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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)

PROFIT WARNING

This announcement is made by China Huarong Asset Management Co., Ltd. (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

I. THE RESULTS ALERT FOR THE PERIOD

- (I) The period of results alert: 1 January 2020 to 31 December 2020.
- (II) Results alert: Upon the preliminary calculation, the Group is expected to incur loss in the 2020 operating results, and the net loss attributable to the shareholders of the Company is expected to be RMB102.903 billion.
- (III) The financial data involved in the results alert has not been audited by the auditor.

II. RESULTS FOR THE CORRESPONDING PERIOD OF LAST YEAR

- (I) In 2019, net profit attributable to the shareholders of the Company amounted to RMB1.424 billion.
- (II) In 2019, basic earnings per share amounted to RMB0.04.

III. MAIN REASONS FOR LOSS IN THE RESULTS OF THE PERIOD

In 2020, as the trial against former Chairman Lai Xiaomin for bribery, embezzlement and bigamy commenced and the sentence was pronounced, the Group constantly cleared and disposed the risk assets caused by his aggressive operation and disorderly expansion during his tenure. Meanwhile, the pandemic of Corona Virus Disease 2019 (the “**COVID-19 pandemic**”) caused impacts to the market, which resulted in the decline of contract performance ability of certain customers, and the quality of some current assets deteriorated in a quicker speed. In response, the Group conducted the comprehensive review, assessment and impairment test to risk assets, recognized credit impairment loss and loss from fair value changes in the current period, which had significant impacts to the operating results.

- (I) Impairment test was conducted on the centralized disposal of the existing risk assets. Based on the integration of overseas business in 2019, Huarong Overseas Chinese Asset Management Co., Ltd. (“**Huarong Overseas Chinese**”) integrated part of the existing assets of branches and subsidiaries within the Group, and conducted centralized management. The Group completed the project registration and approval of the equity transfer of Huarong Overseas Chinese, and made an announcement on the potential disposal on 8 April 2020. However, by the end of 2020, the transfer had not been implemented according to the plan. Huarong Overseas Chinese had conducted the comprehensive review and assessment of the centralized management of assets, made provisions for credit impairment loss and loss from fair value changes.
- (II) A prudent assessment was conducted on the credit impairment loss of current asset risks. The fast-growing acquisition-and-restructuring projects and fixed income projects from 2015 to 2017 matured centrally in 2020. Due to the historical reasons for the formation of risk assets and the effect of the current market environment, as well as the severe impact of COVID-19 pandemic and the “mine explosion” incidents in the market, the contract performance ability of customers was greatly affected and the relevant assets’ quality was also exposed to greater pressure than that in the previous period. After the comprehensive review and assessment of risks, the Company had made provision for credit impairment loss.
- (III) The risks of some subsidiaries offset the Group’s operating results. The underlying assets in asset management plans of relevant financial service subsidiaries accelerated to expose to risks. Deterioration incurred on risk assets of some subsidiaries in asset management and investment segments. After the comprehensive review and assessment of risks, these subsidiaries had made provisions for credit impairment loss and loss from fair value changes.

IV. MAIN COUNTERMEASURES

- (I) Implement capital replenishment plan. Net assets have declined after the provision of impairment. Under the support of all relevant parties, the board of directors of the Company (“**the Board**”) intends to proactively introduce strategic investors to effectively replenish capital, improve risk compensation capabilities, and ensure the foundation for sustainable operations.
- (II) Maintain stable liquidity. The Group grasped the monetary policy and regulatory policy guidance, closely monitored market liquidity conditions, strictly carried out risk monitoring and control, and maintained normal and stable capital relationship with financial institutions. The liquidity was sufficient, domestic and overseas bonds were timely redeemed, and liquidity risks were controllable.
- (III) Enhance the financial basis for the disposal of risk assets. In 2020, the Group confirmed credit impairment loss and loss from fair value changes to consolidate the value of assets and strengthen the financial basis for the disposal of risk assets.
- (IV) Constantly promote the development strategy of returning to the core business and defusing risks. Under the firm support of all relevant parties, the Group closely focused on the state’s functional positioning of asset management companies, and continued to promote the reduction of risks in accordance with the established development strategy. The Group accelerated transformation of core business and resolution of existing risks, improved corporate governance, and strengthened risk internal control mechanisms to enhance the endogenous development momentum and constantly deepen the high-quality development of New Huarong.

V. RISK WARNING

There is no material uncertainty in respect of the Company which may affect the accuracy of the content in this estimated operating results announcement.

VI. OTHER MATTERS

The information contained in this announcement is only based on the unaudited consolidated management accounts of the Group for the year ended 31 December 2020, which has not been audited by the auditor of the Company nor approved by the audit committee of the Company. The Company’s actual financial results for the year ended 31 December 2020, which may be different from those disclosed in this announcement, will be reviewed by the auditor of the Company and will be disclosed in the annual results announcement of the Company for the year ended 31 December 2020.

VII. CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended with effect from 9:00 a.m. on 1 April 2021 pending the publication of the Company's audited 2020 Annual Results and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate. The Company will keep the Company's Shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

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
18 August 2021

As at the date of this announcement, the Board comprises Mr. WANG Zhanfeng, Mr. LIANG Qiang 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.