debt investments		761,142,285.25
Interest, fees and commissions received	1,607,037,596.11	1,931,919,404.35
Net increase of placement from banks and other financial institutions		
Net increase of repurchasing business		
Net cash received from entrusted trading of securities		
Refund of taxes		
Other cash received from operating activities	146,124,324.43	95,179,582.05
Subtotal of cash inflow arising from operating activities	2,455,896,036.90	5,775,109,054.92
Cash paid for purchasing commodities and receiving labour service		
Net increase of client trade and advance		
Net increase of savings with central bank and brother company		
Cash paid for original contract claim		
Net increase of due from banks and other financial institutions		
Cash paid for interest, processing fee and commission		
Cash paid for policy dividend		
Net increase in debt investments	3,487,788,714.27	5,486,811,293.79

Cash paid to and for employees	74,404,079.28	97,919,722.69
Payment of various taxes	189,817,778.14	294,076,790.55
Other cash paid for operating activities	69,787,327.00	317,439,898.58
Subtotal of cash outflow arising from operating activities	3,821,797,898.69	6,196,247,705.61
Net cash flows arising from operating activities	-1,365,901,861.79	-421,138,650.69
<b>II. Cash flows arising from investing activities:</b>		
Proceeds from disposal/maturity of financial investments	2,588,311,175.84	4,474,576,574.70
Cash received from investment income	219,710,817.73	976,978,411.44
Net proceeds from disposal of fixed, intangible and other long-term assets	-	-
Net cash received from purchase of subsidiaries	950,148.54	-
Other cash received concerning investing activities	-	-
Subtotal of cash inflow from investing activities	2,808,972,142.11	5,451,554,986.14
Purchase of fixed, intangible and other long-term assets	921,472.13	1,830,625.63
Purchase of investments	184,296,184.08	744,472,050.90
Net increase of loan against pledge	-	-
Net cash paid for the disposal of subsidiaries and other operating entities	-	1,433,870,479.15
Other cash paid for investing activities	-	-
Subtotal of cash outflow from investing activities	185,217,656.21	2,180,173,155.68
Net cash flows arising from investing activities	2,623,754,485.90	3,271,381,830.46
<b>III. Cash flows arising from financing activities</b>		
Cash received from absorbing investment	-	-
Incl: Proceeds from minority shareholders of subsidiaries	-	-

Proceeds from loans	10,101,093,350.00	12,716,531,466.44
Proceeds from bond issuance	1,347,300,000.00	6,000,000,000.00
Other cash received concerning financing activities	-	-
Subtotal of cash inflow from financing activities	11,448,393,350.00	18,716,531,466.44
Repayments of debts issued	12,968,592,580.00	18,497,560,553.16
Cash payments for dividend and profit distribution or interest	1,171,392,889.88	2,353,845,185.61
Incl: Dividend and profit paid to minority shareholders by subsidiaries	-	-
Other cash paid concerning financing activities	-	-
Cash paid for lease liabilities	28,703,114.94	33,248,509.16
Cash paid for redemption of perpetual bond		1,000,000,000.00
Subtotal of cash outflow from financing activities	14,168,688,584.82	21,884,654,247.93
Net cash flows arising from financing activities	-2,720,295,234.82	-3,168,122,781.49
<b>IV. Effects of exchange rate changes on cash and cash equivalents</b>	-2,107,790.33	2,613,772.08
<b>V. Net increase in cash and cash equivalents</b>	-1,464,550,401.04	-315,265,829.64
Add: Cash and cash equivalents at beginning of the year	2,978,890,488.18	3,294,156,317.82
<b>VI. Cash and cash equivalents at end of the year</b>	1,514,340,087.14	2,978,890,488.18

Legal representative: Wu Kunda Person-in-charge of accounting work: Ren Ming Head of the accounting agency: Yang Xuemei

#### Parent Company Cash Flow Statement

From January 2020 to December 2020

Unit: CNY Currency: RMB

Item	For the year ended 31 December 2020	For the year ended 31 December 2019
<b>I. Cash flows arising from operating activities:</b>		
Cash received from selling commodities and providing labour services		
Refund of taxes		

Net decrease in financial assets held for trading	885,525,706.55	
Interest, fees and commissions received	1,531,181,421.88	750,128,013.24
Other cash received from operating activities	125,034,223.69	1,884,997,221.86
Subtotal of cash inflow arising from operating activities	2,541,741,352.12	2,635,125,235.10
Cash paid for purchasing commodities and receiving labour service		
Net increase in debt investments	3,354,186,746.27	9,522,900,000.00
Net increase in financial assets held for trading		88,039,938.95
Cash paid to and for employees	74,002,877.09	73,005,294.72
Payment of various taxes	176,296,432.28	198,062,652.97
Other cash paid for operating activities	64,897,309.37	150,949,531.70
Subtotal of cash outflow arising from operating activities	3,669,383,365.01	10,032,957,418.34
Net cash flows arising from operating activities	-1,127,642,012.89	-7,397,832,183.24
<b>II. Cash flows arising from investing activities:</b>		
Proceeds from disposal/maturity of financial investments	2,729,159,420.86	9,002,467,887.02
Cash received from investment income	101,896,728.74	710,463,384.35
Income received from the allocation of the structured entities	55,990,456.05	462,549,411.20
Net proceeds from disposal of fixed, intangible and other long-term assets		
Net cash received from purchase of subsidiaries		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	2,887,046,605.65	10,175,480,682.57
Purchase of fixed, intangible and other long-term assets	728,243.42	644,008.80
Purchase of investments	890,835,500.00	620,760,000.00
Net cash paid for the disposal of		

subsidiaries and other operating entities		
Other cash paid for investing activities		
Subtotal of cash outflow from investing activities	891,563,743.42	621,404,008.80
Net cash flows arising from investing activities	1,995,482,862.23	9,554,076,673.77
<b>III. Cash flows arising from financing activities</b>		
Cash received from absorbing investment	-	-
Proceeds from loans	10,101,093,350.00	11,377,517,980.00
Proceeds from bond issuance	1,347,300,000.00	6,000,000,000.00
Other cash received concerning financing activities	-	-
Subtotal of cash inflow from financing activities	11,448,393,350.00	17,377,517,980.00
Repayments of debts issued	12,968,592,580.00	16,695,279,950.00
Cash payments for dividend and profit distribution or interest	1,170,334,029.38	1,107,751,279.92
Cash paid for lease liabilities	26,795,962.94	4,555,526.81
Cash paid for redemption of perpetual bond		1,000,000,000.00
Other cash paid concerning financing activities	-	-
Subtotal of cash outflow from financing activities	14,165,722,572.32	18,807,586,756.73
Net cash flows arising from financing activities	-2,717,329,222.32	-1,430,068,776.73
<b>IV. Effects of exchange rate changes on cash and cash equivalents</b>	-2,107,790.33	-4,123,448.48
<b>V. Net increase in cash and cash equivalents</b>	-1,851,596,163.31	722,052,265.32
Add: Cash and cash equivalents at beginning of the year	2,972,809,395.19	2,250,757,129.87
<b>VI. Cash and cash equivalents at end of the year</b>	1,121,213,231.88	2,972,809,395.19

Legal representative: Wu Kunda Person-in-charge of accounting work: Ren Ming Head of the accounting agency: Yang Xuemei

## Financial Statements of the Guarantor

NA



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Huarong Rongde Asset Management Company Limited

28 April 2021

# Summary of Annual Report on Corporate Bonds

## Huarong Rongde Asset Management Company Limited

### I Important Notice

The Summary is extracted from the full text of the Annual Report; in order to have a comprehensive understanding of the Company's bond matters, operating results and financial positions. For more detailed informatin, the investors shall visit the official website of Shanghai Stock Exchange to read the full Report thoroughly.

### II Basic Information of Corporate Bond

Corporate Bond Abbreviation	Code	Trading Venue for the Listing or Transfer
17 融德 02	145787	Shanghai Stock Exchange
20 融德 01	166330	Shanghai Stock Exchange
20 融德 03	166942	Shanghai Stock Exchange
21 融德 G2	175662	Shanghai Stock Exchange

### III Major Financial Data of the Company

Unit: CNY 000 million

	Closing Balance of the Reporting Period	Closing Balance of the Previous Period	Change in the Closing Balance (%)
Total assets	243.56	251.99	-3.35
Net asset attributable to the shareholders of the parent company	58.34	56.08	4.03
Assets-liabilities ratio (%)	76.05	77.75	-2.19
	Amount during the Reporting Period	Amount in the same period last year	Change in the Amount (%)
Operating income	17.32	29.68	-41.64
Net profits attributable to shareholders of the parent company	4.11	3.74	9.89
Net cash flows arising from operating activities	-13.66	-4.21	224.34

### IV Major Matters

There were 0 major matters occurring to the Company during the Reporting Period, as detailed below.

Types of Major Matters	Date of disclosure
Major Litigations, Arbitrations, and Major Administrative Penalties	13 January 2020 15 January 2020 18 August 2020 24 September 2020
Bankruptcy Matters	—
Being investigated by the competent judicial authority, or its controlling shareholder/actual controller being listed as a faithless person subject to enforcement	—
Being investigated by the competent judicial authority, or its controlling shareholder/actual controller being listed as a faithless person subject to enforcement	—
Risk prompt for suspension or termination of listing	—
Change in the General Manager	16 December 2020

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Huarong Rongde Asset Management Company Limited

28 April 2021

**Financial Statements and Auditor's Report**

**For the year ended 31 December 2020**

**Huarong Rongde Asset Management Company Limited**

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## **Auditor's Report**

EYHM (2021) SZ No. 61212177\_A01  
Huarong Rongde Asset Management Company Limited

TO THE BOARD OF HUARONG RONGDE ASSET MANAGEMENT COMPANY LIMITED:

### **I. Audit Opinion**

We have audited the financial statements of Huarong Rongde Asset Management Company Limited (the "Company"), which comprise the consolidated and company balance sheets as at 31 December 2020 and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company statements of cash flow for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and the Company's financial position as at 31 December 2020, and the consolidated and the Company's financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

### **II. Basis of the Audit Opinion**

We conducted our audit in accordance with the China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Auditor's Report (Cont.)**

EYHM (2021) SZ No. 61212177\_A01  
Huarong Rongde Asset Management Company Limited

### **III. Other information**

The management of Huarong Rongde Asset Management Company Limited are responsible for other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report.

Our audit opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusions thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and the Company's financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **IV. Responsibilities of the Management and Those Charged with Governance for the Financial Statements**

The Management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining such internal controls as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



## **Auditor's Report (Cont.)**

EYHM (2021) SZ No. 61212177\_A01  
Huarong Rongde Asset Management Company Limited

### **V. Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

## **Auditor's Report (Cont.)**

EYHM (2021) SZ No. 61212177\_A01  
Huarong Rongde Asset Management Company Limited

### **V. Auditors' Responsibilities for the Audit of the Financial Statements (Cont.)**

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont.)

- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Auditor's Report (Cont.)**

EYHM (2021) SZ No. 61212177\_A01  
Huarong Rongde Asset Management Company Limited

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Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant:  
Zhang Fan

Chinese Certified Public Accountant:  
Liu Qing

Beijing, China

27 April 2021

**Huarong Rongde Asset Management Company Limited**  
**Consolidated Balance Sheet**  
**31 December 2020**

Expressed in Renminbi Yuan

<b>Assets</b>	<b>Note VIII</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Cash and cash at banks	1	1,532,000,594.05	3,038,093,248.74
Financial assets held for trading	2	3,820,105,939.12	6,014,327,207.87
Debt investments	3	16,965,735,052.11	9,559,742,027.71
Long-term equity investments	4	1,301,736,457.36	6,021,277,499.67
Fixed assets	5	240,713,800.15	1,374,106.11
Investment properties	6	-	106,139,838.54
Intangible assets		1,491,787.66	233,158.46
Right-of-use assets	7	43,401,154.91	83,674,455.92
Long-term prepaid expenses	8	519,590.67	26,731,259.13
Deferred tax assets	9	276,432,823.58	241,096,424.30
Other assets	10	174,338,824.26	106,731,907.72
<b>Total assets</b>		<b>24,356,476,023.87</b>	<b>25,199,421,134.17</b>
<b>Liabilities and owners' equity</b>			
Liabilities			
Short-term borrowings	12	8,854,627,558.09	9,214,334,754.45
Employee benefits payables	13	56,292,002.14	72,748,861.93
Taxes payable	14	77,671,770.51	28,916,855.55
Lease liabilities	15	42,729,006.21	192,739,569.65
Long-term borrowings	16	1,542,994,864.59	2,465,302,603.48
Bonds payable	17	7,322,321,157.80	7,611,496,066.55
Other liabilities	18	625,606,834.48	5,814,652.18
<b>Total liabilities</b>		<b>18,522,243,193.82</b>	<b>19,591,353,363.79</b>
Owners' equity			
Paid-in capital	19	1,788,000,000.00	1,788,000,000.00
Surplus reserve	20	722,272,393.28	685,019,434.04
Retained earnings	21	3,323,960,436.77	3,135,048,336.34
<b>Total owners' equity attributable to the parent company</b>		<b>5,834,232,830.05</b>	<b>5,608,067,770.38</b>
<b>Total owners' equity</b>		<b>5,834,232,830.05</b>	<b>5,608,067,770.38</b>
<b>Total liabilities and owners' equity</b>		<b>24,356,476,023.87</b>	<b>25,199,421,134.17</b>

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*

These financial statements are signed by the following persons:

Wu Kunda	Ren Ming	Yang Xuemei	
Legal	Person-in-charge of	Head of the accounting	
representative:	accounting work:	agency:	Company Seal

**Huarong Rongde Asset Management Company Limited**  
**Company Balance Sheet**  
**31 December 2020**

**Expressed in Renminbi Yuan**

<b><u>Assets</u></b>	<b><u>Notes</u></b>	<b><u>31 December 2020</u></b>	<b><u>31 December 2019</u></b>
Cash and cash at banks	Note IX. 1	1,138,922,558.08	3,032,013,373.67
Financial assets held for trading	Note IX. 2	4,074,250,405.79	5,023,975,067.64
Debt investments	Note IX. 3	12,858,716,070.19	9,500,420,178.14
Right-of-use assets	Note IX. 4	43,401,154.91	83,674,455.92
Long-term equity investments	Note IX. 5	4,966,866,015.13	6,902,474,350.82
Fixed assets		1,212,629.33	1,373,858.61
Intangible assets		59,437.20	233,158.46
Long-term prepaid expenses		519,590.67	721,051.62
Deferred tax assets	Note IX. 6	323,045,408.74	255,525,313.48
Other assets		91,248,489.17	88,767,403.86
<b>Total assets</b>		<b>23,498,241,759.21</b>	<b>24,889,178,212.22</b>
<b><u>Liabilities and owners' equity</u></b>			
<b>Liabilities</b>			
Short-term borrowings	Note IX. 8	8,854,627,558.09	9,214,334,754.45
Employee benefits payables	Note IX. 9	56,160,841.25	72,748,861.93
Taxes payable		71,939,128.62	21,542,754.48
Lease liabilities	Note IX. 10	42,729,006.21	84,040,955.93
Long-term borrowings	Note IX. 11	1,542,994,864.59	2,465,302,603.48
Bonds payable	Note VIII. 17	7,322,321,157.80	7,611,496,066.55
Other liabilities		1,121,672.10	894,277.29
<b>Total liabilities</b>		<b>17,891,894,228.66</b>	<b>19,470,360,274.11</b>
<b>Owners' equity</b>			
Paid-in capital	Note VIII. 19	1,788,000,000.00	1,788,000,000.00
Surplus reserve	Note VIII. 20	722,272,393.28	685,019,434.04
Retained earnings	Note IX. 12	3,096,075,137.27	2,945,798,504.07
<b>Total owners' equity</b>		<b>5,606,347,530.55</b>	<b>5,418,817,938.11</b>
<b>Total liabilities and owners' equity</b>		<b>23,498,241,759.21</b>	<b>24,889,178,212.22</b>

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*

**Huarong Rongde Asset Management Company Limited**  
**Consolidated Income Statement**  
**For the year ended 31 December 2020**

**Expressed in Renminbi Yuan**

	<b>Note VIII</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2019</b>
Operating income			
Interest income	22	1,356,019,734.98	1,127,569,257.35
Net commission and fee income	23	9,422,410.18	10,810,064.39
Investment income	24	224,533,282.16	1,811,356,095.35
Incl: (Loss) / income from investments in associates and joint ventures	24	(36,912,909.79)	841,767,126.67
Other income		27,336.58	-
Fair value changes on financial assets	25	121,669,196.71	18,043,967.82
Losses on exchange differences		(2,107,790.33)	(35,215,909.73)
Other operating income		9,151,543.97	35,441,398.76
Gains/(Losses) on disposal of assets		13,664,933.10	(2,095.36)
<b>Total operating income</b>		<b>1,732,380,647.35</b>	<b>2,968,002,778.58</b>
Operating expenses			
Less: Interest expenses	26	938,478,495.46	2,003,188,581.85
Tax and surcharges	27	5,105,998.32	4,570,024.83
Operating expenses	28	153,664,679.47	247,223,576.38
Impairment losses under expected credit loss model	29	114,671,167.42	(83,417,485.95)
Impairment losses on other assets		17,391,793.14	-
Other operating expenses		19,352,703.75	46,333,563.55
<b>Total operating expenses</b>		<b>1,248,664,837.56</b>	<b>2,217,898,260.66</b>
Operating profits		483,715,809.79	750,104,517.92
Add: Non-operating income	30	94,839,662.89	38,078,934.20
Less: Non-operating expenses	31	2,744,097.06	3,158,119.14
<b>Total profits</b>		<b>575,811,375.62</b>	<b>785,025,332.98</b>
Less: Income tax expenses	32	164,646,315.95	282,736,309.59
<b>Net profits</b>		<b>411,165,059.67</b>	<b>502,289,023.39</b>
Net profits attributable to the owners of the parent company		411,165,059.67	373,945,433.08
Net profits attributable to minority interests		-	128,343,590.31
Other comprehensive income, net of income tax		-	432,398,485.88
Other comprehensive income attributable to the owners of the parent company, net of tax		-	432,398,485.88
Other comprehensive income items that will not be reclassified to profit or loss		-	12,121,389.48
Changes in fair value of other equity instrument investments		-	12,121,389.48
Other comprehensive income items that may be reclassified subsequently to profit or loss		-	420,277,096.40
Other comprehensive income using the equity method that may be reclassified into profit or loss		-	-
Changes in fair value of other debt investments		-	387,825,973.04
Credit loss impairment of other debt investments		-	(102,667,639.90)
Amount of other debt investment that are transferred to profit and loss		-	116,047,428.48
Differences on translation of foreign currency financial statements		-	19,071,334.78
<b>Total comprehensive income</b>		<b>411,165,059.67</b>	<b>934,687,509.27</b>
Total comprehensive income attributable to the owners of the parent company		411,165,059.67	806,343,918.96
Total comprehensive income attributable to the minority interests		-	128,343,590.31

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*

**Huarong Rongde Asset Management Company Limited**  
**Company Income Statement**  
**For the year ended 31 December 2020**

**Expressed in Renminbi Yuan**

	<b>Note IX</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2019</b>
Operating income			
Interest income	13	1,342,147,570.66	322,989,120.39
Net commission and fee income	14	1,905,943.40	8,606,495.21
Investment income	15	234,199,395.57	1,528,892,138.71
Incl: (Loss) / income from investments in associates and joint ventures	15	(18,245,901.50)	635,435,929.86
Fair value changes on financial assets		(64,198,955.30)	6,068,970.48
Losses on exchange differences		(2,107,790.33)	(4,123,448.48)
Other operating income		-	23,929,026.01
Gains/(Losses) on disposal of assets		4,323,560.91	(2,095.36)
<b>Total operating income</b>		<b>1,516,269,724.91</b>	<b>1,886,360,206.96</b>
Operating expenses			
Less: Interest expenses	16	936,082,592.73	1,174,049,329.48
Tax and surcharges		4,367,451.49	2,020,880.59
Operating expenses	17	142,981,396.86	171,868,295.95
Impairment losses under expected credit loss model	18	14,490,752.05	49,442,761.15
<b>Total operating expenses</b>		<b>1,097,922,193.13</b>	<b>1,397,381,267.17</b>
Operating profits		418,347,531.78	488,978,939.79
Add: Non-operating income		82,806,828.88	78,640.01
Less: Non-operating expenses		2,710,311.97	2,822,840.16
<b>Total profits</b>		<b>498,444,048.69</b>	<b>486,234,739.64</b>
Less: Income tax expenses	19	125,914,456.25	121,957,817.55
<b>Net profits</b>		<b>372,529,592.44</b>	<b>364,276,922.09</b>
Other comprehensive income, net of income tax		-	-
<b>Total comprehensive income</b>		<b>372,529,592.44</b>	<b>364,276,922.09</b>

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*

**Huarong Rongde Asset Management Company Limited**  
**Consolidated Statement of Changes in Owners' Equity**  
**For the year ended 31 December 2020**

**Expressed in Renminbi Yuan**

		Owners' equity attributable to the parent company						
		Paid-in capital	Surplus reserve			Retained earnings	Total owners' equity	
I.	Balance on 1 January 2020	1,788,000,000.00	685,019,434.04			3,135,048,336.34	5,608,067,770.38	
II.	Changes in this year	-	37,252,959.24			188,912,100.43	226,165,059.67	
(I)	Total comprehensive income	-	-			411,165,059.67	411,165,059.67	
(II)	Capital contribution and reduction							
	Capital reduction by other equity							
1.	instruments holders	-	-			-	-	
(III)	Profit distribution							
1.	Appropriation to surplus reserves	-	37,252,959.24			(37,252,959.24)	-	
2.	Profit Distribution	-	-			(185,000,000.00)	(185,000,000.00)	
III.	Balance on 31 December 2020	1,788,000,000.00	722,272,393.28			3,323,960,436.77	5,834,232,830.05	

		Paid-in capital	Other equity instruments	Other comprehensive income	Surplus reserve	Retained earnings	Attributable to the parent company Subtotal of owners' equity	Minority shareholders' equity	Total owners' equity
I.	Balance on 31 December 2018	1,788,000,000.00	1,000,000,000.00	(432,398,485.88)	648,591,741.83	3,074,148,253.03	6,078,341,508.98	2,167,580,602.59	8,245,922,111.57
	Changes in accounting policies	-	-	-	-	(32,613.94)	(32,613.94)	-	(32,613.94)
II.	Balance on 1 January 2019	1,788,000,000.00	1,000,000,000.00	(432,398,485.88)	648,591,741.83	3,074,115,639.09	6,078,308,895.04	2,167,580,602.59	8,245,889,497.63
III.	Changes in this year	-	(1,000,000,000.00)	432,398,485.88	36,427,692.21	60,932,697.25	(470,241,124.66)	(2,167,580,602.59)	(2,637,821,727.25)
(I)	Total comprehensive income	-	-	432,398,485.88	-	373,945,433.08	806,343,918.96	128,343,590.31	934,687,509.27
(II)	Capital contribution and reduction								
	Capital reduction by other equity								
1.	instruments holders	-	(1,000,000,000.00)	-	-	-	(1,000,000,000.00)	(413,159,296.75)	(1,413,159,296.75)
(III)	Profit distribution								
1.	Appropriation to surplus reserves	-	-	-	36,427,692.21	(36,427,692.21)	-	-	-
2.	Profit Distribution	-	-	-	-	(124,000,000.00)	(124,000,000.00)	-	(124,000,000.00)
3.	Interest of other equity instruments	-	-	-	-	(22,458,333.34)	(22,458,333.34)	(129,874,743.31)	(152,333,076.65)
4.	Impact of disposal of subsidiaries	-	-	-	-	(130,126,710.28)	(130,126,710.28)	(1,752,890,152.84)	(1,883,016,863.12)
IV.	Balance on 31 December 2019	1,788,000,000.00	-	-	685,019,434.04	3,135,048,336.34	5,608,067,770.38	-	5,608,067,770.38

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*



**Huarong Rongde Asset Management Company Limited**  
**Company Statement of Changes in Owners' Equity**  
**For the year ended 31 December 2020**

**Expressed in Renminbi Yuan**

	<u>Paid-in capital</u>	<u>Surplus reserve</u>	<u>Retained earnings</u>	<u>Total owners' equity</u>
I. Balance on 1 January 2020	1,788,000,000.00	685,019,434.04	2,945,798,504.07	5,418,817,938.11
II. Changes in this year	-	37,252,959.24	150,276,633.20	187,529,592.44
(I) Total comprehensive income	-	-	372,529,592.44	372,529,592.44
(II) Capital contribution and reduction	-	-	-	-
1. Capital reduction by other equity instruments holders	-	-	-	-
(III) Profit distribution	-	37,252,959.24	(37,252,959.24)	-
1. Appropriation to surplus reserves	-	-	(185,000,000.00)	(185,000,000.00)
2. Profit Distribution	-	-	-	-
III. Balance on 31 December 2020	1,788,000,000.00	722,272,393.28	3,096,075,137.27	5,606,347,530.55

  

	<u>Paid-in capital</u>	<u>Other equity instruments</u>	<u>Surplus reserve</u>	<u>Retained earnings</u>	<u>Total owners' equity</u>
I. Balance on 1 January 2019	1,788,000,000.00	1,000,000,000.00	648,591,741.83	2,764,407,607.53	6,200,999,349.36
II. Changes in this year	-	(1,000,000,000.00)	36,427,692.21	181,390,896.54	(782,181,411.25)
(I) Total comprehensive income	-	-	-	364,276,922.09	364,276,922.09
(II) Capital contribution and reduction	-	-	-	-	-
1. Capital reduction by other equity instruments holders	-	(1,000,000,000.00)	-	-	(1,000,000,000.00)
(III) Profit distribution	-	-	36,427,692.21	(36,427,692.21)	-
1. Appropriation to surplus reserves	-	-	-	(124,000,000.00)	(124,000,000.00)
2. Profit Distribution	-	-	-	(22,458,333.34)	(22,458,333.34)
3. Interest of other equity instruments	-	-	-	-	-
III. Balance on 31 December 2019	1,788,000,000.00	-	685,019,434.04	2,945,798,504.07	5,418,817,938.11

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*

**Huarong Rongde Asset Management Company Limited**  
**Consolidated Statement of Cash Flows**  
**For the year ended 31 December 2020**

**Expressed in Renminbi Yuan**

	<b>Note VIII</b>	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2019</b>
I. Cash flows arising from operating activities			
Net decrease in financial assets held for trading		702,734,116.36	2,986,867,783.27
Net decrease in other debt investments		-	761,142,285.25
Interest, fees and commissions received		1,607,037,596.11	1,931,919,404.35
Other cash received from operating activities		146,124,324.43	95,179,582.05
Subtotal of cash inflow arising from operating activities		2,455,896,036.90	5,775,109,054.92
Net increase in debt investments		3,487,788,714.27	5,486,811,293.79
Cash paid to and for employees		74,404,079.28	97,919,722.69
Payment of various taxes		189,817,778.14	294,076,790.55
Other cash paid for operating activities		69,787,327.00	317,439,898.58
Subtotal of cash outflow arising from operating activities		3,821,797,898.69	6,196,247,705.61
Net cash flows arising from operating activities	35	(1,365,901,861.79)	(421,138,650.69)
II. Cash flows arising from investing activities			
Proceeds from disposal/maturity of financial investments		2,588,311,175.84	4,474,576,574.70
Cash received from investment income		219,710,817.73	976,978,411.44
Net cash received from purchase of subsidiaries		950,148.54	-
Subtotal of cash inflow from investing activities		2,808,972,142.11	5,451,554,986.14
Purchase of fixed, intangible and other long-term assets		921,472.13	1,830,625.63
Purchase of investments		184,296,184.08	744,472,050.90
Net cash paid for the disposal of subsidiaries and other operating entities		-	1,433,870,479.15
Subtotal of cash outflow from investing activities		185,217,656.21	2,180,173,155.68
Net cash flows arising from investing activities		2,623,754,485.90	3,271,381,830.46
III. Cash flows arising from financing activities			
Proceeds from loans		10,101,093,350.00	12,716,531,466.44
Proceeds from bonds issuance		1,347,300,000.00	6,000,000,000.00
Subtotal of cash inflow from financing activities		11,448,393,350.00	18,716,531,466.44
Repayments of debts issued		12,968,592,580.00	18,497,560,553.16
Cash payments for dividend and profit distribution or interest		1,171,392,889.88	2,353,845,185.61
Cash paid for lease liabilities		28,703,114.94	33,248,509.16
Cash paid for redemption of perpetual bond		-	1,000,000,000.00
Subtotal of cash outflow from financing activities		14,168,688,584.82	21,884,654,247.93
Net cash flows arising from financing activities		(2,720,295,234.82)	(3,168,122,781.49)
IV. Effects of exchange rate changes on cash and cash equivalents		(2,107,790.33)	2,613,772.08
V. Net increase in cash and cash equivalents		(1,464,550,401.04)	(315,265,829.64)
Add: Cash and cash equivalents at beginning of the year	34	2,978,890,488.18	3,294,156,317.82
VI. Cash and cash equivalents at end of the year	34	1,514,340,087.14	2,978,890,488.18

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*

**Huarong Rongde Asset Management Company Limited**  
**Company Statement of Cash Flows**  
**For the year ended 31 December 2020**

**Expressed in Renminbi Yuan**

	<u>Note IX</u>	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
I. Cash flows arising from operating activities			
Net decrease in financial assets held for trading		885,525,706.55	-
Interest, fees and commissions received		1,531,181,421.88	750,128,013.24
Other cash received from operating activities		125,034,223.69	1,884,997,221.86
Subtotal of cash inflow arising from operating activities		2,541,741,352.12	2,635,125,235.10
Net increase in debt investments		3,354,186,746.27	9,522,900,000.00
Net increase in financial assets held for trading		-	88,039,938.95
Cash paid to and for employees		74,002,877.09	73,005,294.72
Payment of various taxes		176,296,432.28	198,062,652.97
Other cash paid for operating activities		64,897,309.37	150,949,531.70
Subtotal of cash outflow arising from operating activities		3,669,383,365.01	10,032,957,418.34
Net cash flows arising from operating activities	21	(1,127,642,012.89)	(7,397,832,183.24)
II. Cash flows arising from investing activities			
Proceeds from disposal/maturity of financial investments		2,729,159,420.86	9,002,467,887.02
Cash received from investment income		101,896,728.74	710,463,384.35
Income received from the distribution of the structured entities		55,990,456.05	462,549,411.20
Subtotal of cash inflow from investing activities		2,887,046,605.65	10,175,480,682.57
Purchase of fixed, intangible and other long-term assets		728,243.42	644,008.80
Purchase of investments		890,835,500.00	620,760,000.00
Subtotal of cash outflow from investing activities		891,563,743.42	621,404,008.80
Net cash flows arising from investing activities		1,995,482,862.23	9,554,076,673.77
III. Cash flows arising from financing activities			
Proceeds from loans		10,101,093,350.00	11,377,517,980.00
Proceeds from bonds issuance		1,347,300,000.00	6,000,000,000.00
Subtotal of cash inflow from financing activities		11,448,393,350.00	17,377,517,980.00
Repayments of debts issued		12,968,592,580.00	16,695,279,950.00
Cash payments for dividend and profit distribution or interest		1,170,334,029.38	1,107,751,279.92
Cash paid for lease liabilities		26,795,962.94	4,555,526.81
Cash paid for redemption of perpetual bond		-	1,000,000,000.00
Subtotal of cash outflow from financing activities		14,165,722,572.32	18,807,586,756.73
Net cash flows arising from financing activities		(2,717,329,222.32)	(1,430,068,776.73)
IV. Effects of exchange rate changes on cash and cash equivalents		(2,107,790.33)	(4,123,448.48)
V. Net increase in cash and cash equivalents		(1,851,596,163.31)	722,052,265.32
Add: Cash and cash equivalents at beginning of the year	20	2,972,809,395.19	2,250,757,129.87
VI. Cash and cash equivalents at end of the year	20	1,121,213,231.88	2,972,809,395.19

*The Notes to the Financial Statements attached hereafter form an integral part of the financial statements.*

# **Huarong Rongde Asset Management Company Limited**

## **Notes to the Financial Statements**

**For the year ended 31 December 2020**

**Expressed in Renminbi Yuan**

### **I. General Information**

Huarong Rongde Asset Management Company Limited (hereinafter referred to as "the Company") is a China-foreign joint venture jointly invested by China Huarong Asset Management Co., Ltd. (hereinafter referred to as "China Huarong") and Cathay Capital Company (NO. 2) Limited (hereinafter referred to as "CCC2") and registered and established in Beijing on 29 August 2006 with the approval of the Ministry of Commerce and other relevant Ministries and Commissions of the People's Republic of China. The Company has been approved by Beijing Administration for Industry and Commerce to obtain a business license with a unified social credit code of 91110000717866354C, with an operating period of 15 years. Legal representative: Wu Kunda. The domicile of the enterprise is Suite B115, Wing 2, No.99 Kechuang 14th Street, Beijing Economic and Technological Development Zone, Beijing. The registered capital of the Company is RMB 1,788,000,000.00, of which RMB 1,060,284,000.00 is contributed by China Huarong, with a shareholding ratio of 59.30%; RMB 727,716,000.00 is contributed by CCC2, with a shareholding ratio of 40.70%.

The main business scope of the Company and its affiliated institutions (the "Group") includes: asset acquisition, recovery, reorganization, operation and management, replacement, transfer or sale of debt investments and debt-paying physical assets, acceptance of entrusted management and disposal of assets services, additional investment in the assets under management for the purpose of enhancing the recovered value of asset disposal, and other approved businesses.

The parent company and ultimate holding company of the company is China Huarong.

### **II. Basis for preparation of the financial statements**

These financial statements are prepared in accordance with Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the People's Republic of China (hereinafter referred to as the "Ministry of Finance") and the specific accounting standards, application guidelines, interpretation and other relevant provisions issued subsequently by the Ministry of Finance (collectively referred to as the "Accounting Standards for Enterprises").

The accounting of the Group is on an accrual basis. Except for some financial instruments measured at fair value, the financial statements are based on historical costs. If the asset is impaired, the corresponding impairment provisions shall be accrued in accordance with relevant regulations.

The financial statements have been presented on a going concern basis.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**III. Statement of compliance with Enterprise Accounting Standards**

The financial statements present truly and completely the financial positions of the Group and the Company as at 31 December 2020, and the financial performance and the cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

**IV. Significant accounting policies and accounting estimate**

**1. Accounting year**

The accounting year of the Group is a calendar year, i.e., from 1 January to 31 December of each year.

**2. Functional Currency**

RMB is the currency in the main economic environment in which the Company and the Group are operating. The Company's functional and presentation currency is Renminbi ("RMB").

**3. Accounting basis and pricing principles**

Under the historical cost measurement method, assets are measured according to the amount of cash or cash equivalents paid at the time of purchase or the fair value of the consideration paid. Liabilities shall be measured according to the amount of money or assets actually received due to current obligations assumed, or the contract amount for current obligations assumed, or the amount of cash or cash equivalents expected to be paid in daily activities for the purpose of repaying liabilities.

Fair value is the amount for which the assets could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Whether the fair value is observable or estimated by valuation techniques, the fair value measured and/or disclosed in the financial statements shall be determined on this basis.

Fair value measurement is divided into three levels based on the observability of the input values of fair value and the importance of these input values to the overall fair value measurement:

- The input value at the first level is the unadjusted quotation of the same assets or liabilities at the active market that can be obtained on the measurement date.
- The input value at the second level is the relevant assets or liabilities are directly or indirectly observable input value in addition to the first-level input value.
- The input value at the third level is the unobservable input value of related assets or liabilities.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**4. Business combination**

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

Business combination involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. In a business combination involving entities under common control, the entity that, at the combination date, obtains control of another combining entity is the absorbing entity, while that other combining entity is the entity being absorbed. The combination date is the date on which the absorbing entity effectively obtains control on the entity being absorbed.

The assets and liabilities (including goodwill arising from the ultimate controlling party's acquisition of the entity being absorbed) that are obtained by the absorbing entity in a business combination involving entities under common control shall be measured on the basis of their carrying amounts in the financial statements of the ultimate controlling party at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate book value of shares issued as consideration) shall be adjusted to capital premium under capital reserves [and the balance transferred from capital reserves under the old accounting system]. If the capital premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Business combination not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving entities under common control, the entity that, on the acquisition date, obtains control of another combining entity is the acquirer, while that other combining entity is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**4. Business combination (Cont.)**

Goodwill

Goodwill is initially recognised and measured at cost, being the excess of the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree over the Group's interest in the fair value of the acquiree's net identifiable assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Where the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and any fair value of the Group's previously held equity interest in the acquiree is lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group reassesses the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the fair value of the consideration transferred (or the fair value of the equity securities issued), together with the fair value of the Group's previously held equity interest in the acquiree. If after that reassessment, the aggregate of the fair value of the consideration transferred (or the fair value of the equity securities issued) and the Group's previously held equity interest in the acquiree is still lower than the Group's interest in the fair value of the acquiree's net identifiable assets, the Group recognises the remaining difference in profit or loss.

**5. Consolidated financial statements**

The scope of consolidation of the consolidated financial statements is determined on the basis of control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. If the changes of the relevant facts and circumstances resulting in the definition of control involved in the changes of relevant elements, the Group will re-evaluate whether subsidiaries are controlled.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**5. Consolidated financial statements (Cont.)**

For subsidiaries acquired through business combinations involving entities under common control, no matter at what point in the reporting period, the combination of the enterprise shall be deemed to be included in the consolidation scope of the Group from the date when the subsidiary is controlled by the ultimate controlling party, and its operating results and cash flow since the beginning of the earliest period of the reporting period have been appropriately included in the consolidated income statement and the consolidated statement of cash flows.

The major accounting policies and accounting periods adopted by subsidiaries shall be determined in accordance with the accounting policies and accounting periods uniformly stipulated by the Company.

The impact of internal transactions between the Company and its subsidiaries and among subsidiaries on the consolidated financial statements shall offset upon combination.

The shares of the subsidiary's owner's equity that are not attributable to the parent company shall be listed as "Minority shareholders' equity" under the item of owners' equity in the consolidated balance sheet. The share of the subsidiary's current net profit or loss attributable to minority shareholders' equity is listed under the item of "Net profits attributable to minority interests" under the item of net profits in the consolidated income statement. The share of the subsidiary's current comprehensive gains attributable to minority shareholders' equity is listed under the item of "Total comprehensive income attributable to the minority interests" under the item of total comprehensive income in the consolidated income statement.

If the current losses of the subsidiary shared by the minority shareholders exceed the minority shareholders' equity of the owners' equity at the beginning of the period, the balance shall be written off against the minority shareholders' equity.

For transactions that purchase minority equity of a subsidiary or dispose of part of equity investment but do not lose control over the subsidiary, the carrying value of shareholders' equity and minority shareholders' equity attributable to the parent company shall be calculated as equity transaction to reflect changes in their related equity in the subsidiary. The difference between the adjustment amount of minority shareholders' equity and the fair value of the consideration paid/received shall be adjusted as the capital reserves. The retained earnings shall be adjusted if the capital reserves are insufficient to offset.

Acquisition of the equity of the acquiree through multiple transactions in a phased manner, resulting in a business combination not involving entities under common control, shall be handled separately as a "package deal": if it belongs to a "package deal", each transaction shall be treated as a transaction with control in accounting treatment. If not in the "package transaction", accounting treatment shall be conducted on the purchase date as a transaction to acquire control rights; The equity of the acquiree held before the purchase date shall be remeasured according to the fair value of the equity on the purchase date, and the difference between the fair value and the carrying value shall be included in the profits and losses of the current period; for the equity of the acquiree held before the purchase date involving other comprehensive income and changes in other



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owner's equity under the equity method, it shall be transferred to the current income on the date of acquisition.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**5. Consolidated financial statements (Cont.)**

In the event of loss of control over the original subsidiary due to the disposal of part of the equity investment or for other reasons, the remaining equity shall be re-measured at its fair value on the date of loss of control. The difference between the sum of the consideration received for disposal of equity interest and the fair value of remaining equity interest less the net assets attributable to the original subsidiary calculated continuously since the purchase date based on shareholding percentage before disposal are recognized in investment gain in the period when the control is lost and offset for the goodwill. Other comprehensive income related to equity investment in the subsidiary is transferred to investment profits and losses at the time of control lost.

**6. Cash and cash equivalents**

Cash means cash on hand of the Company and deposits that can be readily withdrawn on demand. Cash equivalents mean short-term and high-liquidity investments held by the Group that are easily converted to cash in the known amount and have little risk in value change.

**7. Financial instruments**

The Group recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of a financial instrument.

For the purchase or sale of financial assets with a regular method, the assets to be received and the liabilities to be assumed for this purpose shall be recognized on the transaction date, or the sold assets shall be derecognized on the transaction date.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Transaction date refers to the date when the Group promises to buy or sell financial assets.

During the initial recognition, the financial assets and financial liabilities are measured at their fair value. For financial assets and financial liabilities measured at fair value with changes included in the current profit and loss, the related transaction costs are directly recorded in profit or loss; for other types of financial assets and financial liabilities, the related transaction costs are recorded in the initial recognition amount. When the Group recognizes accounts receivable that do not include significant financing components or do not consider financing components in contracts not exceeding one year in accordance with the Accounting Standards for Business Enterprises No.14-Income (the "Income Standards"), the initial measurement shall be made according to the transaction price defined in the Income Standards.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

The effective interest rate method refers to the method of calculating the amortized cost of financial assets or financial liabilities and including interest income or interest expense allocation in each accounting period.

The effective interest rate refers to the interest rate used to discount the estimated future cash flow of a financial asset or financial liability in the estimated duration into the balance of the financial asset or the amortized cost of the financial liability. When determining the effective interest rate, the expected cash flow shall be estimated on the premise that all contractual terms of financial assets or financial liabilities are considered (such as prepayment, rollover, call option or other similar options, etc.), but the expected credit loss shall not be considered.

The amortized cost of a financial asset or financial liability is based on the initially recognized amount of the financial asset or financial liability minus the repaid principal, plus or minus the accumulated amortization amount formed by amortizing the difference between the initially recognized amount and the maturity amount with the effective interest rate method, and then minus the accrued loss reserves on an accumulative basis (only applicable to financial assets).

**7.1 Classification and Measurement of Financial Assets**

After initial recognition, the Group shall measure different classes of financial assets at amortized cost and fair value with changes included in other comprehensive income or measured at fair value with changes included in the current profit and loss for subsequent measurement.

According to the contractual terms of financial assets, the cash flow generated on a specific date shall be only the payment of principal and interest based on the unpaid principal amount, and the Group's business model for managing the financial asset aims to collect contractual cash flow. The Group classifies the financial asset as a financial asset measured at amortized cost. Such financial assets mainly include cash and cash at banks, receivables, other receivables, debt investments and other financial assets.

According to the contractual terms of financial assets, the cash flow generated on a specific date is only the payment of principal and interest based on the unpaid principal amount. And if the Group's business model for managing the financial asset aims at both receiving contractual cash flow and selling the financial asset, the financial asset shall be classified as a financial asset measured at fair value with changes included in other comprehensive income. Such financial assets are listed as other debt investments.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.1 Classification and Measurement of Financial Assets (Cont.)**

Financial assets measured at fair value with changes included in the current profit and loss include financial assets classified as measured at fair value with changes included in the current profit and loss and financial assets designated as measured at fair value with changes included in the current profit and loss, which are listed in financial assets held for trading.

- Financial assets that do not meet the conditions of financial assets classified as measured at amortized cost or financial assets classified as measured at fair value with changes included in other comprehensive income are classified as measured at fair value with changes included in the current profit and loss.
- At the time of initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Group may irrevocably designate financial assets as financial assets measured at fair value with changes included in the current profit and loss.

At the time of initial recognition, the Group may irrevocably designate non-transactional equity instruments other than contingent consideration recognized in a business combination involving entities not under common control as financial assets measured at fair value with changes included in other comprehensive income on the basis of a single financial asset. Such financial assets are listed as investments in other equity instruments.

The financial asset that meets one of the following conditions indicates that the purpose of holding the financial asset by the Group is for a transaction:

- The purpose of acquiring relevant financial assets is mainly to sell them in the near future.
- Relevant financial assets are part of a centrally managed portfolio of identifiable financial instruments at the time of initial recognition, and there is objective evidence to show that there is actually a short-term profit model in the near future.
- Relevant financial assets are derivatives. Except for derivatives that meet the definition of financial guarantee contracts and derivatives designated as effective hedging instruments.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.1 Classification and Measurement of Financial Assets (Cont.)**

**7.1.1 Financial assets measured by amortized cost**

Financial assets measured at amortized cost shall use the effective interest rate method and be subsequently measured in amortized cost. Gains or losses arising from impairment or derecognition shall be included in current profit and loss.

The Group recognizes interest income on financial assets measured at amortized cost according to the effective interest rate method. Except for the following circumstances, the Group shall calculate and determine interest income by multiplying the balance of financial assets by the effective interest rate:

- For purchased or generated financial assets with credit impairment, the Group shall calculate and determine the interest income based on the amortized cost of the financial assets and the credit-adjusted effective interest rate from the initial recognition.
- For financial assets purchased or generated without credit impairment but have undergone credit impairment in subsequent periods, the Group shall calculate and determine the interest income according to the amortized cost and effective interest rate of the financial assets in subsequent periods. If there is no credit impairment on the financial instruments due to its credit risk improvement in the subsequent period, and such improvement is linked to an event occurring after the application of the above provisions, the Group shall calculate and determine the interest income by multiplying the effective interest rate by the balance of the financial asset.

**7.1.2 Financial assets at fair value through other comprehensive income (“FVTOCI”)**

Impairment losses or gains related to financial assets classified as FVTOCI included in other comprehensive income shall be included in current profits and losses. Interest income and exchange gains and losses calculated by the effective interest rate method shall be included in current profit and loss, except that changes in fair value of such financial assets are included in other comprehensive income. The amount of the financial asset included in the profit and loss of each period shall be equal to the amount deemed to have been measured by amortized cost and included in the profit and loss of each period. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income and included in the current profit and loss.

After the investment in non-transactional equity instruments is designated as a financial asset measured at fair value with changes included in other comprehensive income, changes in the fair value of the financial asset shall be recognized in other comprehensive income. When the financial asset is derecognized, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained earnings. During the period when the Group holds the equity instruments for investment, dividend income is recognized and included in the current profit and loss when the Group's right to receive dividends has been established, economic benefits related to dividends (except dividend income partially recovered from investment cost) are likely to flow into the Group, and the amount

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of dividends can be reliably measured.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.1 Classification and Measurement of Financial Assets (Cont.)**

**7.1.3 Financial assets at fair value through profit or loss (“FVTPL”)**

Financial assets at fair value through profit or loss are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividends or interest income earned on the financial assets are recognized in the profit or loss.

**7.2 Impairment on financial instruments**

The Group carries out impairment accounting treatment and recognizes loss reserves on financial assets measured at amortized cost and financial assets measured at fair value with changes included in other comprehensive income on the basis of expected credit losses.

For contractual assets or receivables arising from transactions regulated by income standards that do not contain significant financing components or consider financing components in contract not exceeding one year, the Group shall measure the loss reserve according to the amount equivalent to the expected credit loss during the whole duration.

For other financial instruments, except for the purchased or generated financial assets with credit impairment, the Group shall evaluate the changes in credit risk of relevant financial instruments since initial recognition on each balance sheet date. If the credit risk of the financial instrument has increased significantly since the initial recognition, the Group shall measure its loss provision according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration; if the credit risk of the financial instrument has not increased significantly since the initial recognition, the Group shall measure its loss reserves according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The increase or reversal amount of credit loss reserve shall be included in the current profits and losses as impairment losses or gains, except for financial assets classified as measured at fair value with changes included in other comprehensive income. For financial assets classified as measured at fair value with changes included in other comprehensive income, the Group shall recognize its credit loss reserve in other comprehensive income, and include impairment losses or gains in current profits and losses without reducing the carrying value of the financial assets listed in the balance sheet.

In the previous accounting period, the Group has measured the loss reserve according to the amount equivalent to the expected credit loss during the whole duration of the financial instruments. But if there is no significantly increased credit risk of the financial instrument since initial recognition at the current balance sheet date, the Group shall measure the loss provision of the financial instruments on the current balance sheet date according to the amount equivalent to the expected credit loss in the next 12 months, and the reversal amount of the loss provision thus formed shall be included in the current profits and losses as impairment gains.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.2 Impairment on financial instruments (Cont.)**

**7.2.1 Significant increase of credit risk**

The Group uses reasonable and well-founded prospective information available to determine whether the credit risk of financial instruments has increased significantly since initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial recognition date. For loan commitments and financial guarantee contracts, when the Group applies the impairment provisions for financial instruments, the date when the Group becomes a party making irrevocable commitments shall be regarded as the initial recognition date.

The Group shall consider the following factors when assessing whether the credit risk has increased significantly:

- (1) Whether the external credit rating (if applicable) or internal credit rating of financial instruments has actually changed or expected to change significantly.
- (2) Whether the external market indicators of credit risk of the same financial instrument or similar financial instruments with the same expected duration have changed significantly, these indicators include credit spread and credit default swap price for borrowers.
- (3) Whether the regulatory, economic or technological environment in which the debtor is located has undergone significant negative changes.
- (4) Whether the actual or expected operating results of the debtor have changed significantly.
- (5) Negative changes in business, financial or economic conditions that are expected to lead to significant changes in the debtor's ability to fulfill its repayment obligations.

Regardless of whether the credit risk has increased significantly after the above assessment, when the contract payment of the financial instruments has been overdue for more than (inclusive) 30 days, it indicates that the credit risk of the financial instrument has increased significantly.

On the balance sheet date, if the Group decides that the credit risk of the financial instruments is low, the Group assumes that the credit risk of the financial instruments has not increased significantly since initial recognition. If the default risk of a financial instrument is relatively low, the borrower has a strong ability to fulfill its contractual cash flow obligations in a short period of time, and even if there are negative changes in the economic situation and operating environment for a long term, yet may not necessarily affect the borrower's performance of its contractual cash obligations, the financial instruments shall be deemed to have relatively low credit risk.



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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.2 Impairment on financial instruments (Cont.)**

**7.2.2 Financial assets with impairment on credit**

In the case of the Group expects the occurrence of one or more events that have a negative effect on the future cash flow of financial assets, such financial assets has undergone credit impairment. Evidence for credit impairment of financial assets includes the following observable information:

- (1) Material financial difficulties have occurred to the issuer or the debtor;
- (2) The debtor has violated the contract, such as default or overdue payment of interest or principal;
- (3) The creditor makes a compromise that would not have been made in any other case given financial or contractual considerations relating to the debtor's financial difficulties;
- (4) The debtor is likely to close down or make other financial reorganization;
- (5) Financial difficulties of the issuer or the debtor cause disappearance of the active market of such financial assets.
- (6) A financial asset is purchased or generated at a great discount, which reflects the fact of occurrence of credit loss.

Based on the Group's internal credit risk management, when the internally suggested or externally obtained information indicates that the debtor of the financial instruments cannot fully repay creditors including the Group (regardless of any guarantee obtained by the Group), the Group shall decide that a default event has occurred.

Regardless of the above evaluation results, if the payment of the financial instruments contract has been overdue for more than 90 days (including 90 days), the Group shall assume that a default has occurred on the financial instruments.

**7.2.3 Recognition of expected credit loss**

When the Group fails to obtain evidence of credit loss on the basis of a single financial asset, the Group shall use an impairment matrix to determine the credit loss of relevant financial instruments on the basis of a combination of financial assets. The Group classifies financial instruments into different groups based on common risk characteristics. The common credit risk characteristics adopted by the Group include the type of financial instruments, overdue status, industry, scale and nature of debtor, and available external rating information.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.2 Impairment on financial instruments (Cont.)**

**7.2.3 Recognition of expected credit loss (Cont.)**

The Group determines the expected credit losses of relevant financial instruments according to the following methods:

- For financial assets, including debt investments and other debt investments held by the Group, credit loss shall be the present value of the difference between the contractual cash flow to be received by the Group and the cash flow expected to be received.
- For financial guarantee contracts, the credit loss shall be the expected payment amount that the Group will make to the holder of the contract for the credit loss incurred, deducts the present value of the difference between the amount that the Group expects to collect from the holder of the contract, the debtor or any other party.
- For financial assets with credit impairment on the balance sheet date but are not purchased or generated financial assets with credit impairment, the credit loss shall be the difference between the balance of the financial asset and the present value of the estimated future cash flow discounted at the original effective interest rate.

The factors reflected in the Group's method of measuring expected credit losses of financial instruments include: unbiased probability weighted average amount determined by evaluating a series of possible results; Time value of money; Reasonable and well-grounded information about past events, current conditions and future economic conditions that can be obtained at the balance sheet date without unnecessary extra cost or effort.

**7.2.4 Write-down of financial assets**

When the Group no longer reasonably expects the contractual cash flow of a financial asset to be fully or partially recovered, the balance of the financial asset shall be directly written down. This write-down constitutes the derecognition of relevant financial assets.

**7.3 Transfer of financial assets**

Financial assets that meet one of the following conditions are derecognized: (1) The contractual right to receive the cash flow of the financial asset is terminated; (2) The financial assets have been transferred, and almost all the risks and rewards of ownership of the financial assets are transferred to the transferee; (3) The financial assets have been transferred. Although the enterprise has neither transferred nor retained almost all the risks and rewards in the ownership of the financial assets, it has given up control of the financial assets.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.3 Transfer of financial assets (Cont.)**

If the Group neither transfers nor retains almost all risks and rewards in the ownership of the financial asset, and retains control over the financial asset, the transferred financial asset shall continue to be recognized according to the extent to which it continues to be involved in the transferred financial asset, and relevant liabilities shall be recognized accordingly. The Group measures related liabilities in the following methods:

- Where the transferred financial assets are measured at amortized cost, the carrying value of the relevant liabilities shall be equal to the carrying value of the financial assets that continue to be involved in the transfer minus the amortized cost of the rights retained by the Group (if the Group retains the relevant rights due to the transfer of financial assets) plus the amortized cost of the obligations assumed by the Group (if the Group assumes the relevant obligations due to the transfer of financial assets), and the related liabilities shall not be designated as financial liabilities measured at fair value with changes included in the current profit and loss.
- Where the transferred financial assets are measured at fair value, the carrying value of the relevant liabilities shall be equal to the carrying value of the financial assets that continue to be involved in the transfer minus the fair value of the rights retained by the Group (if the Group retains the relevant rights due to the transfer of financial assets) plus the fair value of the obligations assumed by the Group (if the Group assumes the relevant obligations due to the transfer of financial assets), the fair value of the rights and obligations shall be the fair value when measured on an independent basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between the carrying value of the transferred financial assets on the date of derecognition and the sum of the consideration received due to the transfer of financial assets and the corresponding derecognition portion of the accumulated amount of changes in fair value originally included in other comprehensive income shall be included in the current profit and loss. If the financial assets transferred by the Group are non-transactional equity instruments investments designated to be measured at fair value with changes included in other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained earnings.

Where the partial transfer of financial assets meets the conditions for derecognition, the carrying value of the financial assets in their entirety before the transfer is allocated between the derecognition part and the part for further recognition according to their respective relative fair values on the transfer date. The difference between the sum of the consideration received by the derecognition part and the amount corresponding to the derecognition part in the accumulated amount of changes in fair value originally included in other comprehensive income, and the carrying value of the derecognition part on the derecognition date, shall be included in the current profit and loss. If the financial assets transferred by the Group are non-transactional equity instruments investments designated to be measured at fair value with changes included in other comprehensive income, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.3 Transfer of financial assets (Cont.)**

If the entire transfer of financial assets does not meet the conditions for derecognition, the Group shall continue to recognize the entire transferred financial assets, and the consideration received due to the transfer of assets shall be recognized as liabilities upon receipt.

**7.4 Classification of financial liabilities and equity instruments**

The Group, based on the contractual terms of the issued financial instruments and the economic substance reflected in them, rather than just in legal form, combined with the definition of financial liabilities and equity instruments, classifies the financial instrument or its components as financial liabilities or equity instruments at the time of initial recognition.

**7.4.1 Classification, recognition and measurement of financial liabilities**

The Group's financial liabilities are, on initial recognition, classified into financial liabilities measured at fair value with changes included in the current profit and loss and other financial liabilities.

Financial liabilities measured at fair value with changes included in the current profit and loss.

Financial liabilities measured at fair value with changes included in the current profit and loss, including financial liabilities held for trading (including derivatives that belong to financial liabilities) and financial liabilities designated as financial liabilities measured at fair value with changes included in the current profit and loss. Financial liabilities measured at fair value with changes included in the current profit and loss shall be listed as financial liabilities held for trading.

The financial liabilities that meet one of the following conditions indicates that the purpose of assuming the financial liabilities by the Group is for transaction:

- The purpose of assuming related financial liabilities is mainly for repurchase in the near future.
- Relevant financial liabilities are part of a centrally managed portfolio of identifiable financial instruments at the time of initial recognition, and there is objective evidence to show there is actually a short-term profit model in the near future.
- Related financial liabilities are derivatives. Except for derivatives that meet the definition of financial guarantee contracts and derivatives designated as effective hedging instruments.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7. Financial instruments (Cont.)**

**7.4 Classification of financial liabilities and equity instruments (Cont.)**

**7.4.1 Classification, recognition and measurement of financial liabilities (Cont.)**

The Group may designate financial liabilities that meet one of the following conditions as financial liabilities measured at fair value with changes included in the current profit and loss upon initial recognition: (1) the designation can eliminate or significantly reduce accounting mismatches; (2) According to the risk management or investment strategy stated in the Group's official documents, manage and evaluate the financial liability portfolio or the financial asset and financial liability portfolio on the basis of fair value, and report to key management personnel within the Group on this basis; (3) Eligible mixed contracts containing embedded derivatives.

Financial liabilities held for trading are subsequently measured by fair value. Gains or losses arising from changes in fair value and dividends or interest expenses related to such financial liabilities shall be included in current profit and loss.

For financial liabilities designated to be measured at fair value with changes included in the current profit and loss, changes in fair value of the financial liabilities caused by changes in the Group's credit risk shall be included in other comprehensive income, and other changes in fair value shall be included in the current profit and loss. When the financial liability is derecognized, the accumulated change in its fair value arising from the change in its own credit risk previously included in other comprehensive income shall be transferred to retained earnings. Dividends or interest expenses related to these financial liabilities shall be included in the current profit and loss. If the effects of changes in the financial credit's own credit risk in the above manner will cause or expand the accounting mismatch in profit or loss, the Group's total gains or losses on the financial liability (including the impact of changes in its own credit risk amount) shall be included in the current profit and loss.

**7.4.2 Other financial liabilities**

Except for the transfer of financial assets that do not meet the conditions for derecognition or continued involvement in the financial liabilities and financial guarantee contracts formed by the transferred financial assets, other financial liabilities are classified as financial liabilities measured at amortized cost, which shall be subsequently measured at amortized cost. Gains or losses arising from derecognition or amortization are included in the current profit and loss.

If the Group amends or renegotiates the contract with the counterparty and does not lead to the derecognition of the financial liabilities subsequently measured according to amortized cost, but leads to changes in the contract cash flow, the Group shall recalculate the carrying value of the financial liabilities and include the relevant gains or losses into the current profit and loss. The recalculated carrying value of the financial liability shall be determined by the Group based on the present value of the renegotiated or modified contractual cash flow discounted at the original effective interest rate of the financial liability. For all costs or expenses incurred in amending or renegotiating the contract, the Group shall adjust the carrying value of the modified financial liabilities and amortize them over the remaining period of the modified financial liabilities.

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**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**7.5 Derecognition of financial liabilities**

The Group derecognizes a financial liability (or part of it) when the present underlying obligation (or part of it) is discharged or cancelled or has expired. The Group (borrower) and the lender sign an agreement to replace the original financial liability by assuming a new financial liability, and the contract terms of the new financial liability and the original financial liability are substantially different, the Group shall derecognize the original financial liability and new financial liabilities shall be recognized.

When the Company derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

**7.6 Equity instruments**

Equity instruments refer to contracts that can prove the remaining equity of the Group's assets after all liabilities are deducted. The Group issues (including refinancing), repurchases, sells or cancels equity instruments as changes in equity. The Group does not recognize changes in the fair value of equity instruments. The transaction costs related to equity transactions are deducted from equity.

The Group's allocation to holders of equity instruments shall be treated as profit distribution, and the stock dividends issued will not affect the total shareholders' equity.

**7.7 Offsetting financial assets and financial liabilities**

When the Group has the legal rights to offset the financial assets and financial liabilities of the recognized amount, and such legal rights are currently enforceable, and the Group plans to settle the net assets at the same time or realize the financial assets and liquidate the financial liabilities, the offsetting net amount of financial assets and financial liabilities shall be listed in the balance sheet. Besides, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

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**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**8. Long-term equity investments**

8.1 Determine the basis for control, joint control and significant impact on the invested entity

Control means that the investor has the power over the investee, enjoys variable returns by participating in the related activities of the investee, and has the ability to use the power over the investee to influence the amount of returns. Joint control refers to the common control over an arrangement in accordance with relevant agreements, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. Significant influence refers to the right of participation in the decisions of financial and operational policies of the investee, not including the right to control, or jointly control over other participants. When determining whether the invested entity can be controlled or exerted significant influence, potential voting factors such as current convertible corporate bonds and current executable warrants of the invested entity held by investors and other parties have been considered.

8.2 Determination of initial investment cost

For long-term equity investments acquired through a business combination involving entities not under common control, the enterprise shall determine the combination cost on the purchase date as the initial investment cost of the long-term equity investment.

Such intermediary expenses incurred by the acquiree or the purchaser for a business combination as audit expense, legal service expense, evaluation and consultation expense, and other related administrative expenses shall be included in the current profit and loss.

For long-term equity investments acquired by means other than those formed by business combination, the initial measurement shall be carried out based on costs. For the additional investment that can exert significant influence on the invested entity or implement joint control but does not constitute control, the long-term equity investments cost is determined as the sum of the fair value of the original equity investment plus the new investment cost in accordance with "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments".

8.3 Methods of subsequent measurement and recognition of gains and losses

8.3.1 Income from long-term equity investments calculated by cost method

The cost method is used to account for long-term equity investments in subsidiaries in the Company's financial statements. Subsidiaries refer to the invested entities over which the Group can exercise control.



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**IV. Significant accounting policies and accounting estimate (Cont.)**

**8. Long-term equity investments (Cont.)**

**8.3 Methods of subsequent measurement and recognition of gains and losses (Cont.)**

**8.3.1 Income from long-term equity investments calculated by cost method (Cont.)**

Income from long-term equity investments calculated by cost method shall be measured according to the initial investment cost. Adding or recovering investment to adjust the cost of long-term equity investments. The current investment income shall be recognized according to the cash dividends or profits declared and distributed by the invested entity.

**8.3.2 Long-term equity investments accounted for using equity method**

The Group uses equity method to calculate the long-term equity investments in associates and joint ventures. Associates refer to the invested entities that the Group can exert significant influence on and joint ventures refer to a joint arrangement where the Group thereto only enjoy rights in and to net assets of such arrangement.

When the equity method is adopted for accounting, where the initial investment cost of the long-term equity investment is greater than the fair value share of the identifiable net assets of the invested entity, the initial investment costs of long-term equity investment shall not be adjusted; where the initial investment costs of long-term equity investments is less than the fair value share of the identifiable net assets of the invested entity, the difference shall be included in the current profit and loss, and the costs of long-term equity investments shall be adjusted.

When the equity method is adopted for accounting, it shall separately recognize the investment income and other comprehensive income in accordance with the share of net profit and loss and other comprehensive income realized by the invested entity, which shall be enjoyed or shared, and at the same time adjust the carrying value of the long-term equity investment; the carrying value of the long-term equity investments shall be reduced in accordance with the portion of the profits or cash dividends declared to distribute by the invested entity; for the other changes in the owners' equity other than the net profit or loss, other comprehensive income and profit distribution of the invested entity, the carrying value of the long-term equity investment will be adjusted and included in the capital reserves. In recognizing the share of net profit and loss of the invested entity, the Company shall, on the basis of obtaining the fair value of the identifiable assets of the invested entity at the time of investment, the net profits of the invested entity shall be adjusted and recognized. If the accounting policies and accounting period adopted by the invested entity are inconsistent with the Group, the financial statements of the invested entity shall be adjusted in accordance with the Group's accounting policies and periods, and investment income and other comprehensive income shall be recognized accordingly. For the transactions conducted between the Group and associates and joint ventures, if the assets invested or sold do not constitute a business, the unrealized internal transaction gains and losses shall be calculated based on the proportion enjoyed by the group to be offset, and investment gains and losses shall be determined on this basis. However, the unrealized internal transaction losses incurred by the Group and the invested entity are the impairment loss of the transferred assets and shall not be offset.

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**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**8. Long-term equity investments (Cont.)**

**8.3 Methods of subsequent measurement and recognition of gains and losses (Cont.)**

**8.3.2 Long-term equity investments accounted for using equity method (Cont.)**

When recognizing that the net loss incurred by the invested entity that should be shared, the carrying value of the long-term equity investments and other long-term equity that substantially constitute the net investment in the invested entity should be reduced to zero. In addition, if the Group has an obligation to undertake additional losses to the invested entity, the expected liabilities shall be recognized according to the provisions and included in the current investment losses. If the invested entity records net profits in a later period, the Group shall resume the recognition of the revenue sharing amount after the unrecognized loss sharing amount is made up for with revenue sharing amount.

**8.4 Disposal of long-term equity investments**

With regard to the disposal of long-term equity investments, the difference between the carrying value and the actual amount obtained is included in the current profits and losses. For long-term equity investments accounted for using equity method, if the remaining equity after disposal is still accounted for using equity method, other comprehensive income originally recognized by the equity method shall be accounted for on the same basis as the direct disposal of related assets or liabilities by the invested entity, and shall be carried forward to the current profit and loss in proportion; The owners' equity recognized due to changes in the other owner's equity except for net profit and loss, other comprehensive income and profit distribution of the investee shall be carried forward to the current profit and loss in proportion.

If the Group loses control of the invested entity due to the disposal of part of its equity investment, when preparing individual financial statements, if the remaining equity after the disposal can exercise joint control or exert significant influence on the invested entity, it shall be accounted for using equity method, and the remaining equity shall be deemed to be adjusted by equity method when it is acquired; If the remaining equity after disposal cannot exercise joint control or exert significant influence on the invested entity, the accounting treatment shall be carried out in accordance with the relevant provisions of the recognition and measurement standards for financial instruments. The difference between the fair value and the book value on the date of losing control shall be included in the current profit and loss. Before the Group obtains control of the invested entity, other comprehensive income recognized due to the use of equity method accounting or recognition and measurement standard accounting for financial instruments, the same basis shall be adopted as the invested to directly dispose of related assets or liabilities for accounting treatment when losing control of the invested entity. Changes in the owners' equity other than net profits and loss, other comprehensive income and profit distribution in the net assets of the invested entity recognized as a result of adopting the equity method of accounting shall be carried forward to the current profit or loss when losing control of the invested entity. Among them, the remaining equity after disposal shall be accounted for using equity method, and other comprehensive income and other owners' equity shall be carried forward in proportion; if the remaining equity after disposal is accounted for according to the recognition and measurement standards for financial instruments, other comprehensive income and other owners' equity shall be carried forward.

**Huarong Rongde Asset Management Company Limited**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**8. Long-term equity investments (Cont.)**

**8.4 Disposal of long-term equity investments (Cont.)**

Where the Group has lost common control or significant influence on the invested entity due to the disposal of part of the equity investment, the remaining equity after disposal shall be accounted for in accordance with the Accounting Standards of Recognition and Measurement of Financial Instruments. The difference between the fair value and the carrying value at the date of loss of common control or significant influence shall be recorded in the current profit and loss. When the equity method is terminated, the other comprehensive income of the original equity investment shall be accounted for on the same basis as the invested entity's direct disposal of relevant assets or liabilities. The owners' equity recognized due to the change of owners' equity of the invested entity other than net profit and loss, other comprehensive income and profit distribution shall be transferred to the current investment income when the equity method is terminated.

The Group disposes of equity investments in subsidiaries through multiple transactions in a phased manner until it loses control. If the above transactions are package transaction, each transaction shall be treated as a transaction that disposes of equity investments in subsidiaries and loses control. Before the loss of control, the difference between the price of each disposal and the carrying value of the long-term equity investments corresponding to the disposed equity shall be first recognized as other comprehensive income, and then transferred to the current loss or loss of control when the control is lost.

**9. Investment properties**

Investment properties refer to properties held to earn rent or capital appreciation, or both. Including the land tenure that has been leased out, the land tenure that is held and ready to be transferred after appreciation, and the buildings that have been leased out.

Investment properties are initially measured according to costs. Subsequent expenses related to investment properties shall be included in the cost of investment properties if the economic benefits related to the assets are likely to flow in and their costs can be reliably measured. Other subsequent expenses shall be included in the current profit and loss when incurred.

The Group adopts the cost model for the subsequent measurement of investment properties, and depreciates or amortizes it in accordance with policies consistent with the rights of use of buildings and land tenure.

The amount of income from disposal, transfer, discarding as scrap or damage of investment properties after deducting the asset's carrying value and relevant taxation shall be written into current gains and losses.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**10. Fixed assets**

Fixed assets are defined as the tangible assets which are held for the purpose of producing goods, providing labor services, lease or for operation and management, and have more than one accounting year of service life. Fixed assets shall only be recognized when the economic benefits associated with them are likely to flow into the Group and their costs can be measured reliably. Fixed assets are initially measured at cost and taking into account the impact of expected abandonment costs.

Subsequent expenses related to fixed assets, if the economic benefits related to the fixed assets are likely to flow in and their costs can be reliably measured, shall be included in the cost of fixed assets and the carrying value of the replaced part shall be derecognized. Other subsequent expenses other than this shall be included in the current profit and loss when incurred. The fixed assets shall be depreciated with the straight line method within the service life starting from the next month after reaching the expected usable state. The service life, expected residue value and annual depreciation rate of various fixed assets are as follows:

<u>Items</u>	<u>Service life</u>	<u>Expected net residual rate (%)</u>	<u>Annual depreciation rate (%)</u>
Means of transport	4	5.00	23.75
Electronic equipment	3	10.00	30.00
Mechanical equipment	20	5.00	4.75
Other equipment	5	5.00	19.00

The estimated net residual value refers to the amount of fixed assets assumed to be at the end of the expected service life and at the end of the service life, the amount currently obtained by the Group from the disposal of this asset after deducting the estimated disposal cost.

When a fixed asset is disposed, or no economic benefit could be predicted through utilization or disposal of the same, the Company shall stop recognition of such fixed assets. The difference between the disposal income of the sale, transfer, scrapping or damage of fixed assets after deducting their carrying value and related taxes shall be included in the current profit and loss.

The Group reviews the service life, estimated net residual value and depreciation method of fixed assets at least at the end of the year, and any change shall be treated as changes in accounting estimates.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**11. Intangible assets**

Intangible assets are mainly software.

Intangible assets are initially measured according to costs. Intangible assets with limited service life shall be amortized evenly using the straight line method over their expected service life from the point they are available for use. Intangible assets with uncertain service life shall not be amortized.

At the end of the year, the expected service life and the amortization method of intangible assets with limited service life shall be rechecked and adjustment shall be made as necessary.

**12. Long-term prepaid expenses**

Long-term prepaid expenses refer to various costs that have occurred and are apportioned by the current period and future periods which is longer than one year, which mainly includes the expenses for upgrading leased fixed assets. Long-term prepaid expenses shall be amortized evenly in stages during the expected benefit period.

**13. Impairment of non-financial assets other than goodwill**

On each balance sheet date, the Group checks whether there are signs of possible impairment of long-term equity investments, fixed assets, intangible assets and other assets with determined service life. If there are signs of impairment of such assets, the recoverable amount shall be estimated.

The estimated recoverable amount of an asset is based on a single asset. If it is difficult to estimate the recoverable amount of a single asset, the recoverable amount of the asset group shall be determined based on the asset group to which the asset belongs. The recoverable amount is the higher of the net amount of the fair value of the asset or asset group less the disposal expenses and the present value of the estimated future cash flow.

If the recoverable amount of an asset is lower than its book value, the impairment provisions shall be accrued according to the difference and included in the current profit and loss.

The asset impairment loss shall be not returned in a later accounting period once it is confirmed.

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**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**14. Employee benefits**

Accounting treatment method of short-term employee benefits

The Group recognizes the actual short-term employee benefits as a liability during the accounting period in which employees provide services to it, and is included in the current profit and loss or related asset costs. Employee welfare incurred by the Group is included in current profit and loss or related asset costs according to the actual amount incurred. If employee welfare is non-monetary welfare, it shall be measured at fair value.

During the accounting period when the employees provide services for the Group, the Group shall calculate and determine the corresponding amount of employee benefits according to the specified calculation basis and proportion of accrual according to the medical insurance, employment injury insurance, maternity insurance and other social insurance and housing provident fund paid by the Group for the employees, as well as the labor union funds and employee education funds accrued according to the regulations. The corresponding liabilities shall be recognized and included in the current profit and loss or related asset costs.

Accounting treatment method of post-employment benefits

In the accounting period when the employees provide services to the Group, the Group shall confirm the payable deposit amount calculated by the defined contribution plan as liabilities, and shall include it in the current profits and losses or related asset costs.

Accounting treatment method of dismissal benefits

If the Group provides dismissal benefits to employees, the employee benefits liabilities arising from termination benefits shall be recognized and recorded in current loss and profit at the earlier of the date when the Group cannot unilaterally withdraw the termination benefits provided by the labor relationship cancellation plan or the layoff proposal and the date when the Group recognizes the costs or expenses in relation to the restructuring of paying termination benefits.

Accounting treatment method of other long-term employee benefits

Other long-term employee benefits that meet the requirements of the defined contribution plans, accounting treatment shall be conducted in accordance with relevant provisions of the above defined contribution plan.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**15. Recognition of income**

**15.1 Interest income**

Interest income from all interest-bearing financial instruments refers to interest income from debt rights financial assets invested by the Group. Interest income is calculated by multiplying the effective interest rate by the balance of financial assets. Except for financial assets with credit impairment, the interest income is calculated by multiplying the effective rate by amortized cost (i.e. the net amount after deducting the expected credit impairment provision).

**15.2 Fee and commission income**

The Group collects fees and commissions by providing a variety of services to customers.

Fee and commission income can only be recognized when the following conditions are met at the same time:

- The parties to the contract have approved the contract and promised to perform their respective obligations;
- The contract clarifies the rights and obligations of the parties to the contract related to the provision of services;
- The contract has set out clear payment terms related to the provision of services;
- The nature of the contract is commercial, that is, the performance of the contract will change the risk, time distribution or amount of future cash flow of the enterprise;
- Consideration to which the Group is entitled as a result of the provision of services to customers is likely to be recovered.

For those who do not meet the above conditions, the consideration collected can only be recognized as income when they no longer have the remaining obligation to provide services to customers and the consideration collected from customers does not need to be returned; Otherwise, the consideration already received shall be treated as a liability for accounting treatment.

If one of the following conditions is met, income shall be recognized within a certain period of time, otherwise income shall be recognized at a certain point in time:

- Customers obtain and consume the economic benefits arising from the contract performance at the Group in this process;
- The services produced by the Group during its contract performance have irreplaceable uses, and the Group has the right to collect money for the accumulated performance that has been completed so far throughout the contract period.

For income recognition at a certain point in time, the following signs shall be considered:

- The Group is entitled to current payment rights in respect of the service, i.e. the customer has current payment obligations in respect of the service.
- The Group has provided all or phased services in accordance with the terms of the contract, and the customers have received the services.

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- Other signs to show the customer has actually received the service.



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**IV. Significant accounting policies and accounting estimate (Cont.)**

**15. Income recognition (Cont.)**

**15.3 Commodity sales income**

The Group has fulfilled its performance obligation in the contract, i.e. the income shall be recognized when the customer obtains control of the relevant goods or services. Obtaining control of related goods or services means that customers can lead the use of the goods or the provision of the services and obtain almost all economic benefits therefrom.

The amount of income from sales of goods shall be measured according to the transaction price allocated to each item of the performance obligation. Transaction price refers to the amount of consideration that an enterprise will be entitled to receive due to the transfer of goods to customers. The Group determines the transaction price according to the terms of the contract and the past practices, as well as the influence of variable consideration, major financing components in the contract, non-cash consideration, consideration payable to customers and other factors.

The part that the Group has obtained unconditional collection rights shall be recognized as receivables, the remaining part shall be recognized as contract assets, and the loss reserves shall be recognized for receivables and contract assets based on expected credit losses. If the contract price received or receivable by the Group has exceeded the completed labor service, the excess shall be recognized as a contract liability. The Group presents the net amount of contractual assets and contractual liabilities under the same contract.

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**16. Government Grants**

Government grants are the monetary assets and non-monetary assets from the government to the Group at no consideration. The government subsidy shall be recognized when it meets the conditions attached to the government grant and is receivable.

If the government grants are in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

Government grants related to assets are recognized as deferred income and distributed equally over the life of the relevant assets, and included in the current profit and loss.

For a government grant related to income, if the grant is compensation for related expenses and losses to be incurred in the subsequent period, the grant is recognized as deferred income and recognized in profit or loss over the periods in which the related expenses are recognized. If the grant is compensation for related expenses and losses already incurred, the grant is recognized immediately in profit or loss for the period. The Group classifies government grant of indistinguishable nature as income-related government grant as a whole.

Government grant relating to daily activities of the Group are recorded in other income according to the substance of economic business. Government grant not related to the daily activities of the Group are recorded in non-operating income and expenses.

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**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**17. Income tax**

The income tax expense includes current income tax and deferred income tax.

Current income tax

On the balance sheet date, the current income tax liabilities (or assets) formed in the current period and the previous period are measured by the expected income taxes (or return) calculated according to the provisions of the tax law.

Deferred income tax assets and deferred income tax liabilities

The difference between the carrying value of certain assets and liabilities items and the tax base, as well as the difference between the carrying value and tax base of items that are not recognized as assets and liabilities but whose tax base can be determined in accordance with tax laws. For temporary differences, deferred income tax assets and deferred income tax liabilities are recognized using the balance sheet debt method.

In general, all temporary differences are recognized as relevant deferred income tax. However, for temporary deductible difference, the Group recognizes relevant deferred income tax assets to the extent that it is likely to obtain taxable income to offset temporary deductible differences. Besides, temporary difference related to the initial recognition of goodwill and related to the initial recognition of assets or liabilities arising from transactions that are neither a business combination nor affect accounting profits and taxable income (or deductible loss) shall not be recognized as related deferred income tax assets or liabilities.

For the deductible losses and tax deductions that can be carried over to the subsequent years, the corresponding deferred income tax assets are confirmed to the extent that the future taxable income that is likely to be used to deduct the deductible loss and tax deductions is limited .

Besides, for deferred income tax liabilities arising from the temporary taxable difference associated with investments in subsidiaries, associates and joint ventures recognized by the Group, unless the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. For temporary deductible difference associated with the investments of subsidiaries, associates and joint ventures, only when the temporary difference is highly likely to be reversed for the foreseeable future, and taxable income for the temporary deductible difference is highly likely to be available in the future, the Group shall recognize the deferred income tax assets.

In order to measure the deferred tax on lease transactions in which the Group recognizes use-right assets and related lease liabilities, the Group shall determine the tax deduction is a use-right asset or lease liability in the first place.

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**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**17. Income tax (Cont.)**

Deferred income tax assets and deferred income tax liabilities (Cont.)

For lease transactions for which tax deduction is attributable to lease liabilities, the Group shall apply the requirements of Accounting Standards for Business Enterprises No.18-Income Tax to the entire lease transaction. Temporary differences related to right-of-use assets and lease liabilities are evaluated on a net basis. The net amount of lease payments where the depreciation of the right-of-use assets exceeds the principal portion of the lease liabilities will generate a temporary deductible difference.

On the balance sheet date, deferred income tax assets and liabilities shall be measured at the tax rate that is expected to apply in the period in which relevant asset is realized or relevant liability is settled in accordance with tax law.

Except for the current income tax and deferred income tax related to transactions and events directly included in other comprehensive income or directly included in owners' equity, included in other comprehensive income or owners' equity, and the deferred income tax expenses arising from business combination to adjust the carrying value of goodwill, other current income tax and deferred income tax expense or gains shall be included in the current profit and loss.

On the balance sheet date, the carrying value of deferred income tax assets shall be reviewed. The carrying value of deferred income tax assets shall be written down if sufficient taxable income will not be available for the coming period to offset the benefits of deferred income tax assets. When it is probable to obtain sufficient taxable income taxes, such write-down amount shall be subsequently reversed.

Offset of income tax

When the legal right to settle in net amount is available and intend to settle in net amount or assets acquisition and liabilities settlement are conducted at the same time, the current income tax assets and current income tax liabilities of the Group shall be presented in net amount after offset.

When the legal right to settle the current income tax assets and current income tax liabilities in net amount is available, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied on the same taxpayer by the same tax collection department or different taxpayers. However, in the future period of reversal of important deferred income tax assets and liabilities, the taxpayer involved intends to settle the current income tax assets and liabilities with a net amount or acquire assets and pay off liabilities at the same time, the assets and deferred income tax liabilities of the Group shall be presented in net amount after offset.

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**Notes to the Financial Statements (Cont.)**  
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**IV. Significant accounting policies and accounting estimate (Cont.)**

**18. Lease**

Lease refers to a contract in which the lessor transfers the right to use the asset to the lessee for consideration within a certain period of time.

On the start date of the contract, the Group evaluates whether the contract is a lease or includes a lease. Unless the terms and conditions of the contract change, the Group does not reassess whether the contract is a lease or includes a lease.

The Group as the lessee

*Breakdown of lease*

If the contract contains one or more leased and non-leased parts at the same time, the Group will split the separate leased and non-leased parts and allocate the contract consideration according to the relative proportion of the sum of the separate prices of each leased part and the separate prices of the non-leased part.

*Right-of-use assets*

Except for short-term leases, the Group recognizes the right-of-use assets for leases on the start date of the lease term. The start date of the lease term refers to the start date when the lessee provides the leased asset to make it available to the Group. Right-of-use assets are initially measured according to costs. The costs include:

- Initial measurement amount of lease liabilities;
- If there is a lease incentive for the lease payment paid on or before the start date of the lease term, the relevant amount of the lease incentive already enjoyed shall be deducted;
- Initial direct expenses incurred by the Group;
- Costs expected to be incurred by the Group to dismantle and remove the leased assets, restore the site where the leased assets are located or restore the leased assets to the state agreed in the lease terms.

The Group refers to the relevant depreciation provisions of the Accounting Standards for Business Enterprises No.4-Fixed Assets to accrue depreciation for right-of-use assets. If the Group can reasonably determine the ownership of the leased asset at the expiration of the lease term, depreciation shall be accrued for the right-of-use assets over the remaining service life of the leased asset. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its remaining service life.

The Group determines whether the right-of-use assets have been impaired and accounting treatment has been conducted in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No.8-Impairment of Assets.

The Group separately lists the right-of-use assets that do not meet the definition of investment properties in the balance sheet. The right-of-use assets that meet the definition of investment properties shall be listed as "investment properties".

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**18. Leases (Cont.)**

The Group as the lessee (Cont.)

*Lease liabilities*

Except for short-term leases, the Group initially measures the lease liabilities at the start date of the lease term based on the present value of the outstanding lease payments on that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate as the discount rate.

Lease payment refers to the amount paid by the Group to the lessor in connection with the right to use the leased asset during the lease term, including:

- If there is lease incentive for the fixed payment amount and substantial fixed payment amount, the relevant amount of lease incentive shall be deducted;
- Variable lease payments depending on index or ratio;
- The exercise price of the purchase option to be exercised when the Group reasonably determines to exercise the purchase option right;
- The lease term reflects the amount to be paid to exercise the option to terminate the lease if the Group exercises the option to terminate the lease;
- Amounts expected to be paid based on the residual value of the guarantee provided by the Group.

After the start of the lease term, the Group calculates the interest expense of the lease liabilities in each period of the lease term at a fixed cyclical interest rate, which is included in the current profit and loss or the cost of related assets.

After the start of the lease period, the Group re-measures the lease liabilities and adjusts the corresponding right-of-use assets in case of any of the following circumstances. If the carrying value of the right-of-use assets has been reduced to zero, but the lease liabilities still need to be further reduced, the Group shall include the difference in the current profit and loss:

- If the lease term changes or the evaluation results of the purchase option change, the Group shall re-measure the lease liabilities according to the present value calculated by the changed lease payment amount and the revised discount rate;
- If the expected amount payable according to the guarantee residual value or the index or ratio used to determine the lease payment amount changes, the Group shall re-measure the lease liabilities according to the changed lease payment amount and the present value calculated by the original discount rate.

*Short-term lease*

For short-term leases of houses and buildings/transportation equipment/mechanical equipment, the Group shall choose not to recognize the right-of-use assets and lease liabilities. A short-term lease refers to a lease with a term of no more than 12 months and does not contain a purchase option at the start date of the lease term. The Group records the lease payment amount of the short-term lease into the current profit and loss using the straight line method in each period of the lease term.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**18. Leases (Cont.)**

The Group as the lessee (Cont.)

*Change of lease*

If the lease changes and the following conditions are met at the same time, the Group shall treat the lease change as a separate lease for accounting treatment:

- The lease change expands the scope of the lease by increasing the right to use one or more leased assets;
- The amount of increased consideration is equivalent to the separate price of the expanded part of the lease scope adjusted according to the contract.

If the lease change is not accounted for as a separate lease, the Group shall re-allocate the consideration of the changed contract, re-determine the lease period, and re-measure the lease liabilities on the effective date of the lease change according to the present value calculated by the changed lease payment amount and the revised discount rate.

If the scope of the lease is reduced or the lease term is shortened due to the lease change, the Group shall correspondingly reduce the carrying value of the right-of-use assets, and include the relevant gains or losses related to the partial or complete termination of the lease into the current profit and loss. If other lease changes lead to the remeasurement of lease liabilities, the Group shall adjust the carrying value of the right-of-use assets accordingly.

The Group as the lessor

*Breakdown of lease*

If the contract includes both leased and non-leased parts, the Group shall allocate the consideration of the contract according to the provisions of the Accounting Standards for Business Enterprises No.14-Income on the allocation of transaction prices, and the allocation shall be based on the separate selling prices of the leased part and the non-leased part.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**IV. Significant accounting policies and accounting estimate (Cont.)**

**18. Leases (Cont.)**

The Group as the lessor (Cont.)

*Classification of leases*

A lease that fundamentally transfers almost all risks and rewards related to the ownership of leased assets is a financial lease. Leases other than finance leases are operation leases.

The Group, as the lessor, records operation lease business

During each period of the lease term, the Group shall recognize the lease receipts from operating leases as lease income using the straight line method. Initial direct expenses incurred by the Group related to operating leases shall be capitalized when incurred, allocated on the same basis as the recognition of lease income during the lease term, and included in current profit and loss by stages.

The variable lease receipts obtained by the Group related to operating leases that are not included in the lease receipts shall be included in the current profit and loss when actually incurred.

*Sublease*

As a sublease lessor, the Group separately accounts for the original lease and sublease contracts as two contracts. The Group classifies sub-leases based on the right-of-use assets arising from the original lease, rather than the underlying assets of the original lease.

*Change of lease*

If there is a change in the operating lease, the Group shall treat it as a new lease from the effective date of the change, and the amount of advance or receivable lease receipts related to the lease before the change shall be regarded as the amount of receipts from the new lease.



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**V. Significant accounting judgments and estimates**

The preparation of financial statements requires the management to make judgments, estimates and assumptions, which will affect the reported amount and disclosure of income, expenses, assets and liabilities, as well as the disclosure of contingent liabilities on the balance sheet date. The uncertainties of these assumptions and estimates may result in major adjustments to the carrying value of assets or liabilities affected in the future.

**1. Judgement**

In the process of applying the Group's accounting policies, the management made the following judgments that have a significant impact on the amounts recognized in the financial statements:

Measurement of expected credit loss

The main issues considered by the Group when measuring expected credit losses include:

Significant increase in credit risk and identification of credit impairment: the expected credit loss of assets in the first stage shall be measured according to the 12-month expected credit loss provision, and the assets in the second and third stages shall be measured according to the expected credit loss provision for the entire duration. If the credit risk of an asset increases significantly after initial recognition, it shall be transferred to the second stage, and when credit impairment occurs, it shall be transferred to the third stage (but it does not belong to the purchase of generated financial assets with credit impairment). When assessing whether the credit risk of an asset has increased significantly or whether an asset has undergone credit impairment, it is necessary to consider internal and external historical information, current situation and future economic forecasts, the Group will consider reasonable and well-grounded quantitative forward-looking information and qualitative forward-looking information. At the same time, the Group also needs to judge the occurrence probability of several different macroeconomic scenarios and calculate the expected credit loss weighted by probability.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**V. Significant accounting judgments and estimates (Cont.)**

**1. Judgement (Cont.)**

Measurement of expected credit loss (Cont.)

Establish asset groups with similar credit risk characteristics: when expected credit losses are measured by combination, financial instruments shall be grouped according to similar risk characteristics. The Group will continuously monitor the appropriateness of credit risk characteristics to assess whether they still have similar characteristics. This is to ensure that if credit risk characteristics change, assets will be properly regrouped. This may lead to the establishment of a new portfolio or the transfer of assets to an existing portfolio that better reflects the similar credit risk characteristics of the asset group. When the credit risk increases significantly (or the trend of a significant increase is reversed), the measurement of loss reserve of assets is changed from the expected credit loss of 12 months to the entire duration, or vice versa, it is more common to regroup portfolios or move assets between portfolios. However, the above situation will also occur in portfolios that are continuously measured on the same measurement basis (expected credit loss for 12 months or the entire duration). But the amount of expected credit loss will change because the credit risk of the investment portfolio changes. At the same time, the Group also needs to judge the occurrence probability of several different macroeconomic scenarios and calculate the expected credit loss weighted by probability. For impaired assets with expected credit loss measured by single assessment method, it is very important to estimate their future cash flow. Factors that may affect the estimation include but are not limited to the following: the detail of financial information of specific creditor's rights, the correlation between the development trend of the industry and the future operating performance of specific debtors, and the recoverable cash flow of realized collateral.

Use of models and assumptions: The parameters used in measuring the expected loss model, including default probability, loss given default and default risk exposure, also involve more judgments and assumptions.

Control over the structured entity

The management needs to assess whether the Group has the right to control structured entities, enjoys significant variable returns from structured entities, and has the ability to use its power over structured entities to influence their return amount. If so, the Group shall combine relevant structured entities. When the Group is the manager or investor of the structured subject, it judges whether the Group controls the structured subject based on factors such as the decision-making scope as the manager or investor, the power held by other parties, the remuneration obtained from providing management services and the risk exposure of variable income.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**V. Significant accounting judgments and estimates (Cont.)**

**1. Judgement (Cont.)**

Measurement of expected credit loss (Cont.)

Control over the structured entity (Cont.)

If there are facts and circumstances to show that one or more of the three control factors of the accounting policies mentioned in Note IV, 4 have changed, the Group shall reevaluate whether it still has the right to control structured entities. Please refer to Note VII, 3 for details of the Group's judgment on whether it has control over structured entities.

**2. Estimated uncertainty**

The following are the key assumptions about the future on the balance sheet date and other key sources of estimated uncertainty, which may lead to significant adjustments in the carrying value of assets and liabilities in future accounting periods.

Fair value of financial instruments

The Group's financial assets measured at fair value include acquired non-performing debt rights and other financial instruments with fair value measured at the third level. When using fair value for subsequent measurement of non-performing debt rights and other financial instruments with fair value measured at the third level, since they are financial assets with no active trading market, it is necessary to establish a valuation model to determine their fair value according to subjective judgment and market assumptions. The Group adopts income method, market method, asset-based method and other appropriate valuation methods. The management of the Group makes assumptions in specific areas, such as counterparty credit risk, market volatility, correlation and discount rate. Changes in relevant assumptions will affect the fair value valuation of financial instruments.

Expected credit loss of financial assets

When measuring expected credit loss, the Group will use reasonable and well-founded forward-looking information based on assumptions about the future trends of various economic drivers and how these drivers influence each other.

The Group evaluates the probability of default and loss given default when measuring expected credit. The probability of default is the key input value to measure expected credit loss. The probability of default is an estimate of the possibility of default in a certain period of time in the future. The calculation basis of default probability used by the Group includes historical data, assumptions and expectations of future scenarios. Loss given default is an estimate of default losses. It is based on the difference between the contractual cash flow and the contractual cash flow expected to be received by the lender and will also consider the cash flow generated by collateral and credit enhancement.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**      **Expressed in Renminbi Yuan**

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**VI. Taxation**

The Group's major taxation and tax rate for the year are listed as follows:

VAT	<ul style="list-style-type: none"><li>- The output tax is calculated at a tax rate of 6% of the taxable income, and the VAT is calculated based on the difference after deducting the input tax allowed for the current period.</li><li>- The taxable income of electricity charges of Hanergy Dezhou Photovoltaic Power Generation Co., Ltd., the main body within the scope of the Group's consolidation, is calculated as output tax at the rate of 13%, and VAT is calculated and paid at the difference after the deductible input tax is deducted in the current period</li></ul>
Urban maintenance and construction tax	- 7% of VAT payable
Education surcharge	- 3% of VAT payable
Local education surcharge	- 2% of VAT payable
Enterprise income tax	- Paid at 25% of the taxable income.

In addition, for the partnership established by the Company in Wuhu City, Anhui Province, the water conservancy construction fund shall be paid at 0.06% of taxable income.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VII. Scope of consolidation**

**1. Information about subsidiaries**

				Total shareholding ratio of the Group (%)	
<u>Name of subsidiaries</u>	<u>Main operation place</u>	<u>Registered address</u>	<u>Nature of business</u>	31 December 2020	31 December 2019
Subsidiaries of the Company:					
Beijing Rongkaide Investment Management Co., Ltd (hereinafter referred to as "Rongkaide")	Beijing	Beijing	Investment management and investment consultation; Enterprise management consulting; Financial Advisor	100.00	100.00
Hanergy Dezhou Photovoltaic Power Generation Co., Ltd. (hereinafter referred to as "Hanergy Dezhou Photovoltaic")	Dezhou, Shandong	Dezhou, Shandong	Photovoltaic-generated power	100.00	-
Shanghai Shide Real Estate Co., Ltd.	Shanghai	Shanghai	Enterprise management, real estate	100.00	100.00

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VII. Scope of consolidation (Cont.)**

**2. Business combination not under common control**

In 2020, the Group acquired 100.00% equity of Hanergy Dezhou Photovoltaic by participating in the judicial auction. On 8 September 2020, the Group reorganized the board of directors and appointed the Chairman of the board of directors and the general manager. The acquisition date has been determined to be 8 September 2020.

The fair values and carrying amounts of identifiable assets and liabilities of Hanergy Dezhou Photovoltaic at the acquisition date:

	Fair Value	Carrying value
Cash and cash at banks	950,148.54	950,148.54
Fixed assets	243,201,913.52	239,908,731.26
Intangible assets	1,456,686.73	170,354.05
Other assets	86,626,719.03	86,626,719.03
Employee benefits payables	(333,360.75)	(333,360.75)
Taxes payable	(2,982,782.75)	(2,982,782.75)
Other liabilities	(143,859,894.98)	(142,715,016.25)
Total	<u>185,059,429.34</u>	<u>181,624,793.13</u>
Minority shareholders' equity	-	-
Fair value of identifiable net assets	185,059,429.34	
Gain on bargain purchase	<u>(2,657,461.31)</u>	
Combination costs <sup>Note</sup>	<u>182,401,968.03</u>	

Note: The balance is the fair value of the Group's debt rights to Hanergy Dezhou Photovoltaic at acquisition date.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VII. Scope of consolidation (Cont.)**

**2. Business combination not under common control (Cont.)**

The operating results and cash flow of Hanergy Dezhou Photovoltaic from the date of acquisition to the end of this year are listed as follows:

	During the period from the date of acquisition to 31 December 2020
Operating income	5,434,600.24
Net loss	21,561,591.35
Net cash flow	<u>509,076.55</u>

The net cash received from the acquisition of Hanergy Dezhou Photovoltaic is analyzed as follows:

	the date of acquisition
Cash and cash equivalents obtained on the date of purchase	950,148.54
Less: Cash consideration paid	<u>-</u>
Net cash inflow from acquisitions	<u>950,148.54</u>

**3. Consolidated Structured entities**

For scenarios where the Group serves both as a general partner and as a limited partner of a private equity fund, the Group shall comprehensively evaluate whether it is a principal of such private equity fund by assessing whether the return enjoyed by the Group's holding of investment shares and the remuneration earned by the Group as the managers of these funds are significant. The Group will consolidate a private equity fund if the Group is determined as the principal of such private equity fund.

As of 31 December 2020, the equity attributable to the Group of above mentioned consolidated structured entities was RMB 6,951 million (31 December 2019: RMB 2,211 million). Please refer to Note IX. 5 for details of these private equity funds.

**4. Please refer to Note XII for structured entities not included in the scope of consolidation.**

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to significant elements of the consolidated financial statements**

**1. Cash and cash at banks**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Bank deposit		
Incl: Current deposit	1,532,338,703.44	2,978,889,105.15
Time deposit	-	60,000,000.00
Other cash and cash at banks	<u>1,383.70</u>	<u>1,383.03</u>
Subtotal	<u>1,532,340,087.14</u>	<u>3,038,890,488.18</u>
Less: Impairment provision	<u>339,493.09</u>	<u>797,239.44</u>
Total	<u><u>1,532,000,594.05</u></u>	<u><u>3,038,093,248.74</u></u>

As of 31 December 2020, the carrying value of margin deposits made by the Group and the Company for the purpose of obtaining short-term borrowings was RMB 18,000,000.00. The total amount of the above restricted funds is RMB 18,000,000.00 (31 December 2019: RMB 60,000,000.00).



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the items of consolidated financial statements (Cont.)**

**2. Financial assets held for trading**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial assets at fair value through profit or loss		
Equity investment		
-Not listed	1,261,023,009.08	341,017,108.94
-Listed	238,221,120.17	177,164,422.08
Other debt instruments	1,547,906,076.84	295,239,695.00
Asset management plan and wealth management products	560,191,797.68	4,950,564,000.00
Trust products	130,082,547.02	218,288,778.24
Asset-backed securities	82,681,388.33	-
Convertible bond	-	32,053,203.61
Total	<u>3,820,105,939.12</u>	<u>6,014,327,207.87</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the items of consolidated financial statements (Cont.)**

**3. Debt investments**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Entrusted Loans	8,884,719,677.60	2,953,479,591.10
Debt instruments	442,875,333.33	942,473,044.44
Trust products	<u>8,257,078,891.27</u>	<u>5,711,684,051.93</u>
Subtotal	<u>17,584,673,902.20</u>	<u>9,607,636,687.47</u>
Less: Impairment provisions		
-Expected credit losses in the next 12 months	62,718,587.82	47,894,659.76
-Expected credit loss over the entire life time	<u>556,220,262.27</u>	<u>-</u>
Total	<u>16,965,735,052.11</u>	<u>9,559,742,027.71</u>

The expected credit loss of debt investment is as follows:

31 December 2020				
	Expected credit loss in the next 12 months	Expected credit loss in the entire life time (no credit impairment occurred)	Expected credit loss in the entire life time (credit impairment occurred)	Total
Balance	12,933,083,745.96	-	4,651,590,156.24	17,584,673,902.20
Impairment provisions	62,718,587.82	-	556,220,262.27	618,938,850.09
Carrying value	<u>12,870,365,158.14</u>	<u>-</u>	<u>4,095,369,893.97</u>	<u>16,965,735,052.11</u>

  

31 December 2019				
	Expected credit loss in the next 12 months	Expected credit loss in the entire life time (no credit impairment occurred)	Expected credit loss in the entire life time (credit impairment occurred)	Total
Balance	9,607,636,687.47	-	-	9,607,636,687.47
Impairment provisions	47,894,659.76	-	-	47,894,659.76
Carrying value	<u>9,559,742,027.71</u>	<u>-</u>	<u>-</u>	<u>9,559,742,027.71</u>

Please refer to Note XIV. 1.1 for credit risk exposure and expected credit loss changes of creditor's rights investment this year.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**4. Long-term equity investments**

(1) Details of long-term equity investments are as follows:

	31 December 2020	31 December 2019
<u>Associates</u>		
Jilin Boldere Pharmaceutical Co., Ltd. ("Jilin Boldere")	65,213,967.32	68,584,499.62
Beijing Gohigh Hantong Zhongying Fund (Limited Partnership) ("Zhongying Fund")	149,611,740.30	-
Subtotal	<u>214,825,707.62</u>	<u>68,584,499.62</u>
<u>Joint ventures</u>		
Wuhu Penghua No.3 Investment Centre (Limited Partnership) ("Wuhu Penghua No.3")	710,000,000.00	710,000,000.00
Shenzhen GTJA Ruipeng Investment Partnership (Limited Partnership) ("GTJA")	194,743,130.17	194,483,310.03
Wuhu Yinghua No.4 Investment Centre (Limited Partnership) ("Wuhu Yinghua No.4")	6,371,405.15	170,000,000.00
Wuhu Penghui Investment Centre (Limited Partnership) ("Wuhu Penghui")	54,751,777.46	93,000,000.00
Jianyuan Capital (China) Financial Leasing Ltd. ("Jianyuan Capital")	31,443,789.65	58,931,307.91
Beijing Wandeying Commercial Operation Management Ltd. ("Wandeying")	51,714,889.01	56,049,401.82
Chengdu Shanggao Investment Ltd. ("Shanggao Investment")	20,243,317.54	13,385,003.67
Wuhu Gohigh Rongde Investment Centre (Limited Partnership) ("Gohigh Rongde")	17,642,440.76	-
Anhui Contemporary Wanguofu Real Estate Ltd. ("Wanguofu")	-	903,986,555.45
Wuhu Taide No.5 Investment Centre (Limited Partnership) ("Wuhu Taide No.5")	-	773,602,362.52
Wuhu Rongpuming Investment Centre (Limited Partnership) ("Wuhu Rongpuming")	-	711,701,595.67
Wuhu Xinde No.5 Investment Centre (Limited Partnership) ("Wuhu Xinde No.5")	-	561,372,291.97
Jiaxing Lanlv Zhanfang Equity Investment Fund Partnership (Limited Partnership) ("Lanlv Zhanfang")	-	481,149,588.81
Wuhu Puying No.2 Investment Centre (Limited Partnership) ("Wuhu Puying No.2")	-	447,306,780.00
Wuhu Xinde No.6 Investment Centre (Limited Partnership) ("Wuhu Xinde No.6")	-	282,000,000.00
Jianhou Wucai Zhongyuan No.1 (Tianjin) Equity Investment Fund Partnership (Limited Partnership) ("Jianhou Wucai")	-	243,910,282.61
Wuhu Yinghua No.10 Investment Centre (Limited Partnership) ("Wuhu Yinghua No.10")	-	98,074,810.65
Wuhu Yinghua No.7 Investment Centre (Limited Partnership) ("Wuhu Yinghua No.7")	-	67,900,000.00
Wuhu Pengshang Investment Centre (Limited Partnership) ("Wuhu Pengshang")	-	42,030,726.72
Wuhu Huide No.2 Investment Centre (Limited Partnership) ("Wuhu Huide No.2")	-	40,113,142.65
Shenzhen Qianhai PH Wish Financial Services Ltd. ("PH Wish")	-	3,695,839.57
Subtotal	<u>1,086,910,749.74</u>	<u>5,952,693,000.05</u>
Less: Impairment provision	-	-
Total	<u>1,301,736,457.36</u>	<u>6,021,277,499.67</u>

The Group adopts equity method to account for the investments of the above-mentioned associates and joint ventures.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**4. Long-term equity investments (Cont.)**

**(2) List of associates and joint ventures**

				Shareholding/Share ratio of the Group (%)	
	<u>Main operation place</u>	<u>Registered address</u>	<u>Nature of business</u>	2020	2019
<u>Associates</u>					
Jilin Boldere (Note 1)	Liaoyuan City, Jilin Province	Liaoyuan, China	Investment management	10.32%	10.52%
Zhongying Fund (Note 2)	Beijing	Beijing, China	Investment management	42.39%	
<u>Joint ventures</u>					
Wuhu Penghua No.3 (Note 3)	Wuhu City, Anhui Province	Wuhu, China	Investment management	57.26%	57.26%
GTJA (Note 3)	Shenzhen	Shenzhen, China	Investment management	99.00%	99.00%
Wuhu Yinghua No.4 (Note 3)	Wuhu City, Anhui Province	Wuhu, China	Investment management	77.60%	78.11%
Wuhu Penghui (Note 3)	Wuhu City, Anhui Province	Wuhu, China	Investment management	81.89%	83.67%
Jianyuan Capital (Note 4)	Shanghai	Shanghai, China	Investment management	23.08%	23.08%
Wandeying (Note 4)	Beijing	Beijing, China	Investment management	17.50%	17.50%
Shanggao Investment (Note 4)	Chengdu City, Sichuan Province	Chengdu, China	Investment management	50.00%	50.00%
PH Wish (Note 4)	Guangdong Province	Shenzhen, China	Investment management	40.00%	40.00%
Gohigh Rongde (Note 3)	Wuhu City, Anhui Province	Wuhu, China	Investment management	14.05%	-
Wanguofu (Note 5)	Hefei City, Anhui Province	Hefei, China	Investment management	-	49.00%
Wuhu Taide No.5 (Note 6)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	62.50%
Wuhu Rongpuming (Note 6)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	39.69%
Wuhu Xinde No.5 (Note 6)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	72.73%
Lanlv Zhanfang (Note 5)	Jiaxing City, Zhejiang Province	Jiaxing, China	Investment management	-	50.26%
Wuhu Puying No.2 (Note 5)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	91.86%
Wuhu Xinde No.6 (Note 5)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	85.98%
Jianhou Wucai (Note 5)	Tianjin	Tianjin, China	Investment management	-	43.41%
Wuhu Yinghua No.10 (Note 5)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	72.73%
Wuhu Yinghua No.7 (Note 5)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	75.32%
Wuhu Pengshang (Note 6)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	17.98%
Wuhu Huide No.2 (Note 5)	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	44.44%

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**4. Long-term equity investments (Cont.)**

**(2) List of associates and joint ventures**

Note 1: As of 31 December 2020, Wuhu Xinde No.1, a structured entity of the Group included in the scope of consolidation, held 10.32% equity interest in Jilin Boldere with a book value of RMB 65.21 million. The board of directors of Jilin Boldere has a total of five members, with one appointed by the Group, which has significant influence on Jilin Boldere. The Group adopts equity method to account for it as an associate.

Note 2: As of 31 December 2020, Wuhu Pengshang, a structured entity of the Group included in the scope of consolidation, held 42.39% equity of Zhongying Fund, with a book value of RMB 149.61 million. The Investment Committee of Zhongying Fund has six seats, with Wuhu Pengshang occupying one seat and exerting significant influence on Zhongying Fund. The Group adopts the equity method for accounting for the partnership as an associate.

Note 3: As of 31 December 2020, according to the partnership agreement of the Group's investment in the above five partnership enterprises, the investment decision of the partnership enterprise shall be unanimously agreed and approved by all partners. Therefore, the Group adopts equity method to account for the above five partnerships as joint ventures.

Note 4: As of 31 December 2020, the Group held investments in these 4 companies. According to the Articles of Association of the companies, major financial and operational decisions of the companies can only be passed with the joint resolution of the directors sent by respective shareholders, and no director appointed by a single shareholder can make independent decisions. Therefore, the Group adopts equity method to account for the above four companies as joint ventures.

Note 5: In 2020, a total of eight partnerships of the Group discontinued their investments due to the maturity of the projects.

Note 6: In 2020, a total of four partnerships of the Group have been included in the scope of consolidation.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**4. Long-term equity investments (Cont.)**

**(3) Summary information of associates and joint ventures**

The Group discloses the total number of impacts on the operating results of the above associates and joint ventures calculated according to the shareholding/share ratio as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
(Net loss)/Net profits	(36,912,909.79)	841,767,126.67
Incl:		
Wuhu Yinghua No.4	(158,628,594.85)	15,973,302.34
Wuhu Penghua No.3	89,661,000.00	101,496,000.00
Lanlv Zhanfang	24,217,811.39	80,970,744.79
Wanguofu	15,897,458.57	94,813,598.31
Wuhu Puying No.2	15,504,220.00	40,249,780.00
Wuhu Peng'ao Investment Center (Limited Partnership)	-	107,038,661.99
Wuhu Xinde No.3 Investment Center (Limited Partnership)	-	68,379,976.48
Others	(23,564,804.90)	332,845,062.76
Total	(36,912,909.79)	841,767,126.67

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**5. Fixed assets**

	<u>Mechanical equipment</u>	<u>Electronic equipment, utensils and furniture</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost				
1 January 2020	-	4,776,171.31	1,072,523.09	5,848,694.40
Purchase	-	498,276.12	-	498,276.12
Impact of acquisition of subsidiaries	420,767,735.64	447,695.06	363,292.62	421,578,723.32
31 December 2020	420,767,735.64	5,722,142.49	1,435,815.71	427,925,693.84
Accumulated depreciation				
1 January 2020	-	3,498,785.33	975,802.96	4,474,588.29
Accrual for the current year	3,777,264.86	567,118.29	16,112.45	4,360,495.60
Impact of acquisition of subsidiaries	177,892,828.16	178,115.78	305,865.86	178,376,809.80
31 December 2020	181,670,093.02	4,244,019.40	1,297,781.27	187,211,893.69
Net value				
1 January 2020	-	1,277,385.98	96,720.13	1,374,106.11
31 December 2020	239,097,642.62	1,478,123.09	138,034.44	240,713,800.15

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**5. Fixed assets (Cont.)**

	Electronic equipment, utensils and furniture	Transportation equipment	Total
Cost			
1 January 2019	7,724,591.89	1,709,752.57	9,434,344.46
Purchase	599,207.69	14,244.44	613,452.13
Disposal	(1,370,369.59)	-	(1,370,369.59)
Impact of disposal of subsidiaries	(2,177,258.68)	(651,473.92)	(2,828,732.60)
31 December 2019	4,776,171.31	1,072,523.09	5,848,694.40
Accumulated depreciation			
1 January 2019	4,995,124.32	1,542,974.59	6,538,098.91
Accrual for the current year	1,267,229.57	38,363.74	1,305,593.31
Disposal	(1,217,173.50)	-	(1,217,173.50)
Impact of disposal of subsidiaries	(1,546,395.06)	(605,535.37)	(2,151,930.43)
31 December 2019	3,498,785.33	975,802.96	4,474,588.29
Net value			
1 January 2019	2,729,467.57	166,777.98	2,896,245.55
31 December 2019	1,277,385.98	96,720.13	1,374,106.11



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**6. Investment properties**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cost		
Opening balance	135,533,847.71	135,029,310.30
Purchase	-	504,537.41
Disposal	<u>(135,533,847.71)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>135,533,847.71</u>
Accumulated depreciation		
Opening balance	29,394,009.17	-
Accrual for the current year	7,352,706.78	29,394,009.17
Disposal	<u>(36,746,715.95)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>29,394,009.17</u>
Net carrying value		
Opening balance	<u>106,139,838.54</u>	<u>135,029,310.30</u>
Closing balance	<u>-</u>	<u>106,139,838.54</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**7. Right-of-use assets**

	<u>Houses and buildings</u>	<u>Total</u>
Cost		
1 January 2020	88,596,482.74	88,596,482.74
Increase in current year	779,044.11	779,044.11
Decrease in current year	<u>(17,576,411.08)</u>	<u>(17,576,411.08)</u>
31 December 2020	<u>71,799,115.77</u>	<u>71,799,115.77</u>
Accumulated depreciation		
1 January 2020	4,922,026.82	4,922,026.82
Accrual for the current year	26,641,697.79	26,641,697.79
Decrease in current year	<u>(3,165,763.75)</u>	<u>(3,165,763.75)</u>
31 December 2020	<u>28,397,960.86</u>	<u>28,397,960.86</u>
Carrying value		
1 January 2020	<u>83,674,455.92</u>	<u>83,674,455.92</u>
31 December 2020	<u>43,401,154.91</u>	<u>43,401,154.91</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**7. Right-of-use assets (Cont.)**

	<u>Houses and buildings</u>	<u>Total</u>
Cost		
1 January 2019	3,440,125.76	3,440,125.76
Increase in current year	89,437,269.76	89,437,269.76
Decrease in current year	(1,359,220.61)	(1,359,220.61)
Impact of disposal of subsidiaries	(2,921,692.17)	(2,921,692.17)
31 December 2019	<u>88,596,482.74</u>	<u>88,596,482.74</u>
Accumulated depreciation		
1 January 2019	-	-
Accrual for the current year	6,775,530.99	6,775,530.99
Decrease in current year	(386,140.39)	(386,140.39)
Impact of disposal of subsidiaries	(1,467,363.78)	(1,467,363.78)
31 December 2019	<u>4,922,026.82</u>	<u>4,922,026.82</u>
Carrying value		
1 January 2019	<u>3,440,125.76</u>	<u>3,440,125.76</u>
31 December 2019	<u>83,674,455.92</u>	<u>83,674,455.92</u>

**8. Long-term prepaid expenses**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Expenses on leasehold improvements	<u>519,590.67</u>	<u>26,731,259.13</u>
Total	<u>519,590.67</u>	<u>26,731,259.13</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**9. Deferred income tax assets/ (liabilities)**

	<u>Deductible /(taxable) temporary difference</u>		<u>Deferred income tax assets/ (liabilities)</u>	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Recognized deferred income tax assets:				
Impairment provisions	618,226,536.32	49,625,896.16	154,556,634.08	12,406,169.56
Retained earnings of partnership (Note 1)	239,442,467.36	645,986,030.34	59,860,616.84	161,496,507.58
Employee benefits payables	40,557,650.20	50,122,703.18	10,139,412.55	12,530,675.80
Right-of-use assets and lease liabilities	2,361,099.48	366,500.00	590,274.87	91,625.00
Others	254,770,164.04	232,317,907.13	63,692,541.01	58,079,476.78
Total	<u>1,155,357,917.40</u>	<u>978,419,036.81</u>	<u>288,839,479.35</u>	<u>244,604,454.72</u>
Recognized deferred income tax liabilities:				
Change in fair value of financial assets held for trading	(49,626,623.08)	(14,032,121.69)	(12,406,655.77)	(3,508,030.42)
Total	<u>(49,626,623.08)</u>	<u>(14,032,121.69)</u>	<u>(12,406,655.77)</u>	<u>(3,508,030.42)</u>
Net	<u>1,105,731,294.32</u>	<u>964,386,915.12</u>	<u>276,432,823.58</u>	<u>241,096,424.30</u>

Note 1: According to the Notice of the Ministry of Finance and the State Taxation Administration on Income Tax of Partnership Partners (Finance and Taxation [2008] No.159), the principle of "dividing before taxation" is adopted for the income from production and operation of partnership enterprises and other income, i.e. each partner of the partnership shall be the taxpayer. If the partner of the partnership is a natural person, he shall pay individual income tax; If the partners are legal persons or other organizations, they shall pay corporate income tax. Specifically, income from production and operation and other income include income distributed by the partnership to all partners and income (profit) retained by the enterprise in the current year.

According to the above provisions, as a general partner/limited partner, even if the invested partnership has not actually distributed its profits, the Group still needs to calculate and pay corporate income tax according to its share of the partnership and income from the invested partnerships.

The Group believes that it is likely to obtain sufficient taxable income to offset temporary deductible difference in the future period, and therefore recognizes relevant deferred income tax assets.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**10. Other assets**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Margin receivable	65,001,859.67	34,431,815.96
Electricity sales receivable	55,086,693.27	-
Reserve funds	20,511,935.48	10,294,416.11
Dividends receivable	16,319,333.33	-
Accounts receivable from third parties	10,946,025.69	51,352,025.87
Deposit	7,590,854.36	7,107,696.74
Others	13,383,228.68	4,479,950.00
Subtotal	<u>188,839,930.48</u>	<u>107,665,904.68</u>
Less: Bad debt provision	<u>14,501,106.22</u>	<u>933,996.96</u>
Total	<u>174,338,824.26</u>	<u>106,731,907.72</u>

**11. Credit impairment provision**

	<u>1 January 2020</u>	<u>Accrual/(Reversal) for this year</u>	<u>Others</u>	<u>31 December 2020</u>
Debt investments	47,894,659.76	101,561,804.51	469,482,385.82	618,938,850.09
Bank deposit	797,239.44	(457,746.35)	-	339,493.09
Accounts receivable	-	529,157.62	-	529,157.62
Advance to suppliers	-	46,271.10	-	46,271.10
Other Receivables	933,996.96	12,991,680.54	-	13,925,677.50
Total	<u>49,625,896.16</u>	<u>114,671,167.42</u>	<u>469,482,385.82</u>	<u>633,779,449.40</u>

	<u>1 January 2019</u>	<u>Accrual/(Reversal) for this year</u>	<u>Impact of exchange rate</u>	<u>Impact of disposal of subsidiaries</u>	<u>31 December 2019</u>
Debt investments	120,054,895.81	1,910,338.50	(76,895.45)	(73,993,679.10)	47,894,659.76
Other debt investments	127,948,468.89	(87,059,060.85)	(1,221,449.82)	(39,667,958.22)	-
Bank deposit	-	797,239.44	-	-	797,239.44
Other Receivables	-	933,996.96	-	-	933,996.96
Total	<u>248,003,364.70</u>	<u>(83,417,485.95)</u>	<u>(1,298,345.27)</u>	<u>(113,661,637.32)</u>	<u>49,625,896.16</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**12. Short-term borrowings**

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Unsecured borrowings	7,849,179,798.55	8,814,334,754.45
Pledged borrowings (Note 1)	-	400,000,000.00
Guaranteed borrowings	<u>1,005,447,759.54</u>	<u>-</u>
Total	<u>8,854,627,558.09</u>	<u>9,214,334,754.45</u>

The above borrowings are short-term borrowings with a term of 1 to 12 months, all of which are borrowings from banks and other financial institutions, and the interest rate were determined by both parties through negotiation.

Note 1: As of 31 December 2020, the balance of pledged borrowings was nil. As of 31 December 2019, the pledged borrowings of the Group were borrowed from Huarong Xiangjiang Bank Co., Ltd. (Huarong Xiangjiang Bank), a related party. Please refer to Note XI. 4 for details of collateral.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**13. Employee benefits payables**

	<u>1 January 2020</u>	<u>Increase in current year</u>	<u>Decrease in current year</u>	<u>31 December 2020</u>
Wages, bonuses and allowances	57,714,697.65	36,269,443.66	(52,810,744.43)	41,173,396.88
Social insurance	252,069.89	2,401,708.41	(2,383,007.23)	270,771.07
Incl: Medical insurance	228,124.54	2,375,546.70	(2,333,634.33)	270,036.91
Employment injury insurance	7,228.15	4,841.35	(12,069.50)	-
Maternity insurance	16,717.20	21,320.36	(37,303.40)	734.16
Housing provident fund	64,881.92	3,176,233.36	(3,241,115.28)	-
Employee welfare	-	2,419,112.60	(2,419,112.60)	-
Labor union funds and employee education funds	6,838,551.17	2,604,513.56	(1,293,560.09)	8,149,504.64
Defined contribution plan	1,811,973.28	5,119,741.44	(6,931,714.72)	-
Incl: Basic endowment insurance	328,048.05	315,617.23	(643,665.28)	-
Unemployment insurance	17,245.65	14,937.63	(32,183.28)	-
Annuity payment	1,466,679.58	4,789,186.58	(6,255,866.16)	-
Others (Supplementary medical insurance)	6,066,688.02	5,956,466.46	(5,324,824.93)	6,698,329.55
<b>Total</b>	<b>72,748,861.93</b>	<b>57,947,219.49</b>	<b>(74,404,079.28)</b>	<b>56,292,002.14</b>

	<u>1 January 2019</u>	<u>Increase in current year</u>	<u>Decrease in current year</u>	<u>31 December 2019</u>
Wages, bonuses and allowances	57,751,461.32	73,688,622.79	(73,725,386.46)	57,714,697.65
Social insurance	341,019.80	4,221,778.20	(4,310,728.11)	252,069.89
Incl: Medical insurance	315,696.66	3,932,227.65	(4,019,799.77)	228,124.54
Employment injury insurance	8,229.88	75,114.70	(76,116.43)	7,228.15
Maternity insurance	17,093.26	214,435.85	(214,811.91)	16,717.20
Housing provident fund	842,105.71	5,171,965.92	(5,949,189.71)	64,881.92
Employee welfare	-	3,300,000.00	(3,300,000.00)	-
Labor union funds and employee education funds	7,437,503.81	2,842,525.25	(3,441,477.89)	6,838,551.17
Defined contribution plan	430,073.04	8,281,091.67	(6,899,191.43)	1,811,973.28
Incl: Basic endowment insurance	410,079.79	4,314,434.56	(4,396,466.30)	328,048.05
Unemployment insurance	19,993.25	200,332.39	(203,079.99)	17,245.65
Annuity payment	-	3,766,324.72	(2,299,645.14)	1,466,679.58
Others (Supplementary medical insurance)	6,537,080.07	3,440,473.09	(3,910,865.14)	6,066,688.02
<b>Total</b>	<b>73,339,243.75</b>	<b>100,946,456.92</b>	<b>(101,536,838.74)</b>	<b>72,748,861.93</b>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**14. Taxes payable**

<u>Tax categories</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Corporate income tax	69,015,365.08	21,830,020.40
Individual income tax	1,108,394.67	106,708.16
VAT	6,803,887.66	6,151,653.23
Urban maintenance and construction tax	464,693.33	517,612.86
Education surcharge	207,758.63	369,722.07
Local education surcharge	1,536.51	-
Others	70,134.63	(58,861.17)
Total	<u>77,671,770.51</u>	<u>28,916,855.55</u>

**15. Lease liabilities**

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	21,826,932.31	52,607,190.64
1-2 years	20,902,073.90	50,091,764.83
2-5 years	-	90,040,614.18
Total	<u>42,729,006.21</u>	<u>192,739,569.65</u>

**16. Long-term borrowings**

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Unsecured borrowings	<u>1,542,994,864.59</u>	<u>2,465,302,603.48</u>
Total	<u>1,542,994,864.59</u>	<u>2,465,302,603.48</u>

The above borrowings were long-term borrowings with a term of 2-5 years, and the interest rate of these borrowing were determined by both parties through negotiation.



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**17. Bonds payable**

<u>Category of bonds</u>	<u>1 January 2020</u>	<u>Increase in current year</u>	<u>Decrease in current year</u>	<u>31 December 2020</u>
Corporate bonds	<u>7,611,496,066.55</u>	<u>1,715,485,091.25</u>	<u>(2,004,660,000.00)</u>	<u>7,322,321,157.80</u>

<u>Category of bonds</u>	<u>1 January 2019</u>	<u>Increase in current year</u>	<u>Decrease in current year</u>	<u>31 December 2019</u>
Corporate bonds	<u>5,578,542,254.47</u>	<u>6,218,808,401.75</u>	<u>(4,185,854,589.67)</u>	<u>7,611,496,066.55</u>

On 11 June 2020, the Group issued 6-year fixed-rate corporate bonds with a principal of RMB 850 million at a coupon rate of 4.65% per annum, with interest paid on a yearly basis. This issue of bonds is accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and fourth years.

On 31 March 2020, the Group issued 5-year fixed-rate corporate bonds with a principal of RMB 500 million and an annual coupon rate of 4.7%, with interest paid once a year. This issue of bonds is accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and fourth years.

On 12 April 2019, the Group issued 5-year fixed-rate corporate bonds with a principal of RMB 4.7 billion at a coupon rate of 4.50% per annum, with interest paid on a yearly basis. This issue of bonds is accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the first, second, third and fourth years.

On 12 April 2019, the Group issued 6-year fixed-rate corporate bonds with a principal of RMB 1.3 billion at a coupon rate of 6.00% per annum, with interest paid on a yearly basis. This issue of bonds is accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and fourth years. The bond paid the principal of RMB 1,587 million in April 2020.

On 29 August 2018, the Group issued 270-day fixed-rate ultra-short-term financing bonds with a principal of RMB 1 billion at an annual coupon rate of 5.21%, and repaid the principal and interest at maturity. The bonds matured on 26 May 2019.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**17. Bonds payable (Cont.)**

On 26 October 2017, the Group issued 5-year fixed-rate corporate bonds with a principal of RMB 1.5 billion at an annual coupon rate of 5.40%, with interest paid on a yearly basis. This issue of bonds is accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and fourth years. The bond paid the principal of RMB 1.09 billion in October 2019.

On 31 July 2017, the Group issued 5-year fixed-rate corporate bonds with a principal of RMB 1.5 billion at an annual coupon rate of 5.40%, with interest paid on a yearly basis. This issue of bonds is accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and fourth years. The bonds matured on 30 July 2019.

On 17 May 2016, the Group issued 5-year fixed-rate corporate bonds with a principal of RMB 1.5 billion at an annual coupon rate of 4.80%, with interest paid on a yearly basis. This issue of bonds is accompanied by the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The bond paid the principal of RMB 585 million in April 2019.

**18. Other liabilities**

<u>Nature</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Receivables from asset transfer	480,000,000.00	-
Project payables	119,538,387.97	-
Receivables and payables	14,261,492.19	-
Accounts payable from third parties	2,375,912.11	2,276,550.65
Others	9,431,042.21	3,538,101.53
	<u>625,606,834.48</u>	<u>5,814,652.18</u>
<b>Total</b>	<b>625,606,834.48</b>	<b>5,814,652.18</b>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**19. Paid-in capital**

The registered capital of the Company was RMB 1,788,000,000.00, which was fully in place as of 31 December 2020. The capital investment of investors according to the Articles of Association is as follows:

	31 December 2020 and 31 December 2019	
	Proportion of Contribution (%)	RMB
China Huarong	59.30	1,060,284,000.00
CCC2	40.70	727,716,000.00
Total	100.00	1,788,000,000.00

The capital invested by the above parties has been verified by the Capital Verification Report of KPMG-A (2006) CRNo.0025 of KPMG LLP Certified Public Accountants.

**20. Surplus reserve**

		1 January 2020	Increase in current year	31 December 2020
Statutory reserves	surplus	685,019,434.04	37,252,959.24	722,272,393.28

  

		1 January 2019	Increase in current year	31 December 2019
Statutory reserves	surplus	648,591,741.83	36,427,692.21	685,019,434.04

Under relevant PRC laws, the Company is required to transfer 10% of its net profit to non-distributable statutory surplus reserves. The appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**21. Retained earnings**

	Notes	For the year ended 31 December 2020	For the year ended 31 December 2019
Retained earnings at the beginning of the year		3,135,048,336.34	3,074,148,253.03
Changes in accounting policies		-	(32,613.94)
Add: Net profits attributable to the parent company in the current year		411,165,059.67	373,945,433.08
Less: Appropriation of statutory surplus reserves		(37,252,959.24)	(36,427,692.21)
Dividend distribution	(1)	(185,000,000.00)	(124,000,000.00)
Pay dividends to holders of other equity instruments		-	(22,458,333.34)
Impact of disposal of subsidiaries		-	(130,126,710.28)
Retained earnings at the end of year	(2)	<u>3,323,960,436.77</u>	<u>3,135,048,336.34</u>

Note:

- (1) According to the resolution of the board of directors of the Company in April 2020, the board of directors of the Company voted to approve the profit distribution plan for 2019 to distribute cash dividends of RMB 185,000,000.00.
- (2) As of 31 December 2020, the balance of the Group's retained earnings included the surplus reserve of RMB 5,946,566.92 reserved by subsidiaries (31 December 2019: RMB 5,946,566.92). In 2020, there was no appropriation of surplus reserve made by subsidiaries (2019: None).

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**22. Interest income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Debt investments	1,308,739,403.74	692,856,519.44
Bank deposit	47,280,331.24	54,658,023.35
Other debt investments	-	370,611,814.48
Repurchasing of financial assets	-	9,442,900.08
Total	<u>1,356,019,734.98</u>	<u>1,127,569,257.35</u>

**23. Net commission and fee income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Fee and commission income		
-Asset management expenses	9,806,490.94	8,245,160.76
-Financing arrangement expenses	<u>1,905,943.40</u>	<u>16,320,519.94</u>
Subtotal	<u>11,712,434.34</u>	<u>24,565,680.70</u>
Fee and commission paid		
-Agency expenses	2,290,024.16	4,631,846.27
-Securities and futures brokerage business expenses	<u>-</u>	<u>9,123,770.04</u>
Subtotal	<u>2,290,024.16</u>	<u>13,755,616.31</u>
Net	<u>9,422,410.18</u>	<u>10,810,064.39</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**24. Investment income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Income from long-term equity investments	(36,912,909.79)	738,094,098.19
Incl: Recognition of income/(loss) using equity method	(36,912,909.79)	841,767,126.67
Investment income from disposal of subsidiaries	-	(103,768,929.39)
Investment income of financial assets held for trading	261,446,191.95	908,947,056.99
Investment income from investment in other equity instruments	-	163,674,486.08
Investment losses arising from the derecognition of other debt investment	-	640,454.09
Total	<u>224,533,282.16</u>	<u>1,811,356,095.35</u>

**25. Fair value changes on financial assets**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Fair value changes on financial assets	<u>121,669,196.71</u>	<u>18,043,967.82</u>
Total	<u>121,669,196.71</u>	<u>18,043,967.82</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**26. Interest expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest expenses on borrowings	568,217,184.63	1,522,148,346.48
Interest expenses on bonds payable	365,485,091.25	473,307,885.20
Interest expenses on lease liabilities	<u>4,776,219.58</u>	<u>7,732,350.17</u>
Total	<u>938,478,495.46</u>	<u>2,003,188,581.85</u>

Please refer to Note XI. 4.3 for interest expenses between the Group and related parties.

**27. Tax and surcharges**

<u>Tax categories</u>	For the year ended 31 December 2020	For the year ended 31 December 2019
Urban maintenance and construction tax	2,472,886.22	2,086,995.51
Education surcharge	1,436,847.99	1,490,711.11
Others	<u>1,196,264.11</u>	<u>992,318.21</u>
Total	<u>5,105,998.32</u>	<u>4,570,024.83</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**28. Operating expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Employee benefits	57,947,219.49	100,946,456.92
Depreciation and amortization	27,848,255.11	10,434,525.41
Project service expenses	15,601,019.00	32,354,776.09
Professional service expenses	4,788,543.25	4,521,997.11
Rental expenses	23,085.71	37,574,895.24
Others	47,456,556.91	61,390,925.61
Total	<u>153,664,679.47</u>	<u>247,223,576.38</u>

**29. Impairment losses under expected credit loss model**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Debt investments	101,561,804.51	1,910,338.50
Other Receivables	12,991,680.54	933,996.96
Accounts receivable	529,157.62	-
Advance to suppliers	46,271.10	-
Bank deposit	(457,746.35)	797,239.44
Other debt investments	-	(87,059,060.85)
Total	<u>114,671,167.42</u>	<u>(83,417,485.95)</u>



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**30. Non-operating income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Government grant (Note 1)	89,902,900.00	38,011,562.86
Others	<u>4,936,762.89</u>	<u>67,371.34</u>
Total	<u><u>94,839,662.89</u></u>	<u><u>38,078,934.20</u></u>

Note 1: Government grant is the industrial support funds received by the Company and the industrial support funds allocated by the Jinghu District Finance Bureau of Wuhu City, Anhui Province by its subsidiary Rongkaide.

**31. Non-operating expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Public welfare donations	2,700,000.00	2,000,000.00
Overdue fine expenses	-	822,840.40
Others	<u>44,097.06</u>	<u>335,278.74</u>
Total	<u><u>2,744,097.06</u></u>	<u><u>3,158,119.14</u></u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**32. Income tax expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Current income tax expense	201,127,593.96	327,675,899.45
Deferred income tax expense	<u>(36,481,278.01)</u>	<u>(44,939,589.86)</u>
	<u>164,646,315.95</u>	<u>282,736,309.59</u>

The reconciliation between income tax expenses and accounting profit is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Accounting profit	575,811,375.62	785,025,332.98
Income tax expenses calculated by a tax rate of 25%	143,952,843.91	196,256,333.25
Effect of different tax rate of subsidiaries in other regions	-	19,369,024.95
Adjustments for previous years	433,965.71	28,802,723.69
Items not deductible for tax purposes	869,478.37	6,565,995.52
Others	<u>19,390,027.96</u>	<u>31,742,232.18</u>
Income tax expenses	<u>164,646,315.95</u>	<u>282,736,309.59</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**33. Other comprehensive income**

**(1) Other comprehensive income items in the income statement**

	2020		
	Pre-tax amount	Income tax	After-tax amount
Other comprehensive income items that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	-	-	-
Other comprehensive income items that may be reclassified subsequently to profit or loss	-	-	-
Changes in fair value of other debt investments	-	-	-
Credit loss impairment of other debt investments	-	-	-
Transfer to current profit and loss due to disposal	-	-	-
Differences on translation of foreign currency financial statements	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2019		
	Pre-tax amount	Income tax	After-tax amount
Other comprehensive income items that will not be reclassified to profit or loss			
Changes in fair value of other equity instrument investments	14,516,634.11	(2,395,244.63)	12,121,389.48
Other comprehensive income items that may be reclassified subsequently to profit or loss			
Changes in fair value of other debt investments	464,462,243.21	(76,636,270.17)	387,825,973.04
Credit loss impairment of other debt investments	(122,955,257.37)	20,287,617.47	(102,667,639.90)
Transfer to current profit and loss due to disposal	116,047,428.48	-	116,047,428.48
Differences on translation of foreign currency financial statements	19,071,334.78	-	19,071,334.78
<b>Total</b>	<b>491,142,383.21</b>	<b>(58,743,897.33)</b>	<b>432,398,485.88</b>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**33. Other comprehensive income (Cont.)**

**(2) Change of other comprehensive income**

	Other equity instruments and Debt investments <u>Changes in fair value</u>	Other equity Investment credit <u>Loss provision</u>	Financial statements denominated in foreign currencies <u>Exchange differences</u>	Other comprehensive <u>Total income</u>
On 1 January 2020	-	-	-	-
Increase and decrease amount in 2020	-	-	-	-
On 31 December 2020	-	-	-	-

	Other equity instruments and Debt investments <u>Changes in fair value</u>	Other equity Investment credit <u>Loss provision</u>	Financial statements denominated in foreign currencies <u>Exchange differences</u>	Other comprehensive <u>Total income</u>
On 1 January 2019	(515,994,791.00)	102,667,639.90	(19,071,334.78)	(432,398,485.88)
Increase and decrease amount in 2019	515,994,791.00	(102,667,639.90)	19,071,334.78	432,398,485.88
On 31 December 2019	-	-	-	-

**34. Cash and cash equivalents**

	31 December 2020	31 December 2019
Cash		
Incl: Cash on hand	-	-
Bank deposit which is on demand	1,514,338,703.44	2,978,889,105.15
Other cash and cash at banks on dem	1,383.70	1,383.03
Cash and cash equivalents at end of the year	<u>1,514,340,087.14</u>	<u>2,978,890,488.18</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**VIII. Notes to the main items of consolidated financial statements (Cont.)**

**35. Supplementary information to cashflow statement**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Reconciliation of net profit to net cash flows from operating activities		
Net profits	411,165,059.67	502,289,023.39
Add: Accrual/(reversal) of asset impairment loss	132,062,960.56	(83,417,485.95)
Depreciation of fixed assets	4,360,495.60	1,305,593.31
Depreciation of right-of-use assets	26,641,697.79	6,775,530.99
Depreciation of investment properties	7,352,706.78	29,394,009.17
Amortization of intangible assets	271,066.34	303,993.78
Amortization of long-term deferred expenses	9,145,434.95	2,049,407.33
Gains from changes in fair value	(121,669,196.71)	(18,043,967.82)
Interest expenses	938,478,495.46	2,003,188,581.85
Investment income	36,912,909.79	(1,017,816,012.74)
Deferred income tax expense	(36,481,278.02)	(44,939,589.86)
Exchange gains and losses	2,107,790.33	(2,613,772.08)
Increase in operating receivables item (Increase)/Decrease in operating payables item	(2,772,529,055.76)	(1,815,289,465.77)
	<u>(3,720,948.57)</u>	<u>15,675,503.71</u>
Net cash flows arising from operating activities	<u>(1,365,901,861.79)</u>	<u>(421,138,650.69)</u>
Net changes in cash and cash equivalents		
Balance of cash and cash equivalents at end of the year	1,514,340,087.14	2,978,890,488.18
Less: Opening balance of cash and cash equivalents	<u>2,978,890,488.18</u>	<u>3,294,156,317.82</u>
Net increase in cash and cash equivalents	<u>(1,464,550,401.04)</u>	<u>(315,265,829.64)</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary notes on the items of the Financial Statement of the Company**

**1. Cash and cash at banks**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Bank deposit		
Incl: Current deposit	1,139,211,848.18	2,972,808,012.16
Time deposit	-	60,000,000.00
Other cash and cash at banks	<u>1,383.70</u>	<u>1,383.03</u>
Subtotal	<u>1,139,213,231.88</u>	<u>3,032,809,395.19</u>
Less: Impairment provisions	<u>290,673.80</u>	<u>796,021.52</u>
Total	<u><u>1,138,922,558.08</u></u>	<u><u>3,032,013,373.67</u></u>

Please refer to Note VIII. 1 for the types and balance of restricted bank deposit of the Company as of 31 December 2020.

**2. Financial assets held for trading**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial assets at fair value through profit or loss		
Asset management plan and wealth management products	3,280,830,768.56	4,780,924,000.00
Other debt instruments	650,807,486.63	-
Trust products	112,086,346.38	204,749,028.02
Equity investment		
-Listed	29,463,107.39	38,302,039.62
-Not listed	<u>1,062,696.83</u>	<u>-</u>
Total	<u><u>4,074,250,405.79</u></u>	<u><u>5,023,975,067.64</u></u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**3. Debt investments**

	<u>31 December 2020</u>	<u>31 December 2019</u>
Entrusted Loans	4,233,129,521.36	2,903,246,257.77
Debt instruments	431,216,500.00	933,202,611.11
Trust products	<u>8,257,078,891.27</u>	<u>5,711,684,051.93</u>
Subtotal	<u>12,921,424,912.63</u>	<u>9,548,132,920.81</u>
Less: Impairment provisions		
-Expected credit losses in the next 12 months	62,708,842.44	47,712,742.67
-Expected credit loss over the entire life time	<u>-</u>	<u>-</u>
Total	<u>12,858,716,070.19</u>	<u>9,500,420,178.14</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**4. Right-of-use assets**

	<u>Houses and buildings</u>	<u>Total</u>
Cost		
1 January 2020	88,596,482.74	88,596,482.74
Increase in current year	779,044.11	779,044.11
Decrease in current year	(17,576,411.08)	(17,576,411.08)
31 December 2020	<u>71,799,115.77</u>	<u>71,799,115.77</u>
Accumulated depreciation		
1 January 2020	4,922,026.82	4,922,026.82
Accrual for the current year	26,641,697.79	26,641,697.79
Decrease in current year	(3,165,763.75)	(3,165,763.75)
31 December 2020	<u>28,397,960.86</u>	<u>28,397,960.86</u>
Carrying value		
1 January 2020	<u>83,674,455.92</u>	<u>83,674,455.92</u>
31 December 2020	<u>43,401,154.91</u>	<u>43,401,154.91</u>



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**4. Right-of-use assets (Cont.)**

	<u>Houses and buildings</u>	<u>Total</u>
Cost		
1 January 2019	-	-
Increase in current year	<u>88,596,482.74</u>	<u>88,596,482.74</u>
31 December 2019	<u>88,596,482.74</u>	<u>88,596,482.74</u>
Accumulated depreciation		
1 January 2019	-	-
Accrual for the current year	<u>4,922,026.82</u>	<u>4,922,026.82</u>
31 December 2019	<u>4,922,026.82</u>	<u>4,922,026.82</u>
Carrying value		
1 January 2019	<u>-</u>	<u>-</u>
31 December 2019	<u>83,674,455.92</u>	<u>83,674,455.92</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**5. Long-term equity investments**

**(1) Presented by category**

Item	31 December 2020			31 December 2019		
	Balance	Impairment provisions	Carrying value	Balance	Impairment provisions	Carrying value
Subsidiary	10,000,000.00	-	10,000,000.00	10,000,000.00	-	10,000,000.00
Consolidated Structured entities	4,740,035,855.64	(554,293,023.12)	4,185,742,832.52	2,211,425,911.86	-	2,211,425,911.86
Joint ventures	771,123,182.61	-	771,123,182.61	4,681,048,438.96	-	4,681,048,438.96
Total	<u>5,521,159,038.25</u>	<u>(554,293,023.12)</u>	<u>4,966,866,015.13</u>	<u>6,902,474,350.82</u>	<u>-</u>	<u>6,902,474,350.82</u>

**(2) Investment in subsidiaries**

invested entity	1 January 2020	Increase or decrease	31 December 2020	1 January 2019	Increase or decrease	31 December 2019
Rongkaide	10,000,000.00	-	10,000,000.00	10,000,000.00	-	10,000,000.00
Rongde, Hongkong	-	-	-	30,591,600.00	(30,591,600.00)	-
Wuhu Chuangzhan (Note 1)	-	-	-	30,000,000.00	(30,000,000.00)	-
Total	<u>10,000,000.00</u>	<u>-</u>	<u>10,000,000.00</u>	<u>70,591,600.00</u>	<u>(60,591,600.00)</u>	<u>10,000,000.00</u>

As of 31 December 2020 and 31 December 2019, the Company's shareholding ratio and voting ratio in the above subsidiaries were 100%.

Note 1: The Company was cancelled in 2019.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**5. Long-term equity investments (Cont.)**

**(3) Investment in consolidated structured entities**

invested entity	1 January 2020	Increase or decrease	31 December 2020	31 December 2020	
				Shares held in the invested entity	Ratio of voting rights in the invested entity
Wuhu Taide No.1 Investment Centre (Limited Partnership) ("Wuhu Taide No.1")	15,000,000.00	-	15,000,000.00	100%	100%
Wuhu Taide No.6 Investment Centre (Limited Partnership) ("Wuhu Taide No.6")	140,000,000.00	459,005,000.00	599,005,000.00	100%	100%
Wuhu Taide No.9 Investment Centre (Limited Partnership)	70,000,000.00	-	70,000,000.00	100%	100%
Wuhu Yinghua No.9 Investment Centre (Limited Partnership)	11,900,000.00	3,937,500.00	15,837,500.00	86.96%	100%
Wuhu Huide No.10 Investment Centre (Limited Partnership)	78,750,000.00	-	78,750,000.00	100%	100%
Wuhu Gutaixiang Investment Centre (Limited Partnership)	70,000,000.00	-	70,000,000.00	100%	100%
Wuhu Lingyue No.1 Investment Management Partnership (Limited Partnership)	270,043,900.00	-	270,043,900.00	100%	100%
Wuhu Lingyue No.2 Investment Management Partnership (Limited Partnership)	29,935,000.00	-	29,935,000.00	100%	100%
Wuhu Kuake No.1 Business Management Center (Limited Partnership)	62,000,000.00	-	62,000,000.00	100%	100%
Wuhu Xinde No.1 Investment Centre (Limited Partnership)	379,460,000.00	427,893,000.00	807,353,000.00	100%	100%
Wuhu Pengxin Investment Centre (Limited Partnership)	87,427,011.86	-	87,427,011.86	100%	100%
Wuhu Xinde No.5 Investment Centre (Limited Partnership)	-	561,372,291.97	561,372,291.97	100%	100%
Wuhu Taide No.5 Investment Centre (Limited Partnership)	-	773,602,362.52	773,602,362.52	100%	100%
Wuhu Rongpuming Investment Centre (Limited Partnership)	-	710,701,595.67	710,701,595.67	100%	100%
Wuhu Pengshang Investment Centre (Limited Partnership)	-	34,715,170.50	34,715,170.50	100%	100%
Wuhu Yinghua No.8 Investment Centre (Limited Partnership)	100,000.00	(100,000.00)	-	-	100%
Wuhu Xinde No.8 Investment Centre (Limited Partnership)	900,000.00	(900,000.00)	-	-	100%
Beijing Rongpuzhou Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100%
Beijing Rongpuxia Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100%
Beijing Rongputang Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100%
Wuhu Xinde No.10 Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100%
Wuhu Huide No.7 Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100%
Wuhu Taide No.2 Investment Centre (Limited Partnership) ("Wuhu Taide No.1") (Note 2)	40,000,000.00	(40,000,000.00)	-	-	-
Wuhu Taide No.8 Investment Centre (Limited Partnership) ("Wuhu Taide No.8") (Note 2)	6,000,000.00	(6,000,000.00)	-	-	-
Wuhu Huide No.8 Investment Centre (Limited Partnership) (Note 2)	899,910,000.00	(899,910,000.00)	-	-	-
Wuhu Xinde No.7 Investment Centre (Limited Partnership) (Note 2)	50,000,000.00	(50,000,000.00)	-	-	-
Wuhu Yinghua No.3 Investment Centre (Limited Partnership) (Note 2)	-	-	-	-	-
Wuhu Yinghua No.6 Investment Centre (Limited Partnership) (Note 2)	-	-	-	-	-
Wuhu Penghua No.2 Investment Centre (Limited Partnership) (Note 2)	-	-	-	-	-
Wuhu Rongpuqing Investment Centre (Limited Partnership) ("Rongpuqing") (Note 2)	-	-	-	-	-
Wuhu Huide No.9 Investment Centre (Limited Partnership) (Note 2)	-	-	-	-	-
Wuhu Xinde No.9 Investment Centre (Limited Partnership) (Note 3)	-	-	-	-	-
<b>Total</b>	<b>2,211,425,911.86</b>	<b>1,974,316,920.66</b>	<b>4,185,742,832.52</b>		

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**5. Long-term equity investments (Cont.)**

**(3) Investment in consolidated structured entities (Cont.)**

invested entity	1 January 2019	Increase or decrease	31 December 2019	31 December 2019	
				Shares held in the invested entity	Ratio of voting rights in the invested entity
Wuhu Taide No.1 Investment Centre (Limited Partnership) ("Wuhu Taide No.1")	15,000,000.00	-	15,000,000.00	100.00%	100.00%
Wuhu Taide No.2 Investment Centre (Limited Partnership) ("Wuhu Taide No.1")	40,000,000.00	-	40,000,000.00	100.00%	100.00%
Wuhu Taide No.6 Investment Centre (Limited Partnership) ("Wuhu Taide No.6")	305,600,000.00	(165,600,000.00)	140,000,000.00	100.00%	100.00%
Wuhu Taide No.8 Investment Centre (Limited Partnership) ("Wuhu Taide No.1")	-	6,000,000.00	6,000,000.00	100.00%	100.00%
Wuhu Taide No.9 Investment Centre (Limited Partnership)	70,000,000.00	-	70,000,000.00	100.00%	100.00%
Wuhu Yinghua No.8 Investment Centre (Limited Partnership)	-	100,000.00	100,000.00	100.00%	100.00%
Wuhu Yinghua No.9 Investment Centre (Limited Partnership)	-	11,900,000.00	11,900,000.00	83.96%	100.00%
Wuhu Huide No.8 Investment Centre (Limited Partnership)	899,910,000.00	-	899,910,000.00	100.00%	100.00%
Wuhu Huide No.10 Investment Centre (Limited Partnership)	78,750,000.00	-	78,750,000.00	100.00%	100.00%
Wuhu Xinde No.7 Investment Centre (Limited Partnership)	200,000,000.00	(150,000,000.00)	50,000,000.00	100.00%	100.00%
Wuhu Xinde No.8 Investment Centre (Limited Partnership)	-	900,000.00	900,000.00	100.00%	100.00%
Wuhu Gutaxiang Investment Centre (Limited Partnership)	70,000,000.00	-	70,000,000.00	100.00%	100.00%
Wuhu Lingyue No.1 Investment Management Partnership (Limited Partnership)	270,043,900.00	-	270,043,900.00	100.00%	100.00%
Wuhu Lingyue No.2 Investment Management Partnership (Limited Partnership)	29,935,000.00	-	29,935,000.00	100.00%	100.00%
Wuhu Kuake No.1 Business Management Center (Limited Partnership)	48,700,000.00	13,300,000.00	62,000,000.00	100.00%	100.00%
Wuhu Xinde No.1 Investment Centre (Limited Partnership)	75,000,000.00	304,460,000.00	379,460,000.00	100.00%	100.00%
Wuhu Pengxin Investment Centre (Limited Partnership)	100,000,000.00	(12,572,988.14)	87,427,011.86	100.00%	100.00%
Wuhu Yinghua No.3 Investment Centre (Limited Partnership) (Note 1)	765,000,000.00	(765,000,000.00)	-	-	100.00%
Wuhu Yinghua No.6 Investment Centre (Limited Partnership) (Note 1)	2,810,700,000.00	(2,810,700,000.00)	-	-	100.00%
Wuhu Huide No.7 Investment Centre (Limited Partnership) (Note 1)	300,000,000.00	(300,000,000.00)	-	-	100.00%
Wuhu Penghua No.2 Investment Centre (Limited Partnership) (Note 1)	300,000,000.00	(300,000,000.00)	-	-	100.00%
Wuhu Rongpuqing Investment Centre (Limited Partnership) ("Rongpuqing") (Note 1)	-	-	-	-	100.00%
Beijing Rongpuzhou Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100.00%
Beijing Rongpuxia Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100.00%
Beijing Rongputang Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100.00%
Wuhu Xinde No.10 Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100.00%
Wuhu Xinde No.9 Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100.00%
Wuhu Huide No.9 Investment Centre (Limited Partnership) (Note 1)	-	-	-	-	100.00%
<b>Total</b>	<b>6,378,638,900.00</b>	<b>(4,167,212,988.14)</b>	<b>2,211,425,911.86</b>		

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**5. Long-term equity investments (Cont.)**

**(3) Investment in consolidated structured entities (Cont.)**

Note 1: On 31 December 2020 and/or 31 December 2019, the company has no paid in capital contributions to these partnerships. Due to the withdrawal of third party partners of the above partnerships, the Company was the only limited partner of these partnerships, and the Company's subsidiary Rongkaide is the only general partner of these partnerships. Management of the Company is of the view that the Company can directly control the operating and investment decisions of these partnerships, and so these partnerships are included into the scope of consolidation and accounted for as structured entities.

Note 2: These partnerships were cancelled in 2020.

Note 3: The partnership was disposed of in 2020.

**(4) Investment in joint ventures**

<u>Joint ventures</u>	31 December 2020	31 December 2019
Wuhu Penghua No.3	710,000,000.00	710,000,000.00
Wuhu Penghui	54,751,777.46	93,000,000.00
Wuhu Yinghua No.4	6,371,405.15	170,000,000.00
Wuhu Taide No.5	-	773,602,362.52
Wuhu Rongpuming	-	710,701,595.67
Wuhu Xinde No.5	-	561,372,291.97
Wuhu Pengshang	-	42,030,726.73
Lanlv Zhanfang	-	481,149,588.81
Wuhu Puying No.2	-	447,306,780.00
Wuhu Xinde No.6	-	282,000,000.00
Jianhou Wucai	-	243,910,282.61
Wuhu Yinghua No.10	-	98,074,810.65
Wuhu Yinghua No.7	-	67,900,000.00
	<hr/>	<hr/>
Total	771,123,182.61	4,681,048,438.96
	<hr/>	<hr/>
Less: Impairment provision	-	-
	<hr/>	<hr/>
Net long-term equity investments	771,123,182.61	4,681,048,438.96
	<hr/>	<hr/>

The Company adopts equity method to account for the investment of the above-mentioned joint ventures.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**5. Long-term equity investments (Cont.)**

**(4) Investment in joint ventures (Cont.)**

List of joint ventures

<u>Joint ventures</u>	Main operation place	Registered address	Nature of business	Shareholding/Share ratio of the Company (%)	
				31 December 2020	31 December 2019
Wuhu Penghua No.3	Wuhu City, Anhui Province	Wuhu, China	Investment management	57.26%	57.26%
Wuhu Yinghua No.4	Wuhu City, Anhui Province	Wuhu, China	Investment management	77.60%	78.11%
Wuhu Penghui	Wuhu City, Anhui Province	Wuhu, China	Investment management	81.89%	83.67%
Lanlv Zhanfang	Jiaxing City, Zhejiang Province	Jiaxing, China	Investment management	-	50.26%
Wuhu Puying No.2	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	91.86%
Wuhu Xinde No.6	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	85.98%
Jianhou Wucai	Tianjin	Tianjin, China	Investment management	-	43.41%
Wuhu Yinghua No.10	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	72.73%
Wuhu Yinghua No.7	Wuhu City, Anhui Province	Wuhu, China	Investment management	-	75.32%

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**6. Deferred income tax assets/ (liabilities)**

Recognized deferred income tax assets and liabilities that have not been offset

	Deductible /(taxable) temporary difference		Deferred income tax assets/ (liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Recognized deferred income tax assets:				
Impairment provisions	618,226,536.32	49,442,761.15	154,556,634.08	12,360,690.29
Retained earnings of partnership (Note 1 of Note VIII.9)	234,596,944.02	616,960,611.76	58,649,236.00	154,240,152.94
Employee benefits payables	40,557,650.20	50,122,703.20	10,139,412.55	12,530,675.80
Financial assets held for trading	137,089,725.98	72,890,770.68	34,272,431.49	18,222,692.67
Right-of-use assets and lease liabilities	2,361,099.48	366,500.00	590,274.87	91,625.00
Others	259,349,678.99	232,317,907.12	64,837,419.75	58,079,476.78
Total	<u>1,292,181,634.99</u>	<u>1,022,101,253.91</u>	<u>323,045,408.74</u>	<u>255,525,313.48</u>
Net	<u>1,292,181,634.99</u>	<u>1,022,101,253.91</u>	<u>323,045,408.74</u>	<u>255,525,313.48</u>

**7. Assets with restricted ownership**

As of the balance sheet date, the carrying value of assets used as collateral for borrowings are as follows:

	Item	31 December 2020	31 December 2019
Cash and cash at banks (Note)	Bank deposit	18,000,000.00	60,000,000.00
Debt investments	debt investment	<u>-</u>	<u>1,115,000,000.00</u>

Note: Please refer to Note VIII.1 for bank deposit restrictions

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**8. Short-term borrowings**

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Unsecured borrowings	7,849,179,798.55	8,814,334,754.45
Pledged borrowings (Note 1)	-	400,000,000.00
Guaranteed borrowings	<u>1,005,447,759.54</u>	<u>-</u>
Total	<u>8,854,627,558.09</u>	<u>9,214,334,754.45</u>

Note 1: As of 31 December 2020, the balance of pledged borrowings was nil; As of 31 December 2019, the pledged borrowings of the Group were borrowed from Huarong Xiangjiang Bank, a related party. Please refer to Note IX. 7 for details of collateral.

The above borrowings are short-term borrowings with a term of 1 month to 1 year, all of which are loans from banks and other financial institutions, and the interest rate were determined by both parties through negotiation.



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**9. Employee benefits payables**

	<u>1 January 2020</u>	<u>Accrual for the current year</u>	<u>Amount paid this year</u>	<u>31 December 2020</u>
Wages, bonuses and allowances	57,714,697.65	36,100,000.00	(52,503,731.45)	41,310,966.20
Social insurance	252,069.89	2,390,696.29	(2,377,060.34)	265,705.84
Incl: Medical insurance	228,124.54	2,365,268.74	(2,327,687.44)	265,705.84
Employment injury insurance	7,228.15	4,841.35	(12,069.50)	-
Maternity insurance	16,717.20	20,586.20	(37,303.40)	-
Housing provident fund	64,881.92	3,155,612.08	(3,220,494.00)	-
Employee welfare	-	2,419,112.60	(2,419,112.60)	-
Labor union funds and employee education funds	6,838,551.17	2,604,513.56	(1,293,560.09)	8,149,504.64
Defined contribution plan	1,811,973.28	5,119,741.44	(6,931,714.72)	-
Incl: Basic endowment insurance	328,048.05	315,617.23	(643,665.28)	-
Unemployment insurance	17,245.65	14,937.63	(32,183.28)	-
Annuity payment	1,466,679.58	4,789,186.58	(6,255,866.16)	-
Others (Supplementary medical insurance)	6,066,688.02	5,625,180.44	(5,257,203.89)	6,434,664.57
<b>Total</b>	<b>72,748,861.93</b>	<b>57,414,856.41</b>	<b>(74,002,877.09)</b>	<b>56,160,841.25</b>

	<u>1 January 2019</u>	<u>Accrual for the current year</u>	<u>Amount paid this year</u>	<u>31 December 2019</u>
Wages, bonuses and allowances	54,378,175.07	56,260,000.00	(52,923,477.42)	57,714,697.65
Social insurance	258,018.38	2,968,808.85	(2,974,757.34)	252,069.89
Incl: Medical insurance	232,695.24	2,679,258.30	(2,683,829.00)	228,124.54
Employment injury insurance	8,229.88	75,114.70	(76,116.43)	7,228.15
Maternity insurance	17,093.26	214,435.85	(214,811.91)	16,717.20
Housing provident fund	83,241.92	3,214,448.00	(3,232,808.00)	64,881.92
Employee welfare	-	3,300,000.00	(3,300,000.00)	-
Labor union funds and employee education funds	6,597,290.63	2,457,975.32	(2,216,714.78)	6,838,551.17
Defined contribution plan	474,896.64	9,112,343.35	(7,775,266.71)	1,811,973.28
Incl: Basic endowment insurance	454,903.39	4,269,610.96	(4,396,466.30)	328,048.05
Unemployment insurance	19,993.25	200,332.39	(203,079.99)	17,245.65
Annuity payment	-	4,642,400.00	(3,175,720.42)	1,466,679.58
Others (Supplementary medical insurance)	3,885,898.49	2,763,060.00	(582,270.47)	6,066,688.02
<b>Total</b>	<b>65,677,521.13</b>	<b>80,076,635.52</b>	<b>(73,005,294.72)</b>	<b>72,748,861.93</b>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**10. Lease liabilities**

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Within 1 year	21,826,932.31	30,867,467.90
1-2 years	20,902,073.90	28,352,042.08
2-5 years	-	24,821,445.95
Total	<u>42,729,006.21</u>	<u>84,040,955.93</u>

**11. Long-term borrowings**

<u>Items</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Unsecured borrowings	<u>1,542,994,864.59</u>	<u>2,465,302,603.48</u>
Total	<u>1,542,994,864.59</u>	<u>2,465,302,603.48</u>

The above borrowings were long-term borrowings with a term of 2-5 years, and the interest rate were determined by both parties through negotiation.

**12. Retained earnings**

	<u>For the year ended 31 December 2020</u>	<u>For the year ended 31 December 2019</u>
Retained earnings at the beginning of the year	2,945,798,504.07	2,764,407,607.53
Add: Net profits of the current year	372,529,592.44	364,276,922.09
Less: Appropriation of statutory surplus reserves	(37,252,959.24)	(36,427,692.21)
Dividend distribution	(185,000,000.00)	(124,000,000.00)
Pay dividends to holders of other equity instruments	-	(22,458,333.34)
Retained earnings at the end of year	<u>3,096,075,137.27</u>	<u>2,945,798,504.07</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**13. Interest income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Debt investments	1,295,309,092.51	263,613,754.94
Bank deposit	46,838,478.15	49,932,465.37
Repurchasing of financial assets	-	9,442,900.08
Total	1,342,147,570.66	322,989,120.39

**14. Net commission and fee income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Financing arrangement expenses	1,905,943.40	8,606,495.21
Total	1,905,943.40	8,606,495.21

**15. Investment income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Income from long-term equity investments	60,602,769.96	1,110,359,741.06
Incl: Declared distributed profits of the invested entity accounting for using the cost method	78,848,671.46	462,549,411.20
Recognition of income/(loss) using equity method	(18,245,901.50)	635,435,929.86
Income from disposal of subsidiaries	-	12,374,400.00
Investment income of financial assets held for trading	173,596,625.61	418,532,397.65
Total	234,199,395.57	1,528,892,138.71

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**16. Interest expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Interest expenses on borrowings	567,158,324.13	699,954,646.29
Interest expenses on issuing bonds	365,485,091.25	473,307,885.20
Interest expenses on lease liabilities	<u>3,439,177.35</u>	<u>786,797.99</u>
Total	<u>936,082,592.73</u>	<u>1,174,049,329.48</u>

**17. Operating expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Employee benefits	57,414,856.41	80,076,635.52
Depreciation and amortization	27,848,255.11	6,497,158.96
Project service expenses	10,257,900.28	14,172,156.54
Professional service expenses	2,287,735.84	2,836,416.95
Rental expenses	23,085.71	21,595,799.68
Others	<u>45,149,563.51</u>	<u>46,690,128.30</u>
Total	<u>142,981,396.86</u>	<u>171,868,295.95</u>

**18. Impairment losses under expected credit loss model**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Debt investments	14,996,099.77	47,712,742.67
Bank deposit	(505,347.72)	796,021.52
Other Receivables	<u>-</u>	<u>933,996.96</u>
Total	<u>14,490,752.05</u>	<u>49,442,761.15</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**19. Income tax expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Current income tax expense	193,434,551.51	202,188,361.42
Deferred income tax expense	<u>(67,520,095.26)</u>	<u>(80,230,543.87)</u>
	<u>125,914,456.25</u>	<u>121,957,817.55</u>

The reconciliation between income tax expenses and accounting profit is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Accounting profit	498,444,048.69	486,234,739.64
Income tax expenses calculated by a tax rate of 25%	124,611,012.17	121,558,684.91
Adjustments for previous years	433,965.71	-
Items not deductible for tax purposes	<u>869,478.37</u>	<u>399,132.64</u>
Income tax expenses	<u>125,914,456.25</u>	<u>121,957,817.55</u>

**20. Cash and cash equivalents**

	31 December 2020	31 December 2019
Cash		
Incl: Cash on hand	-	-
Bank deposit which is on demand	1,121,211,848.18	2,972,808,012.16
Other cash and cash at banks on demand	<u>1,383.70</u>	<u>1,383.03</u>
Subtotal	<u>1,121,213,231.88</u>	<u>2,972,809,395.19</u>
Cash and cash equivalents at end of the year	<u>1,121,213,231.88</u>	<u>2,972,809,395.19</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**IX. Supplementary Notes to Items in Company Financial Statements (Cont.)**

**21. Supplementary information to cashflow statement**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Reconciliation of net profit to net cash flows from operating activities		
Net profits	372,529,592.44	364,276,922.09
Add: Impairment losses under expected credit loss model	14,490,752.05	49,442,761.15
Depreciation of fixed assets	557,735.48	709,995.28
Depreciation of right-of-use assets	26,641,697.79	4,922,026.82
Amortization of intangible assets	173,721.26	303,993.78
Amortization of long-term deferred expenses	475,100.58	561,143.08
Loss on change in fair value	64,198,955.30	(6,068,970.48)
Interest expenses	936,082,592.73	1,174,049,329.48
Investment income	(60,602,769.96)	(1,110,359,741.07)
Deferred income tax expense	(67,520,095.26)	(80,230,543.87)
Exchange gains and losses	2,107,790.33	4,123,448.48
Increase in operating receivables item	(2,448,247,370.58)	(7,807,151,367.93)
Decrease in operating payables item	31,470,284.95	7,588,819.95
Net cash flows arising from operating activities	<u>(1,127,642,012.89)</u>	<u>(7,397,832,183.24)</u>
Net changes in cash and cash equivalents		
Balance of cash and cash equivalents at end of the year	1,121,213,231.88	2,972,809,395.19
Less: Opening balance of cash and cash equivalents	<u>2,972,809,395.19</u>	<u>2,250,757,129.87</u>
Net increase in cash and cash equivalents	<u>(1,851,596,163.31)</u>	<u>722,052,265.32</u>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
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**X. Segmented report**

The Group determines operating segments based on its internal organizational structure, management requirements and internal reporting system, determines reporting segments based on operating segments and discloses segment information.

Operating segments refer to segments within the Group that meet the following conditions at the same time: (1) the segments can generate income and expenses in daily activities; (2) The management of the Group can regularly evaluate the operating results of this segment to decide to allocate resources to it and evaluate its performance; (3) The Group can obtain relevant accounting information such as the financial status, operating results and cash flow of this segment. If two or more operating segments have similar economic characteristics and meet certain conditions, they can be combined into one operating segment. The Group does not divide operating segments.

**XI. Related party relationships and transactions**

**1. Controlling Parties and subsidiaries**

<u>Name of company</u>	<u>Legal representative:</u>	<u>Registered address</u>	<u>Nature of business</u>	<u>Registered capital</u>	<u>Proportion of voting rights ratio (%)</u>	<u>Shareholding ratio (%)</u>
China Huarong	Wang Zhanfeng	Beijing	Asset management and investment	39,070,208,462	59.30	59.30

**2. Please refer to Note VII for relevant information of subsidiaries. Please refer to Note IX. 5 (3) and (4) for details of structured entities, associates and joint ventures where were included in the scope of consolidation.**

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
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**XI. Related party relationships and transactions (Cont.)**

**3. Other related parties that have transactions with the Group but do not have control relations are as follows:**

	Related parties relationships
China Huarong International Holdings Ltd. ("Huarong International")	Controlled by the parent company
Huarong Securities Co., Ltd. ("Huarong Securities")	Controlled by the parent company
Huarong Xiangjiang Bank	Controlled by the parent company
Huarong Zhiyuan Investment Management Co., Ltd. ("Huarong Zhiyuan")	Controlled by the parent company
China Huarong Asset Management Co., Ltd. ("China Huarong")	Shareholders of the Company
CCC2	Shareholders of the Company
Jianyuan Capital	Joint ventures of the Company

**4. Major related party transactions occurred between Group and related parties in the current year are as follows**

The Group enters into various transactions with related parties in the normal course of business on commercial terms.

**4.1 Fee and commission income**

	For the year ended 31 December 2020	For the year ended 31 December 2019
China Huarong	-	3,207,547.17

**4.2 Interest income from deposit**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Huarong Securities	-	176,613.40
Huarong Xiangjiang Bank	26,038.25	312,800.92



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**XI. Related party relationships and transactions (Cont.)**

**4. Major related party transactions occurred between Group and related parties in the current year are as follows (Cont.)**

**4.3 Interest expenses**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Huarong International	-	671,330,790.18
Huarong Xiangjiang Bank	26,274,861.11	18,688,888.89
China Huarong	-	7,369,500.00

**4.4 Expenses on securities underwriting fees**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Huarong Securities	568,700.00	1,866,642.00

**4.5 Expenses on housing and property management fees**

	For the year ended 31 December 2020	For the year ended 31 December 2019
Huarong Zhiyuan	311,760.00	311,760.00

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**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

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**XI. Related party relationships and transactions (Cont.)**

4.6 Balances with related parties

<u>Items</u>	<u>Name of related parties</u>	31 December 2020	31 December 2019
Bank deposit	Huarong Xiangjiang Bank	888,914.65	725,320.84
Financial assets held for trading	Jianyuan Capital	67,320,344.83	32,053,203.61
Other assets	Huarong International	-	42,966,000.00
Short-term borrowings	Huarong Xiangjiang Bank	-	400,000,000.00
Other liabilities	China Huaron	<u>254.56</u>	<u>254.56</u>

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**XI. Related party relationships and transactions (Cont.)**

**6. Salary of key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, including the chairman of the board of directors, the general manager, the supervisor, the deputy general manager in charge of various affairs and the assistant general manager, as well as those who exercise similar policy functions.

	For the year ended 31 December 2020 RMB 1,000	For the year ended 31 December 2019 RMB 1,000
Key management personnel	<u>8,213.21</u>	<u>11,948.93</u>

According to the relevant requirements of the Group's Personnel Expenses Management Measures, the Human Resources Department of China Huarong Headquarters is responsible for the annual salary settlement plan for the members of the Group's leadership team, which has not been issued as of the reporting date.

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**Notes to the Financial Statements (Cont.)**  
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**XII. Interests in unconsolidated structured entities**

The Group established invested in certain structured entities for investment activities. The nature and purpose of these structured entities are mainly to manage investors' assets and earn management fees. Their financing method is to issue investment products to investors. The Group did not consolidate these structured entities as the Group does not have control over these structured entities.

The structured entities established by the Group are mainly private equity funds. The interests held by the Group in the unconsolidated structured entities are set out as below:

**31 December 2020**

Item	Fund size	Long-term equity investments	Total investment costs	Maximum exposure to loss	Losses	Type of income
Private equity fund	1,330,397,973.55	771,123,182.61	957,100,000.00	771,123,182.61	(96,315,817.39)	Investment income

**31 December 2019**

Item	Fund size	Long-term equity investments	Total investment costs	Maximum exposure to loss	Gains	Type of income
Private equity fund	10,203,821,775.26	3,997,101,710.17	4,550,974,810.65	3,997,101,710.17	401,885,728.44	Investment income

The Group also held interests in some structured entities sponsored by other third-party institutions through investment. Such structured entities were mainly asset management plans, trust products, wealth management products and funds. As of 31 December 2020 and 31 December 2019, the carrying value and maximum risk exposure of such structured entities held by the Group were RMB 9,656 million and RMB 6,088 million, respectively. Accounted as financial assets held for trading and debt investments.

**XIII. Contingent matters**

As of 31 December 2020 and 31 December 2019, the Group had no pending litigation cases as defendants and guarantee to the third party according to the contract agreement or other contingencies.

**XIV. Financial instruments and risk management**

The Group's main financial instruments include financial assets measured at fair value with changes included in the current profit and loss, financial assets measured at fair value with changes included in other comprehensive income, financial assets measured at amortized cost, financial liabilities measured at amortized cost, etc. Please refer to Note IX for details of various financial instruments. Risks relating to these financial instruments and risk management policies implemented by the Group to reduce these risks are as mentioned below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within the limited scope.

**XIV. Financial instruments and risk management (Cont.)**

The Group adopts sensitivity analysis technology to analyze the possible impact of reasonable and possible changes in risk variables on profit and loss or owners' equity in the reporting period. As any risk variable merely changes isolatedly and relevance between variables will have a material effect on the final amount of change in certain risk variable, the following contents are based on the assumption that the change of each variable is independent.

**1. Risk management objectives and policies**

In terms of risk management, the Group aims to achieve an appropriate balance between risks and benefits, minimize the negative impact of risks on the Group's operating performance, and maximize the interests of shareholders and other stakeholders. Based on this risk management objective, the basic strategy of the Group's risk management is to determine and analyze various risks confronting the Group, establish an appropriate risk tolerance bottom line and carry out risk management, and timely and reliably supervise various risks to control risks within a limited range.

**1.1 Credit Risk**

Credit risk refers to the risk that one party to financial instruments cannot fulfill its agreed obligations at maturity. The Group's credit risk mainly exists in other receivables and debt investment. The carrying value of these assets on the balance sheet date reflects the maximum credit risk exposure information of the Group on the balance sheet date.

**Expected credit loss**

Since 1 January 2018, the Group has carried out impairment accounting treatment on debt investment and other financial assets and recognized loss reserves based on expected credit losses in accordance with the provisions of Accounting Standards for Business Enterprises No.22-Recognition and Measurement of Financial Instruments.

The measurement of expected credit loss is based on the probability weighted result of default probability (PD), loss given default (LGD) and default risk exposure (EAD).

**Forward-looking adjustment**

When assessing whether the credit risk has increased significantly and calculating the expected credit loss, the Group will use reasonable and well-founded forward-looking macro information that can be obtained without unnecessary additional costs or efforts. This information includes a series of observable economic variables that predict the future, as well as a series of other representative possible prediction scenarios. External information includes economic data and forecast information released by government agencies and monetary authorities.

**XIV. Financial instruments and risk management (Cont.)**

Measurement of expected credit loss

The measurement of expected credit loss is based on the probability weighted result of default probability (PD), loss given default (LGD) and default risk exposure (EAD). The historical data of default probability and loss given default are adjusted based on forward-looking information to reflect the current situation and the impact of future forecasts.

When measuring the expected credit loss, the Group takes the cash flow gap of its financial instruments, that is, the difference between the contractual cash flow and the present value of the expected future cash flow discounted at the original effective interest rate of the financial asset as the basis.

In terms of risk management, the Group aims to achieve an appropriate balance between risks and benefits, minimize the negative impact of risks on the Group's operating performance, and maximize the interests of shareholders and other stakeholders. Based on this risk management objective, the basic strategy of the Group's risk management is to determine and analyze various risks confronting the Group, establish an appropriate risk tolerance bottom line and carry out risk management, and timely and reliably supervise various risks to control risks within a limited range.

The period when the expected credit loss is estimated refers to the time when the cash flow gap of relevant financial instruments may occur. The maximum period for the Group to measure expected credit losses shall be the maximum contract period for which the enterprise faces credit risk (including the contract period that may be extended due to the right of choosing renewal).

The Group's estimation of expected credit loss is the result of probability weighting, which always reflects the possibility of the occurrence of credit loss or not. In order to achieve the objective of recognizing expected credit losses over the life span when the credit risk has increased significantly since initial recognition, it may be necessary to assess whether the credit risk has increased significantly on a portfolio basis by considering information indicating a significant increase in credit risk, such as for a group of financial instruments or subgroups thereof.

For the purpose of determining whether there is a significant increase in credit risk on a portfolio basis and of recognizing the provision for losses, the Group classifies financial instruments based on common credit risk characteristics. Examples of common credit risk characteristics may include but are not limited to: instrument type, credit risk rating, collateral type, initial recognition date, remaining maturity period and guarantor's value relative to financial assets. If this affects the probability of default, the Group will regularly assess common credit risk exposure.

Without considering collateral or other credit enhancement measures, the maximum credit risk exposure on the balance sheet date refers to the carrying value of financial assets after deducting impairment provision.

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**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.1 Credit Risk (Cont.)**

**(1) Credit risk confronting the Group during the reporting period**

Without considering collateral or other credit enhancement measures, the maximum credit risk exposure on the balance sheet date refers to the carrying value of financial assets after deducting impairment provision. The Group's maximum credit risk exposure amount is listed as follows:

	31 December 2020	31 December 2019
Cash and cash at banks	1,532,000,594.05	3,038,093,248.74
Financial assets held for trading	2,320,861,809.87	5,496,145,676.85
Debt investments	16,965,735,052.11	9,559,742,027.71
Other financial assets	<u>101,746,110.23</u>	<u>65,192,395.01</u>
Total maximum credit exposure	<u>20,920,343,566.26</u>	<u>18,159,173,348.31</u>

**Huarong Rongde Asset Management Company Limited**  
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**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.1 Credit Risk (Cont.)**

**(2) credit quality**

**(a) Impairment provision for financial instruments**

Please refer to consolidated notes VIII.11 for the summary and change of impairment provision for financial instruments of the Group as of 31 December 2020.

The expected credit losses of the Group's financial instruments during the year are as follows:

**Debt investments**

	31 December 2020			Total
	Expected credit loss in the next 12 months	Expected credit loss in the entire life time (no credit impairment occurred)	Expected credit loss in the entire life time (credit impairment occurred)	
Opening balance	47,894,659.76	-	-	47,894,659.76
Expected credit losses transferred in the next 12 months	-	-	-	-
Accrual for the current year	30,047,594.21	-	86,737,876.45	116,785,470.66
Reversal for this year	(15,223,666.15)	-	-	(15,223,666.15)
Others	-	-	469,482,385.82	469,482,385.82
Closing balance	62,718,587.82	-	556,220,262.27	618,938,850.09

  

	31 December 2019			Total
	Expected credit loss in the next 12 months	Expected credit loss in the entire life time (no credit impairment occurred)	Expected credit loss in the entire life time (credit impairment occurred)	
Opening balance	25,493,021.41	17,561,874.40	77,000,000.00	120,054,895.81
Expected credit losses transferred in the next 12 months	2,004,874.40	(2,004,874.40)	-	-
Accrual for the current year	116,329,436.58	-	-	116,329,436.58
Reversal for this year	(21,862,098.08)	(15,557,000.00)	(77,000,000.00)	(114,419,098.08)
Others	(76,895.45)	-	-	(76,895.45)
Impact of disposal of subsidiaries	(73,993,679.10)	-	-	(73,993,679.10)
Closing balance	47,894,659.76	-	-	47,894,659.76



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
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**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.1 Credit Risk (Cont.)**

**(2) Credit Quality (Cont.)**

(a) The current changes in the total carrying value of financial assets for which impairment provision are accrued are as follows:

Debt investments

	31 December 2020			Total
	Expected credit loss in the next 12 months	Expected credit loss in the entire life time (no credit impairment occurred)	Expected credit loss in the entire life time (credit impairment occurred)	
Opening balance	9,607,636,687.47	-	-	9,607,636,687.47
Changes in total carrying value				
Increase in current year Financial assets (Note)	6,842,355,312.22	-	4,651,590,156.24	11,493,945,468.46
Decreased financial assets during the year	(3,516,908,253.73)	-	-	(3,516,908,253.73)
Closing balance	12,933,083,745.96	-	4,651,590,156.24	17,584,673,902.20
Amount of impairment provision at the end of the year	62,718,587.82	-	556,220,262.27	618,938,850.09

  

	31 December 2019			Total
	Expected credit loss in the next 12 months	Expected credit loss in the entire life time (no credit impairment occurred)	Expected credit loss in the entire life time (credit impairment occurred)	
Opening balance	3,251,403,384.05	1,761,863,166.67	220,880,000.00	5,234,146,550.72
Changes in total carrying value				
Expected credit loss transferred in the entire duration (no credit impairment occurred)	50,000,000.00	(50,000,000.00)	-	-
Increased financial assets during the year	11,030,078,323.74	-	-	11,030,078,323.74
Decreased financial assets during the year	(3,547,768,246.58)	(1,711,863,166.67)	(220,880,000.00)	(5,480,511,413.25)
Impact of disposal of subsidiaries	(1,176,076,773.74)	-	-	(1,176,076,773.74)
Closing balance	9,607,636,687.47	-	-	9,607,636,687.47
Amount of impairment provision at the end of the year	47,894,659.76	-	-	47,894,659.76

As of 31 December 2020, the above assets included RMB 480 million of priority share income rights held by third parties.

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**Notes to the Financial Statements (Cont.)**  
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**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.2 Market risk**

The market risk involved by the Group mainly refers to the risks of potential losses to financial assets held by the Company due to market price fluctuations in the future. Market risk can be subdivided into interest rate risk, stock price risk and foreign exchange risk.

**1.2.1 Foreign exchange risk**

Foreign exchange risk refers to the risk of losses caused by exchange rate changes. The Group's exposure to foreign exchange risk is mainly related to US dollars. As of 31 December 2020, the exchange rate risk of the Group's financial assets and financial liabilities are analyzed by currency as follows:

	31 December 2020		
	RMB	USD to RMB	Total
Cash and cash at banks	1,531,440,560.00	560,034.05	1,532,000,594.05
Financial assets held for trading	3,820,105,939.12	-	3,820,105,939.12
Debt investments	16,965,735,052.11	-	16,965,735,052.11
Other financial assets	101,746,110.23	-	101,746,110.23
Subtotal financial assets	22,419,027,661.46	560,034.05	22,419,587,695.51
Short-term borrowings	(7,564,268,132.94)	(1,290,359,425.15)	(8,854,627,558.09)
Long-term borrowings	(1,542,994,864.59)	-	(1,542,994,864.59)
Bonds payable	(7,322,321,157.80)	-	(7,322,321,157.80)
Lease liabilities	(42,729,006.21)	-	(42,729,006.21)
Other financial liabilities	(616,175,792.27)	-	(616,175,792.27)
Subtotal financial liabilities	(17,088,488,953.81)	(1,290,359,425.15)	(18,378,848,378.96)
Net exposure	5,330,538,707.65	(1,289,799,391.10)	4,040,739,316.55

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**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.2 Market Risk (Cont.)**

**1.2.1 Foreign Exchange Risk (Cont.)**

	31 December 2019		
	RMB	USD to RMB	Total
Cash and cash at banks	3,038,086,090.18	7,158.56	3,038,093,248.74
Financial assets held for trading	6,014,327,207.87	-	6,014,327,207.87
Debt investments	9,559,742,027.71	-	9,559,742,027.71
Other financial assets	65,192,395.01	-	65,192,395.01
Subtotal financial assets	18,677,347,720.77	7,158.56	18,677,354,879.33
Short-term borrowings	(8,631,732,174.45)	(582,602,580.00)	(9,214,334,754.45)
Long-term borrowings	(2,465,302,603.48)	-	(2,465,302,603.48)
Bonds payable	(7,611,496,066.55)	-	(7,611,496,066.55)
Lease liabilities	(192,739,569.65)	-	(192,739,569.65)
Other financial liabilities	(2,276,550.65)	-	(2,276,550.65)
Subtotal financial liabilities	(18,903,546,964.78)	(582,602,580.00)	(19,486,149,544.78)
Net exposure	(226,199,244.01)	(582,595,421.44)	(808,794,665.45)

The Group pays close attention to the impact of exchange rate changes on the Group's foreign exchange risk.

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**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.2 Market Risk (Cont.)**

**1.2.1 Foreign Exchange Risk (Cont.)**

Sensitivity Analysis of Foreign Exchange Risk

The following table shows the potential impact on pre-tax profits when the spot and forward exchange rates of RMB against all foreign currencies appreciate or depreciate by 1% at the same time.

	31 December 2020 Pre-tax profits RMB 1,000	31 December 2019 Pre-tax profits RMB 1,000
appreciate by 1%	12,897.99	582.60
depreciate by 1%	<u>(12,897.99)</u>	<u>(582.60)</u>

**1.2.2 Interest rate risk**

Interest rate risk refers to the risk that the Group suffers losses due to adverse changes in interest rate level, term structure and other factors. Interest rate risk mainly comes from repricing risk and benchmark risk.

The Group manages interest rate risk through interest rate repricing gap analysis and interest rate sensitivity analysis.

**Huarong Rongde Asset Management Company Limited**  
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**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.2 Market Risk (Cont.)**

**1.2.2 Interest Rate Risk (Cont.)**

The following statement summarizes the Group's interest rate risk exposure. Assets and liabilities items in the statement are classified according to the earlier of contract repricing date and maturity date, and financial assets are listed at net carrying value.

31 December 2020						
	not interest-bearing	Within 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Financial assets						
Cash and cash at banks	-	1,532,000,594.05	-	-	-	1,532,000,594.05
Financial assets held for trading	1,499,244,129.25	2,253,541,465.04	67,320,344.83	-	-	3,820,105,939.12
Debt investments	46,241,444.13	4,403,395,272.79	1,792,593,040.16	10,723,505,295.03	-	16,965,735,052.11
Other financial assets	101,746,110.23	-	-	-	-	101,746,110.23
<b>Total financial assets</b>	<b>1,647,231,683.61</b>	<b>8,188,937,331.88</b>	<b>1,859,913,384.99</b>	<b>10,723,505,295.03</b>	<b>-</b>	<b>22,419,587,695.51</b>
Financial liabilities						
Short-term borrowings	(23,534,208.09)	(2,732,852,900.00)	(6,098,240,450.00)	-	-	(8,854,627,558.09)
Long-term borrowings	(2,994,864.59)	(600,000,000.00)	(370,000,000.00)	(570,000,000.00)	-	(1,542,994,864.59)
Bonds payable	(243,001,714.55)	-	(913,375,868.63)	(4,816,403,734.54)	(1,349,539,840.08)	(7,322,321,157.80)
Lease liabilities	-	(5,876,560.63)	(15,950,371.67)	(20,902,073.91)	-	(42,729,006.21)
Other financial liabilities	(145,606,834.48)	(480,000,000.00)	-	-	-	(625,606,834.48)
<b>Total financial liabilities</b>	<b>(415,137,621.71)</b>	<b>(3,818,729,460.63)</b>	<b>(7,397,566,690.30)</b>	<b>(5,407,305,808.45)</b>	<b>(1,349,539,840.08)</b>	<b>(18,388,279,421.17)</b>
<b>Net exposure</b>	<b>1,232,094,061.90</b>	<b>4,370,207,871.25</b>	<b>(5,537,653,305.31)</b>	<b>5,316,199,486.58</b>	<b>(1,349,539,840.08)</b>	<b>4,031,308,274.34</b>

  

31 December 2019						
	not interest-bearing	Within 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Financial assets						
Cash and cash at banks	-	2,978,093,248.74	60,000,000.00	-	-	3,038,093,248.74
Financial assets held for trading	518,181,531.03	4,950,564,000.00	32,053,203.61	513,528,473.23	-	6,014,327,207.87
Debt investments	25,936,687.47	-	49,857,223.78	9,483,948,116.46	-	9,559,742,027.71
Other financial assets	65,192,395.01	-	-	-	-	65,192,395.01
<b>Total financial assets</b>	<b>609,310,613.51</b>	<b>7,928,657,248.74</b>	<b>141,910,427.39</b>	<b>9,997,476,589.69</b>	<b>-</b>	<b>18,677,354,879.33</b>
Financial liabilities						
Short-term borrowings	(22,742,174.45)	(6,798,990,000.00)	(2,392,602,580.00)	-	-	(9,214,334,754.45)
Long-term borrowings	(5,302,603.48)	(100,000,000.00)	(1,370,000,000.00)	(990,000,000.00)	-	(2,465,302,603.48)
Bonds payable	-	-	-	(6,256,434,585.02)	(1,355,061,481.53)	(7,611,496,066.55)
Lease liabilities	-	-	-	(192,739,569.65)	-	(192,739,569.65)
Other financial liabilities	(2,276,550.65)	-	-	-	-	(2,276,550.65)
<b>Total financial liabilities</b>	<b>(30,321,328.58)</b>	<b>(6,898,990,000.00)</b>	<b>(3,762,602,580.00)</b>	<b>(7,439,174,154.67)</b>	<b>(1,355,061,481.53)</b>	<b>(19,486,149,544.78)</b>
<b>Net exposure</b>	<b>578,989,284.93</b>	<b>1,029,667,248.74</b>	<b>(3,620,692,152.61)</b>	<b>2,558,302,435.02</b>	<b>(1,355,061,481.53)</b>	<b>(808,794,665.45)</b>

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.2 Market Risk (Cont.)**

**1.2.2 Interest Rate Risk (Cont.)**

Sensitivity analysis of interest rate

The following statement shows the impact on the Group's pre-tax profit and other comprehensive income based on the structure of interest-bearing assets and interest-bearing liabilities at the end of the reporting period when the yields of all financial instruments rise or fall by 100 basis points in parallel.

	<u>For the year ended 31 December 2020</u>	
	Pre-tax profits	Other comprehensive income
	RMB 1,000	RMB 1,000
rise by 100 basis points	14,873.51	-
fall by 100 basis points	(14,873.51)	-

	<u>For the year ended 31 December 2019</u>	
	Pre-tax profits	Other comprehensive income
	RMB 1,000	RMB 1,000
rise by 100 basis points	(2,788.79)	-
fall by 100 basis points	2,788.79	-

**1.2.3 Other price risks**

Investments held by the Group classified as financial assets measured at fair value with changes included in the current profit and loss and financial assets measured at fair value with changes included in other comprehensive income are measured at fair value on the balance sheet date. Therefore, the Group is exposed to changes in the securities market. The Group reduces the price risk of equity securities investment by holding a variety of equity securities portfolios.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.3 Liquidity Risk**

In managing liquidity risk, the Group maintains cash and cash equivalents as the management deems adequate and monitors them to meet the Group's business needs and mitigate the impact of fluctuation of cash flow. The management of the Group monitors the use of bank borrowings and ensures compliance with loan agreements.

The Group's sources of funds include bank loans, loans from related parties, issuance of corporate bond and perpetual bond, etc.

As of 31 December 2020, the Group's liquidity risk exposure includes less than 3 months, 1 to 5 years and more than 5 years.

The financial liabilities held by the Group are analyzed according to the maturity of the remaining unrealized contractual obligations as follows:

		31 December 2020						
		Overdue/ No deadline	On the spot	Within 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Financial assets								
Cash and cash at banks		-	1,532,000,594.05	-	-	-	-	1,532,000,594.05
Financial assets held for trading		1,561,470,329.89	-	666,168,530.14	913,943,790.20	162,561,491.21	515,961,797.68	3,820,105,939.12
Debt investments		4,095,369,893.97	-	683,209,436.91	2,824,932,042.78	11,894,844,694.11	-	19,498,356,067.77
Other financial assets		-	-	-	101,746,110.23	-	-	101,746,110.23
<hr/>								
Total financial assets		5,656,840,223.86	1,532,000,594.05	1,349,377,967.05	3,840,621,943.21	12,057,406,185.32	515,961,797.68	24,952,208,711.17
<hr/>								
Financial liabilities								
Short-term borrowings		-	-	(4,999,025,361.48)	(6,244,956,814.76)	-	-	(11,243,982,176.24)
Long-term borrowings		-	-	(26,506,875.00)	(406,342,951.39)	(1,130,145,038.20)	-	(1,562,994,864.59)
Bonds payable		-	-	(89,688,426.93)	(1,215,836,960.26)	(6,003,380,723.13)	(1,449,597,797.48)	(8,758,503,907.80)
Lease liabilities		-	-	(6,426,796.65)	(17,138,124.40)	(21,422,655.50)	-	(44,987,576.55)
Other financial liabilities		(119,538,387.97)	(16,637,404.30)	(480,000,000.00)	-	-	-	(616,175,792.27)
<hr/>								
Total financial liabilities		(119,538,387.97)	(16,637,404.30)	(5,601,647,460.06)	(7,884,274,850.81)	(7,154,948,416.83)	(1,449,597,797.48)	(22,226,644,317.45)
<hr/>								
Liquidity exposure		5,537,301,835.89	1,515,363,189.75	(4,252,269,493.01)	(4,043,652,907.60)	4,902,457,768.49	(933,635,999.80)	2,725,564,393.72

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**XIV. Financial instruments and risk management (Cont.)**

**1. Risk management objectives and policies (Cont.)**

**1.3 Liquidity risk (Cont.)**

		31 December 2019						
		Overdue/ No deadline	On the spot	Within 3 months	3 months to 1 year	1-5 years	More than 5 years	Total
Financial assets								
Cash and cash at banks		-	-	2,987,578,918.77	60,900,000.00	-	-	3,048,478,918.77
Financial assets held for trading		543,231,481.45	-	4,950,564,000.00	32,053,203.61	591,674,095.12	-	6,117,522,780.18
Debt investments		-	-	297,980,966.11	946,855,819.44	11,112,887,601.67	-	12,357,724,387.22
Other financial assets		-	-	-	65,192,395.01	-	-	65,192,395.01
Total financial assets		543,231,481.45	-	8,236,123,884.88	1,105,001,418.06	11,704,561,696.79	-	21,588,918,481.18
Financial liabilities								
Short-term borrowings		-	-	(7,044,669,960.56)	(2,454,065,905.45)	-	-	(9,498,735,866.01)
Long-term borrowings		-	-	(142,945,767.36)	(1,502,604,946.54)	(1,009,660,937.50)	-	(2,655,211,651.40)
Bonds payable		-	-	-	-	(8,096,887,409.28)	(1,373,492,988.38)	(9,470,380,397.66)
Lease liabilities		-	-	-	-	(199,518,135.31)	-	(199,518,135.31)
Other financial liabilities		-	(2,276,550.65)	-	-	-	-	(2,276,550.65)
Total financial liabilities		-	(2,276,550.65)	(7,187,615,727.92)	(3,956,670,851.99)	(9,306,066,482.09)	(1,373,492,988.38)	(21,826,122,601.03)
Liquidity exposure		543,231,481.45	(2,276,550.65)	1,048,508,156.96	(2,851,669,433.93)	2,398,495,214.70	(1,373,492,988.38)	(237,204,119.85)

**XV. Asset Management**

The Group's capital management policy aims to ensure that the Group keeps being a going concern, thus providing returns for shareholders and benefiting other stakeholders, while maintaining the best capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, increase capital investment, issue corporate bonds and perpetual bonds, borrow money from banks or sell assets to improve its capital structure.

The total capital of the Group is the owners' equity listed in the balance sheet and the perpetual bond issued. The Group is not subject to external mandatory capital requirements.



**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**XVI. Fair value**

**1. Assets and liabilities measured at fair value**

The three levels of fair value measurement are analyzed as follows:

Item	31 December 2020			Total
	Level I Measurement of fair value	Level II Measurement of fair value	Level III Measurement of fair value	
Measurement at fair value				
Financial assets held for trading				
Equity investment	29,463,107.39	-	1,469,781,021.86	1,499,244,129.25
Trust products	-	-	130,082,547.02	130,082,547.02
Other debt instruments	-	-	1,547,906,076.84	1,547,906,076.84
Asset-backed securities	-	-	82,681,388.33	82,681,388.33
Asset management plan and wealth management products	-	34,230,000.00	525,961,797.68	560,191,797.68
<b>Total</b>	<b>29,463,107.39</b>	<b>34,230,000.00</b>	<b>3,756,412,831.73</b>	<b>3,820,105,939.12</b>

  

Item	31 December 2019			Total
	Level I Measurement of fair value	Level II Measurement of fair value	Level III Measurement of fair value	
Measurement at fair value				
Financial assets held for trading				
Asset management plan and wealth management products	-	4,950,564,000.00	-	4,950,564,000.00
Equity investment	177,164,422.08	93,631,920.33	247,385,188.61	518,181,531.02
Trust products	-	-	218,288,778.24	218,288,778.24
Convertible bond	-	-	32,053,203.61	32,053,203.61
Other debt instruments	-	-	295,239,695.00	295,239,695.00
<b>Total</b>	<b>177,164,422.08</b>	<b>5,044,195,920.33</b>	<b>792,966,865.46</b>	<b>6,014,327,207.87</b>

In this year and the previous year, the fair value measurement of the Group's assets and liabilities did not convert between Level I and Level II, nor did there be any transfer-in or transfer-out of Level III financial assets and financial liabilities.

Some of the Group's financial assets and financial liabilities are subsequently measured at fair value at the end of each reporting period. The following statement lists the relevant information on how to determine the fair value of these financial assets and financial liabilities (especially the level of fair value, valuation techniques and the main input values used).

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**XVI. Fair value (Cont.)**

**1. Assets and liabilities measured at fair value (Cont.)**

<u>Financial</u> <u>Liabilities)</u>	<u>Assets/(Financial</u> <u>Liabilities)</u>	<u>31 December 2020</u>	<u>Levels of fair value</u>	<u>Valuation techniques and</u> <u>main input values</u>
Financial assets at fair value through profit or loss ("FVTPL")				
Financial assets held for trading				
-Equity investment		29,463,107.39	Level I	Active market quotation
-Equity investment		100,461,545.36	Level III	Recent transaction law
				Market quotation after liquidity discount adjustment based on option pricing model
-Equity investment		208,758,012.78	Level III	Comparable Company Law
-Equity investment		61,125,808.01	Level III	Discounted cash flow
-Equity investment		131,056,555.73	Level III	Discounted cash flow
-Equity investment		799,176,805.73	Level III	Discounted cash flow
-Equity investment		169,202,294.25	Level III	Asset-based approach
-Trust products		130,082,547.02	Level III	Discounted cash flow
-Other debt instruments		1,547,906,076.84	Level III	Discounted cash flow
-Asset-backed securities		82,681,388.33	Level III	Discounted cash flow
				Determined according to the observable market value and related expenses of financial assets invested by wealth management products
- Asset management plan and wealth management products		34,230,000.00	Level II	
- Asset management plan and wealth management products		525,961,797.68	Level III	Asset-based approach
Financial assets at fair value through profit or loss ("FVTPL")				
Financial assets held for trading				
				Determined according to the observable market value and related expenses of financial assets invested by wealth management products
- Asset management plan and wealth management products		4,950,564,000.00	Level II	
-Equity instruments		177,164,422.08	Level I	Active market quotation
				Calculated according to the quotation of bonds or equity instruments invested by the asset portfolio
-Equity instruments		93,631,920.33	Level II	
-Equity instruments		247,385,188.61	Level III	Discounted cash flow
-Trust products		218,288,778.24	Level III	Discounted cash flow
Convertible bond		32,053,203.61	Level III	Discounted cash flow
-Other debt instruments		295,239,695.00	Level III	Discounted cash flow

**XVI. Fair value (Cont.)**

**2. Fair value of financial assets and financial liabilities that are continuously measured at fair value**

Valuation Methods of Financial Instruments

For the first-level financial instruments, their fair values are measured according to unadjusted quotations of similar assets in active markets.

For the second-level financial instruments, their fair value is generally based on the cash flow model or the quotation of the underlying assets located in the active market. For the discounted cash flow method, the most important input values are the yield curve of the Central Clearing Center, the interest rate published by the Shanghai Stock Exchange, the expected return rate published by similar wealth management products managed by the same bank, or forward interest rate or exchange rate, etc. The underlying assets located in the active market are mainly listed companies' stocks or quoted debt instruments. When specific securities are measured in currencies other than RMB, such securities are converted at the appropriate exchange rate on the balance sheet date.

For the third-level financial instruments, the management of the Group inquires from counterparties or uses valuation techniques to determine fair value, including income method, market method, asset-based method, etc. Its fair value may be measured using unobservable parameters that have a significant impact on the valuation, so the Group divides these assets and liabilities to the third level. Unobservable parameters that may affect valuation mainly include weighted average cost of capital, liquidity discount, price-to-book ratio, discount rate, etc.

**Huarong Rongde Asset Management Company Limited**  
**Notes to the Financial Statements (Cont.)**  
**For the year ended 31 December 2020**

**Unit: RMB**

**XVI. Fair value (Cont.)**

**2. Fair value of financial assets and financial liabilities that are continuously measured at fair value (Cont.)**

The following table lists the main valuation information of financial instruments at the third level:

Business Type	Valuation techniques and main input values	Unobservable and important input value	The Influence of Unobservable Input Value on Fair Value
Unlisted equity investment	Discounted cash flow. The future cash flow shall be estimated based on the estimated recoverable amount and discounted at the interest rate determined by the management based on the best estimate of the estimated risk level	Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	The higher the expected recoverable amount, the higher the fair value; The earlier the recovery date, the higher the fair value; The lower the discount rate, the higher the fair value.
	Comparable Company Law	Market multiplier, liquidity discount	The higher the market multiplier, the higher the fair value; The lower the liquidity discount, the higher the fair value.
	Asset-based approach	Adjusted net assets, liquidity discounts	The higher the adjusted net assets, the higher the fair value; The lower the liquidity discount, the higher the fair value.
Listed equity investment (Restricted for sale)	Option pricing model	Stock volatility	The smaller the stock volatility, the higher the fair value.
Debt instruments	Discounted cash flow. The future cash flow shall be estimated based on the estimated recoverable amount and discounted at the interest rate determined by the management based on the best estimate of the estimated risk level	Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	The higher the expected recoverable amount, the higher the fair value; The earlier the recovery date, the higher the fair value; The lower the discount rate, the higher the fair value.
Investment in trust, wealth management products, asset management plans, structured products, etc.	Discounted cash flow. The future cash flow shall be estimated based on the estimated recoverable amount and discounted at the interest rate determined by the management based on the best estimate of the estimated risk level	Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	The higher the expected recoverable amount, the higher the fair value; The earlier the recovery date, the higher the fair value; The lower the discount rate, the higher the fair value.
	Asset-based approach	Adjusted net assets, liquidity discounts	The higher the adjusted net assets, the higher the fair value; The lower the liquidity discount, the higher the fair value.

**XVI. Fair value (Cont.)**

**3. Fair value of financial assets and financial liabilities not measured at fair value**

The management of the Group believes that other financial assets and financial liabilities measured at amortized cost mainly bear interest at market interest rates. Therefore, the carrying value of these financial assets and financial liabilities is close to the fair value of these assets and liabilities, specifically including cash and cash at banks, debt investment, interest receivable, other receivables, short-term borrowings, long-term borrowings, interests payable, bonds payable and other payables.

**XVII. Post-balance sheet events**

On 4 February 2021, RMB 900 million corporate bonds were issued on the Shanghai Stock Exchange by the Company. The bond term was 3 years from 25 January 2021 to 25 January 2024, at a coupon rate of 5%, with annual interest payment and one-time repayment of principal upon maturity.

**XVIII. Approval of Financial Statements**

The financial statements have been approved and reported by the Company's Board of Directors on 26 April 2021.