



中国华融资产管理股份有限公司

CHINA HUARONG ASSET MANAGEMENT CO., LTD.

STOCK ABBREVIATION: CHINA HUARONG

STOCK CODE: 2799

2016

SOCIAL RESPONSIBILITY REPORT



萃英成秀·融通致远

2016 CHINA HUARONG
ASSET MANAGEMENT CO., LTD.

SOCIAL RESPONSIBILITY REPORT

STABILITY

INNOVATION

HARMONY

DEVELOPMENT



ABOUT THIS REPORT

This report is the first publicly disclosed Social Responsibility Report of China Huarong Asset Management Co.,Ltd., complied with the Environmental, Social and Governance (ESG) Reporting Guide released by The Stock Exchange of Hong Kong Limited(HKEX). This report aims at responding to stakeholders' expectation and demonstrates China Huarong's concept, management, actions and performance of environmental, social and corporate governance and sustainability.

Reporting Reference

This report is prepared with reference to the Appendix 27, ESG Reporting Guide, of the Rules Governing the Listing of Securities on HKEX(Listing Rules),, the Opinions Concerning Enhancing the Social Responsibility of Banking and Financial Institutions issued by China Banking Regulatory Commission and the Guidelines for Corporate Social Responsibility of Chinese Banking and Financial Institutions released by China Banking Association. This report also meets the requirements set out in the Sustainability Reporting Guidelines(G4.0) issued by the Global Reporting Initiative (GRI), the Chinese Corporate Social Responsibility (CSR) Report Preparation Guide (CASS-CSR 3.0) issued by the Chinese Academy of Social Sciences and other national and international CSR reporting guidance.

Scope of the Report

Unless otherwise stated, this report includes China Huarong Asset Management Co.,Ltd.'s headquarter, all its branches and subsidiaries.

Report Data Specification

All key financial data disclosed in this report are collected from China Huarong 2016 Results Announcement, other data are mainly sourced from internal management systems of the Group.

Reporting Period

1 January 2016 - 31 December 2016. Some content is sourced from historical data.

Reporting Specification

For the convenience of expression and reading, "China Huarong Asset Management Co.,Ltd.'s headquarter and all its branches" may be expressed as "the Company", while "China Huarong Asset Management Co.,Ltd.'s headquarter, all its branches and subsidiaries" may be expressed as "China Huarong" or "the Group".

Reporting Cycle

This is an annual report.

Access to the Report

This Report can be browsed or downloaded both in Chinese and English from the 'Investor Relations--Regular Report' template at the official website of China Huarong Asset Management Co.,Ltd., or at the website of Hong Kong Exchanges and Clearing Limited.

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Lai Xiaomin
Representative of the Twelfth NPC Chairman,
Party Secretary and Legal Representative of China Huarong

CHAIRMAN'S STATEMENT

2016 was an extraordinary year for China Huarong. The Company successfully implemented its “three steps in five years” plan and commenced the implementation of its new five-year development strategy of innovation and transformation. It was also a year for the company to closely keep up with the national development strategies, implement the “13th Five-year” development plan and effectively support and serve the real economy. During the year, under the guidance of the Ministry of Finance, People's Bank of China and China Banking Regulatory Commission, together with the public support and the joint efforts of our employees, China Huarong achieved a record high in terms of its operating performance and was awarded as “2016 Top 500 Enterprises in China” and “Top 500 Enterprises in China” by Fortune China. While creating the first-class operating performance, China Huarong has been staying true to its mission, upholding the principles of “contributing to national economy, improving people's livelihood, being grateful, taking responsibilities and devoting to charity”. China Huarong has been always stressing the significance of the fulfillment of its social responsibilities to build a modern financial company with “dignity, value, connotation, strength and responsibility”.

By following the principle of “contributing to the national economy”, China Huarong closely kept up with national strategies and support the real economy. In 2016, China Huarong upheld the operation philosophy of “listening to the Party, following the lead of the government, and proceeding in accordance with the market rules”, and strove for the realization of “being stronger, better and bigger” by achieving the group total assets of 1,411.97 billion RMB, the net assets of RMB 150.08 billion, and the net profits of RMB 23.11 billion by the end of the year. The company has continuously maintained a favorable development situation of “the national economy being fully invigorated, functions of state capital being enlarged, and values of national assets being greatly preserved or increased,” with its social contribution constantly increasing. During this year, China Huarong closely kept up with the national development strategies, such as “The Belt and Road”, the Free Trade Zone Construction, the Integration of Beijing-Tianjin-Hebei, and the Yangtze River Economic Zone etc. China Huarong fully exerted the unique function as an asset management company, took advantage of its national network radiating the entire country, innovatively constructed the new strategic platform, improved approached and functions of financial services, which have strongly supported the national supply-side structural reform, as well as the transformation and upgrade of the real economy.

By following the principle of “taking responsibilities”, China Huarong developed the green industry and made joint efforts on a friendly environment. In 2016, relying on the advantages in resources and brands, China Huarong actively supported the comprehensive development of the green industries. Through the business platform with multiple financial licenses, we designed diversified products and services that financially served the real economy and supported the development of the green industries by utilizing matured asset management business, capital operation and fund operation modes, as well as our abundant market experiences. In 2016, China Huarong, united with KAIDI, launched Huarong KAIDI Fund, which dedicated in serving the green financial industries and pushing forward the full implementation of the national green development strategic targets. During this year, China Huarong greatly advocated the concept of green office, upheld the principle of “running a company through thrift and frugality”, and carried out diversified green office practices in the Group. Through paperless office, routine propaganda and guidance of water and power conservation, as well as replacement with energy-saving equipments etc., the operational energy consumption has been lowered. China Huarong manifested the concepts of green, low-carbon and sustainable development throughout the whole process of operation and management.

By following the principle of “being grateful”, China Huarong insisted customer first to realize mutually win-win. In 2016, China Huarong actively promoted the Core Clients Strategy, upheld the principles of “making changes according to the situation, policies, markets, customers and projects”, fully exerted the “one body, two wings” synergistic effect, so as to provide customers with a package of integrated financial services that “stretched across the capital structure of the company and along the entire life cycle of the company,” and created new values for the development and promotion of the company. During this year, China Huarong signed 15 new strategic cooperation agreements, increased 3,000 customers, and had 9,000 customers in general; it has signed comprehensive strategic cooperation agreements with over 20 provincial governments, large financial institutions and corporate customers, including 4 municipality governments directly under the Central Government, and realized the concentrated management and platform sharing of customer resources. Meanwhile, it has intensified its strength on conducting business cooperation with key supporting customers, and improved its capabilities of serving high-quality customers, constantly enhancing customer stickiness, and continuously improving customer satisfaction. In 2016, China Huarong realized group customer satisfaction rate of more than 90%.

By following the principle of “improving the public welfare”, China Huarong continued to provide care to its employees and share with them the development achievements. In 2016, by following the principles of that “everything depends on people and talents are the most valuable resources of China Huarong,” China Huarong applied itself on providing employees complete protection of rights and interests and on their extensive room for development, so as to intensify employees’ senses of dignity, pride, happiness, achievement and gain, and foster an employee team that “has desire to work, is qualified to work and good at the work, and can accomplish the work without contingencies.” During this year, China Huarong has further completed the cadre selection and appointment system, and intensified the selection and appointment of young cadres. As being guided by the “Generalized Preferential Training System,” China Huarong has made great efforts on constructing the integrated training system that features “broad range, multiple layers, extensive coverage, diversification, package style, and combination blow,” continuously improving capabilities and qualities of employees, and assisting their growth. China Huarong has been constantly innovating and perfecting “Love Trust,” “serious illness relief fund” for employees and other safeguard measures, and practicing co-sharing of corporate development achievements with employees. In order to enrich employees’ spiritual life and promote their communication, the Second in-company Theatrical Festival themed on “carrying forward spirits of Long March and jointly building a dream of Huarong” was held, which highly boosted employees’ “energy and spirit” i.e. a slogan that “keeping warm as fire when we gather and sharing sparks when we leaving to everywhere like stars in the sky; therefore a single spark can start a prairie fire, which enlightens China Huarong.”

By following the principle of “devoting to charity,” China Huarong gave back to the society actively, which has manifested the benevolence of China Huarong. In 2016, China Huarong upheld the principle of “sharing development achievements with the society;” it has not only donated money and things like “giving a man a fish,” but also focused on offering financial support and intellectual support like “teaching a man to fish;” it has also made constant efforts on intensifying its supporting force towards the development of old revolutionary base areas, minority concentrated areas, border areas, and depressed areas. During this year, China Huarong has been dedicated to the tough fight on precise poverty alleviation while being guided by the ideology of “maintaining the poverty alleviation strength, concentrating advantages on funds, exercising precise poverty alleviation, and ensuring the actual effects of poverty alleviation;” it has also increased targeted poverty alleviation funds of RMB 5.9979 million, cumulatively invested funds of RMB 28.8039 million at the targeted poverty alleviation area of Xuanhan County, Sichuan Province, and donated money and materials worth over RMB 11 million; it was named in the 2016 Yearbook of China’s Poverty Alleviation and Development, and entitled as the “2016 Corporate Poverty Alleviation Excellent Case.” Founding China Huarong (Fuzhou) Educational Fund and establishing China Huarong Red Army Offspring Educational Fund for Gannan Old Revolutionary Base Area, China Huarong has greatly supported the education in old revolutionary base areas, and accomplished the matching, co-sharing and mutual progress between China Huarong and these old revolutionary base areas.

A powerful company owns today, whereas a responsible company owns the future. China Huarong will keep on courageously undertaking its social responsibilities as a state-owned company, unswervingly implement five major development concepts of central leadership, including “innovation, coordination, green, opening up and sharing” and dedicate to creating value of sustainable development for the nation, society, shareholders, customers, enterprises, and employees.



March 15, 2017

ABOUT US

COMPANY PROFILE

China Huarong Asset Management Co., Ltd., with its predecessor being China Huarong Asset Management Corporation, was founded on November 1, 1999. On September 28, 2012, the Company was converted into a joint stock limited company upon the approval of the State Council. On October 30, 2015, China Huarong was listed on the Main Board of the HKEX.

By the end of 2016, China Huarong has 31 branches across the country and has its geographic coverage across 30 provinces, autonomous regions and municipalities in China as well as in Hong Kong special administrative region and Macao special administrative region. The Company has many operating subsidiaries including Huarong Securities Co., Ltd., China Huarong Financial Leasing Co., Ltd., Huarong Xiangjiang Bank Corporation Limited, Huarong International Trust Co., Ltd., Huarong Futures Co., Ltd., Huarong Rongde Asset Management Co., Ltd., Huarong Real Estate Co., Ltd., China Huarong International Holdings Limited, Huarong Consumer Finance Co., Ltd. With these platforms, the Company has developed into “a professional asset manager and prominent provider of integrated financial services” and provides multi-licensed, multi-functional and integrated financial services in areas such as distressed asset management, asset management, banking, securities, trust, financial leasing, investment, consumer finance and futures.

HAS ITS GEOGRAPHIC COVERAGE ACROSS

30

PROVINCES, AUTONOMOUS REGIONS
AND MUNICIPALITIES IN CHINA AS
WELL AS IN HONG KONG SPECIAL
ADMINISTRATIVE REGION
AND MACAO SPECIAL
ADMINISTRATIVE REGION

ACROSS THE COUNTRY HAVE

31

BRANCHES

STRATEGY AND CORPORATE CULTURE

In 2016, the Company developed the China Huarong’s Five-year Development Plan. Closely combining with the trend of China’s economic development in the coming five years and China’s development strategic objectives of China’s 13th Five-Year Plan period, this plan proposed that China Huarong would adhere to the new concepts of “innovation, coordination, green, opening up and

sharing”, and focus on “Structure Adjustment, Speeding Up the Transition, Improving the Weak Fields, Risk Prevention and Improving Investment Quality”. The company will earnestly carry out all business, keep its market steady growth, enhance its core competitiveness and international influence and constantly improve the ability to serve the real economy. China Huarong will spare no efforts evolving into a first-class, international well-known and most brand-valuable asset management corporation, and strive for a modern financial company with business span all over the world and listed domestically and abroad, and for the most valuable state-hold large holding group with a focus of “finance + industry”. In order to meet the strategic goal of the plan, China Huarong strives to build an integrated business model and business system with overall benefit prominence, to forge a scientific and efficient operation model and process and to constantly improve the strategic supporting system which is composed of information technology, human resource management, corporate culture building and etc.

Dream of Huarong

In order to realize its strategic transformation towards a first-class AMC featuring with “scientific governance, systematic management, strong core business, integrated operation and outstanding results”.

Corporate Vision

To build a modern financial company with dignity, value, connotation, strength and responsibility.

Corporate positioning

Professional Asset Manager and Prominent Provider of Integrated Financial Services.

Corporate positioning

To pursue the balanced and synergic development of China Huarong’s three business segments by further leveraging its strengths in its core businesses of distressed asset management, its comprehensive financial services business, and its asset management and investment as a new profit growth point. China Huarong is dedicated to build a unique business mode with cross-period operating and profits from all stages.

Core Corporate Culture

Stability, Innovation, Harmony, Development.

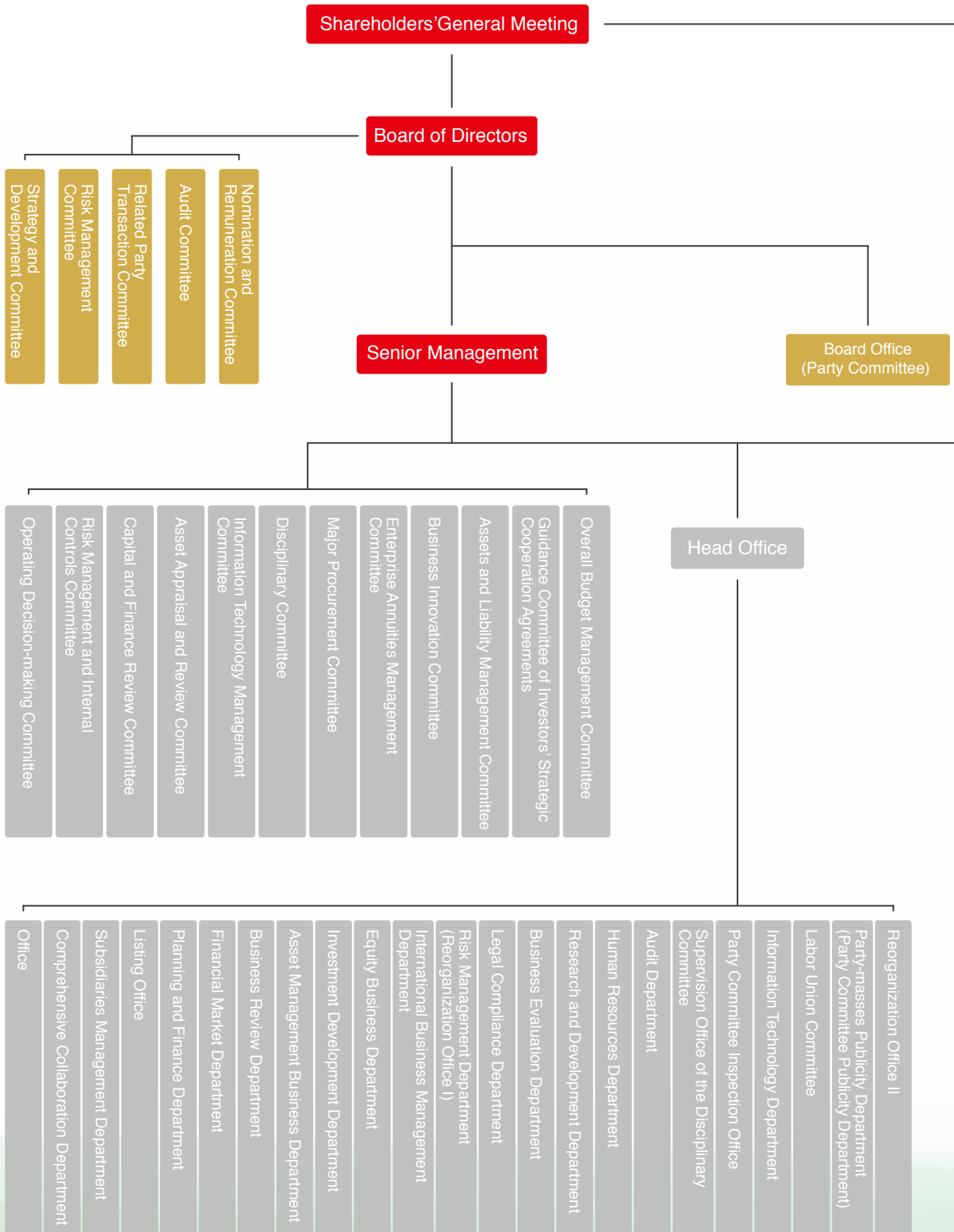
Corporate Value

To create sustainable value increase for the nation, society, shareholders, customers, companies, and employees.

Honors and Awards

In 2016, China Huarong was successfully awarded the “Top 500 Chinese Enterprises” and “Top 500 Chinese Service Enterprises” by the China Enterprise Confederation and China Enterprise Directors Association, and “Chinese Top 500 Enterprises” by Fortune, and “Top 500 Chinese Financial Enterprises” by NetEase Finance and Economics; “The Best listed company” by the 6th China securities Golden Bauhinia Awards ;“Top 500 Asian Brands”at the 11th Asian Brand Ceremony and “The Best Asset Management Company of the Year”; and “AAA-level Credit Enterprise in China” by the China Enterprise Credit Evaluation Center.

ORGANIZATION CHART



Board of Supervisors

General Office of the Board of Supervisors

Supervision Committee of the Board of Supervisors

Branches

Subsidiaries

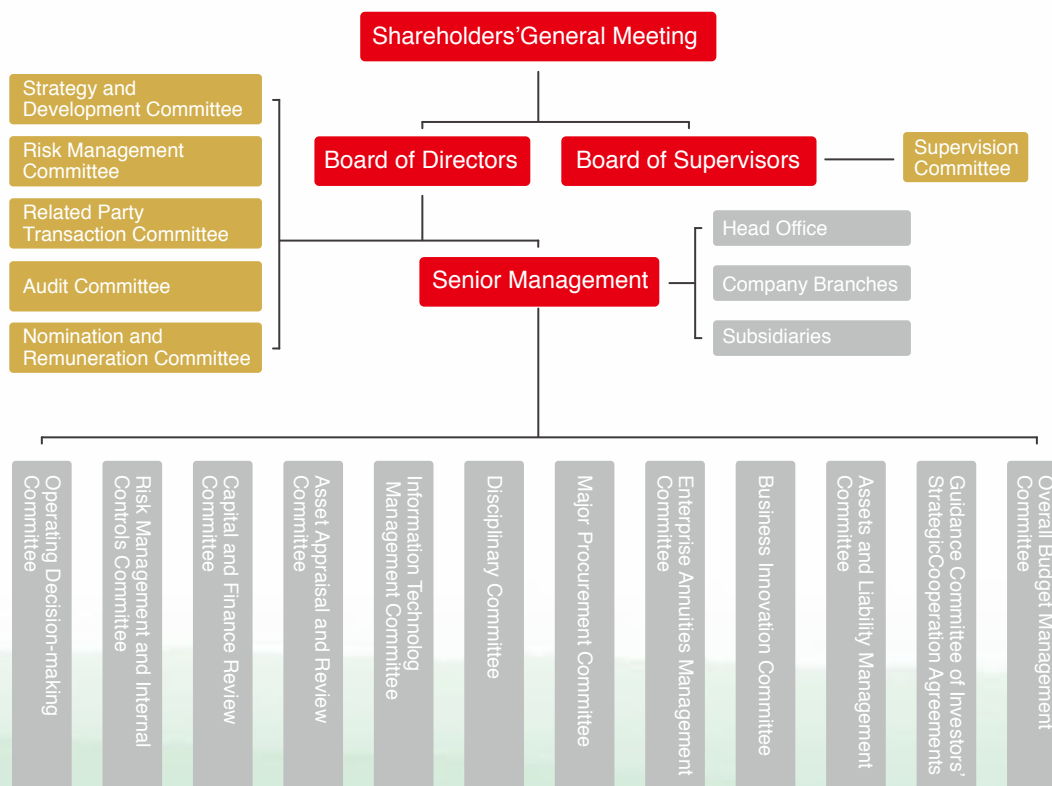


CORPORATE GOVERNANCE

As a pilot unit in China's financial asset management company reform, China Huarong was restructured into a shareholding company in September 2012 and established a formal corporate governance structure of "Three Boards and One Layer" (Shareholders' Meeting, Board of Directors, Board of Supervisors and Senior Management). According to the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Hong Kong Stock Exchange Listing Rules, other related laws and regulations, normative documents and the Articles of Association of the company, in 2016, China Huarong did the best it could to ensure a healthy sustainable development of the company and favorable returns for its shareholders by constantly strengthening its governance structure and mechanism building, improving the level of its governance, optimizing its risk management and internal control, and continuously promoting information disclosure and the management level of investors' relations.

China Huarong has established a sound internal control governance structure with the Risk Management Committee, Related-Party Transaction Committee, and Audit Committee, all under the Board of Directors, supervising and inspecting the work on risk management, internal control, related party transaction and intra-group transactions. The Board of Supervisors supervises the internal control constructed and implemented by the Board of Directors and Senior Management. About the specific responsibilities and duties, and the composition of the Board of Directors, its Special Committees and the Board of Supervisors, please refer to the China Huarong 2016 Results Announcement - Corporate Governance Report.

CORPORATE GOVERNANCE STRUCTURE OF CHINA HUARONG



INTERNAL CONTROL

In 2016, China Huarong earnestly carried out all the regulatory requirements, and was dedicated to establishing a long-term sound operational mechanism for internal control by further improving its internal control system building, strengthening its management system, intensifying its business control measures and promoting its internal control cultural development on the basis of its current organization's framework and management mechanism.

The company launched the Internal Control Regulations as its guiding document to lead its internal control system building work, in which the basic requirements were identified that included such five elements as basic objectives, fundamental principles, internal control responsibilities and duties, organizational management, and internal control system. Specified regulations for building internal control and evaluation have been developed to classify the company's main business and management activities into the "company-level" segment and "process-level" segment, therefore providing a possibility for managing them by different processes and levels. In 2016, China Huarong strongly ensured the orderly development of its internal control evaluation work by making the Internal Control Evaluation Guidebook and Standards for Internal Control Deficiencies, identifying the objectives, principles, responsibilities and duties, divisions of work, contents, procedures, reports, deficiency rectifications for internal control evaluation work, and the definition, category, identification principles, methods and standards for internal control deficiencies. At the same time, in line with external regulation requirements and internal business development, the company regularly settled its work flow of main business and management, and revised its internal control management tool-Internal Control Manual and its supporting tool-Risk Management Matrix, updated the recognition in each steps and control measures to improve the ability of control in long time.

RISK MANAGEMENT

With an eye to building a comprehensive risk management system consistent with governance requirements for financial holding groups, and making a comprehensive, structural and guiding arrangements for the company's future development path to this building, China Huarong formulated the China Huarong' Comprehensive Risk Management System Planning, outlining an overall planning for general objectives, tasks and time schedules for the future' risk management system work, and planning to carry out multiple risk management projects in stages and in groups. In addition, the company launched the guiding document of risk management-the Basic Regulations for Risk Management, identifying contents such as risk categories that the company focuses on and their definitions, risk management's general objectives and principles, internal environment, organizational system, policy system, process system, team-building and subsidiaries' management, clarifying the core contents of risk management and fundamental framework for the company's comprehensive risk management, as well as establishing a full and systematical fundamental risk management system for the Group.

In 2016, China Huarong further advanced the establishment of a comprehensive risk management system, optimized risk management, conveyed effectively risk preferences, and maintained the bottom line of risks. Also, it had continuously examined, evaluated, adjusted and improved its risk

management policies, regulations and process system according to the internal and external operational and management environment, changes in competition patterns and their influences on the company's risk management. Functional departments in charge of risk management took a leading role in the risk identification and evaluation work, while operational departments implemented risk management objectives and requirements, integrated them into their own operational objectives ,management strategies, and business operational methods, standardized their business operational work flow, and therefore fully identified, evaluated and managed the operational risks of their own.

During the process of internal control evaluation, effectiveness of internal control on multi-levels including risk management has been evaluated by combining comprehensive self-assessments by departments of headquarter, branches and subsidiaries and on-the-spot tests/ focused inspections by audit departments. It turned out that no major or serious deficiencies were detected, and issues needing to be improved did not have material impact on the Group's operations and management.

ANTI-CORRUPTION

China Huarong has established an internal anti-corruption supervision mechanism from senior management to key positions to implement its anti-corruption responsibilities at every level by thoroughly carrying out the regulator's related requirements on anti-corruption, earnestly giving full play to the role of internal joint meetings, and promulgating the Discipline Inspection and Supervision Meeting Regulations, integrating internal supervision resources such as the company's Board of Supervisors, departments of audit, law, accounting and risk management, etc. In the beginning of every year, the company leaders, directors of departments of the Headquarters, secretaries of party committees and secretaries of discipline departments in subsidiaries sign the Agreement on Diligence and Anti-corruption Building Objectives respectively. Group-wide integrity risk inspections are organized every two years with goals of, looking deep into the work flow and internal control management for possible integrity risk points and blind areas in supervision, setting inspection plans in a scientific way, and relying on the company's information network platform to carry out investigations and intensify the use of their results. In 2016, no corruption-related lawsuits against the company had been filed.

In 2016, China Huarong continued to carry out anti-corruption investigations in management, issued inspection result reports to a total of 216 general manager's assistants and above, as well as headquarters' senior employees, and held anti-corruption-themed meetings(video) for leaders. The company's secretary of Discipline Inspection Committee had trained more than 160 newly-promoted general manager's assistants and above, as well as headquarters' senior employees.

To further promote employees' awareness of anti-corruption campaign, China Huarong held several anti-corruption-themed workshops in 2016 and invited the Publicity Department of Central Commission of Discipline Inspection to hold a thematic workshop on the Regulations on the Accountability of

the Communist Party of China for Party Committee Center Group's(enlarged) study session. The company's secretary of Discipline Inspection Committee held a workshop on the Regulations and Requirements on the Discipline Work of China Huarong for new employees. The Group's vice secretary of Discipline Inspection Committee and director of inspection office held workshops thrice in subsidiaries. Anti-corruption reminders were also released and repeatedly played through the company's intranet 's bulletin board, when important festivals and holidays such as the Spring Festival, Dragon Boat Festival, Mid-Autumn Festival, National Day and New Year's Day were around the corner. For the general manager's assistants and above, they would receive anti-corruption reminders by email. In addition, the company enriches its anti-corruption learning resources by purchasing various video materials including Fighting Corruption Always Underway, Microfilms on Anti-corruption, anti-corruption education film Sunk and the 40th Anniversary Album of Independent Commission Against Corruption of Hong Kong SAR, etc, all of which were uploaded to anti-corruption education video database on the company's intranet.

SUPPLIER MANAGEMENT

As a financial company core business, distressed asset management, China Huarong has its suppliers mainly in the fields of office equipment, automobiles, and etc., as well as professional service providers. China Huarong set up Procurement Committee for Large Purchases, and formulated the Working Rules for the Company's Procurement Committee for Large Purchases to manage and manage the bidding process of high-value suppliers effectively and legally. China Huarong has small influence on suppliers due to its small number and value of procurement. The Company will gradually impose higher requirements of environmental and social impact on suppliers in the future.

Because of the professionalism of its business, China Huarong and its subsidiaries formulated their suppliers' management systems and mechanisms respectively, and formed a suppliers' directory for its own use. On the other hand, they strictly followed related national requirements for bidding management to ensure the process of their bidding are transparent, fair and open.

SOCIAL RESPONSIBILITY MANAGEMENT

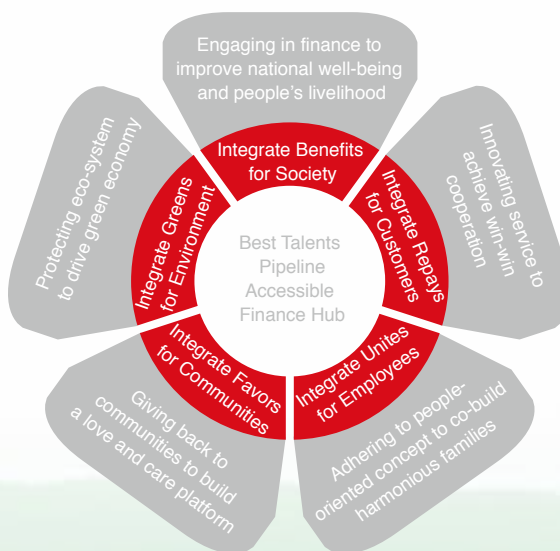
China Huarong, as a large state-owned financial company, is always dedicated to providing a stable financial environment for social development and defusing financial risks. The company, coupled with the innovative and high-speed development, sticks to "sharing its development achievements with the society". Also, we continue to maintain our effective communication with stakeholders, take positive initiatives to respond to the needs of other sectors of the society and promote the overall development of the society by leveraging the company's quality resources and professional advantages in finance.

SOCIAL RESPONSIBILITY CONCEPT

Based on the characteristics of its industry, China Huarong had put forward the China Huarong social responsibility concept in 2011 by identifying categories of important stakeholders that interact in the company's operations, and clarifying the needs and key points of all parties.

China Huarong social responsibility = generating more profits + paying more interests and taxes + increasing employees' wages + various interests and cost expenses + various charity and donations + employment opportunities + supporting harmonious development of the society and economy.

The birth of social responsibility philosophy has pointed out the way forward and identified key points of China Huarong's social responsibility work. As a result, the Company's employees in various positions took a variety of social responsibility initiatives such as launching projects on the employee training, social aid and helping the poor and the vulnerable. In 2016, China Huarong's social responsibility model had established by gradually improving its social responsibility system and social responsibility practices.



In 2016, to further bring to fruition the social responsibility management, China Huarong established a social responsibility management system. Followed by its internal management projects, the company has built a social responsibility index system covering all business units and set quantitative indexes in social responsibility core areas such as environment, community and employee, through which effective assessment on the company's current situation of social responsibility management could be achieved and be treated as evidence for its performance on social responsibility management. In the future, China Huarong will gradually improve its social responsibility management system and its social responsibility management work in its business fields in a targeted and comprehensive way.

STAKEHOLDER COMMUNICATION

As the closely groups related to China Huarong's development, stakeholders play an important role through their interaction with China Huarong. With establishing effective communication channels and maintaining frequent and effective communication, China Huarong takes timely action in response to stakeholders' needs.

STAKEHOLDERS' KEY EXPECTATIONS AND COMMUNICATION CHANNELS CHART

Types of stakeholders	Key issues of concern	Key communication approaches	Key measures to respond
Regulatory authorities	<ul style="list-style-type: none"> ·Steady business operations ·Complete internal control system and risk management system ·Actively fulfill social responsibility of financial enterprises 	<ul style="list-style-type: none"> ·Regular report ·Participate in industry meeting ·Official website ·Wechat subscription 	<ul style="list-style-type: none"> ·Establish a comprehensive internal control system, and improve corporate governance ·Actively take action to relieve social and financial risks ·Improve business operation efficiency
Local government	<ul style="list-style-type: none"> ·Promote local industrial development ·Compliant operation ·Tax payment 	<ul style="list-style-type: none"> ·Government meeting ·Regular visit ·Public servants' supervision and inspection ·Official website ·Wechat subscription 	<ul style="list-style-type: none"> ·Provide employment opportunity, contribute to tax revenue ·Cooperate with government's supervision and inspection work, and improve the internal supervision and inspection system ·Compliance with laws and regulations

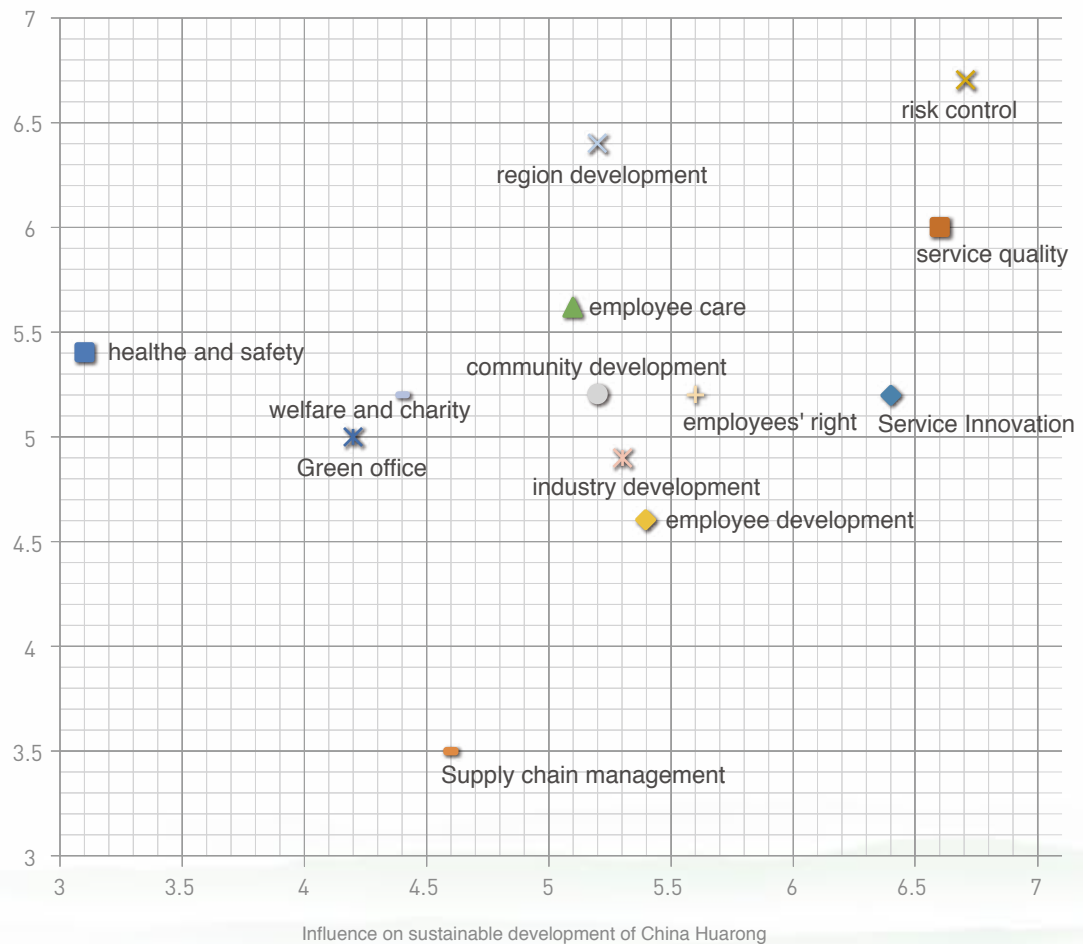
Types of stakeholders	Key issues of concern	Key communication approaches	Key measures to respond
shareholders	<ul style="list-style-type: none"> ·Sustained and stable return on investment ·Timely information disclosure ·Compliance business operations 	<ul style="list-style-type: none"> ·Shareholders' general meeting ·regular report and corporate announcements ·Roadshow and other information distribution channels ·Investor Relations telephone and email ·Official website ·Wechat subscription 	<ul style="list-style-type: none"> ·Enhance diversified business, and consolidate the leading role in the industry ·Establish a regular information disclosure system ·Improve internal compliance system
Customers	<ul style="list-style-type: none"> ·Products and services with high quality ·Timely response to customer demands ·Providing integrated solutions 	<ul style="list-style-type: none"> ·Customer revisit ·Regular visit ·Customer satisfaction survey ·Official website ·Wechat subscription 	<ul style="list-style-type: none"> ·Establish a comprehensive service response system ·Improve customer complaint handling process ·Develop guidelines for service standardization
Community	<ul style="list-style-type: none"> ·Support community development ·Respect community culture, participate in community activities 	<ul style="list-style-type: none"> ·Community delegates survey ·Routine visit ·Official website ·Wechat subscription 	<ul style="list-style-type: none"> ·Support community development activities ·Maintain good communication
Employees	<ul style="list-style-type: none"> ·Good career development and growth opportunities ·Great pay and benefits ·Complete protection of health and safety 	<ul style="list-style-type: none"> ·Internal Web site ·Enterprise journal ·Employee Representative Conferences ·Official website ·Wechat subscription 	<ul style="list-style-type: none"> ·Improve staff recruitment, promotion and other internal management regulations and system ·Enrich employee's spare time ·Provide a variety of working and living security for employees
Employees	<ul style="list-style-type: none"> ·Fair and open procurement process ·Fulfill the contract on time ·Help the growth of suppliers to achieve a win-win situation 	<ul style="list-style-type: none"> ·Regular meeting of quality communication ·Official website ·Wechat subscription 	<ul style="list-style-type: none"> ·Ensure the transparency of the procurement process, internal and external supervision and inspection ·Reasonable control of corporate cash, ensure timely payment ·Promote communication with suppliers

MATERIALITY ANALYSIS

In 2016, China Huarong launched the procedure of materiality analysis in order to identify the material issues of corporate social responsibility management. Based on the feedback from stakeholders' communication, combining with the review of development strategy and best CSR practices of peer companies in China and abroad, financial management policies, the global financial industry trends and etc, based on the dimension of importance to sustainable development to Huarong, and dimension of importance to social and environment issues from perspectives of key stakeholders, China Huarong has identified the prioritized issues and developed the materiality matrix that listed material social responsibility issues in 2016. This report is mainly sourced from the above matrix which also set the foundation for the company to carry out related work in social responsibility in 2017.

CSR MATERIALITY MATRIX OF CHINA HUARONG IN 2016

Influence on sustainable development of stakeholders



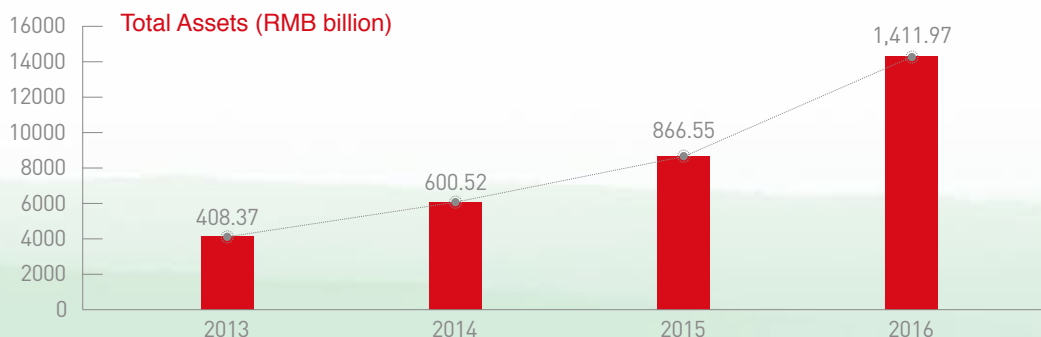
- ◆ Service Innovation ■ service quality ✕ risk control ✕ Green office ● Supply chain management
- + employees' right ◆ employee development ■ healthe and safety ▲ employee care
- ✕ region development ✕ industry development ● community development - welfare and charity

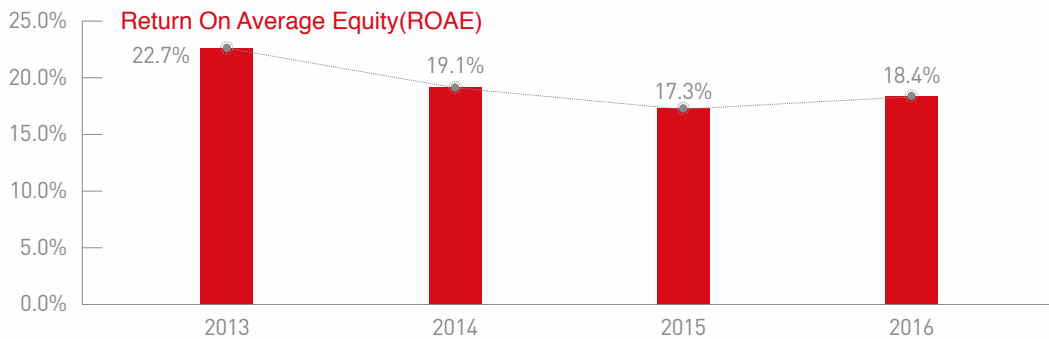
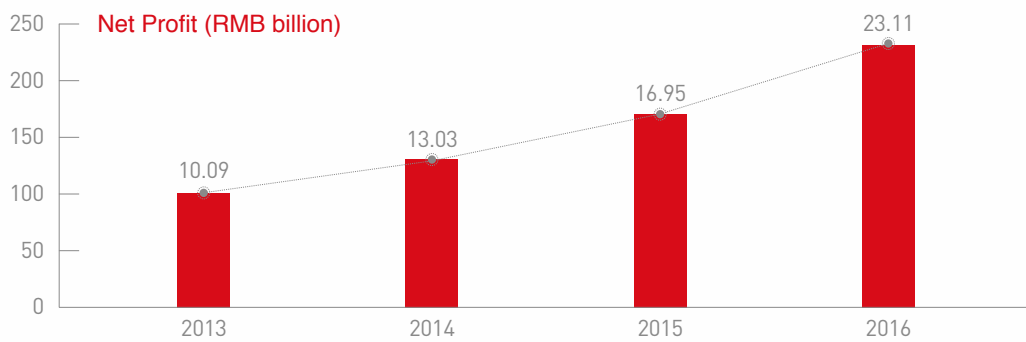
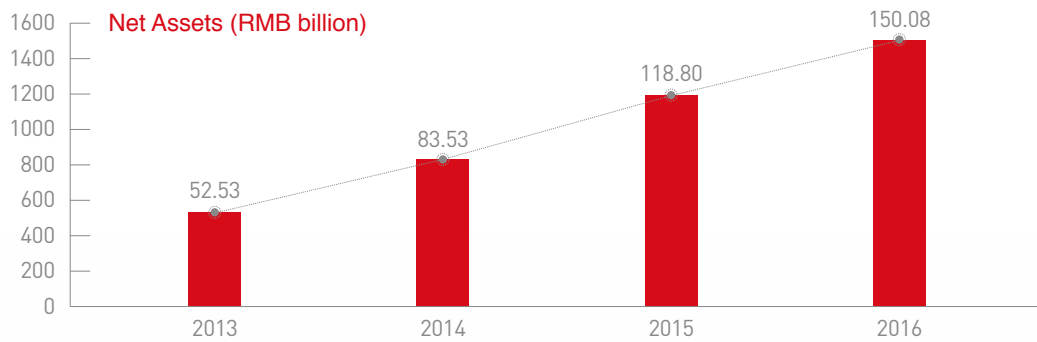
I. INTEGRATE BENEFITS FOR SOCIETY: ENGAGING IN FINANCE TO SERVE THE COUNTRY AND PEOPLE

As one of the four major financial asset management companies in China, by considering the completion of state-endowed disposal tasks of policy assets as the starting point of business and purchasing distressed assets from financial institutions, China Huarong has been making efforts on reducing the distressed asset ratios of financial institutions in a rapid manner, defusing risks of adversity for banks, while supporting the development of local economy, realizing the organic integration of real economy and financial capitals, and fulfilling the social responsibilities of maintaining the stability of local economic, social and financial orders.

1. DEFUSING FINANCIAL RISKS

Ever since the establishment, China Huarong has been shouldering the policy-driven missions of “systematically defusing financial risks, recovering of loss-making stated-owned enterprises, and supporting the reconstruction and listing of state-owned bank”, and considering them as the very foundation for the fulfillment of corporate social responsibilities. While assisting the stability of the financial environment, China Huarong has realized the constant growth of the company. In 2012, China Huarong completed the Shareholding System Reform, and constructed the “five-in-one” modern financial business entity governance structure. China Huarong realized the transformation from a distressed policy asset disposing institution towards a state-owned large-scale modern financial asset management company. In 2014, China Huarong successfully introduced strategic investments. China Huarong broadened its international presence and entered into a new era of development focusing on market-orientation, diversity, comprehensiveness and globalization. In October of 2015, China Huarong was officially listed in the main board of the Stock Exchange of Hong Kong, and officially transformed from a non-listed company to a public listed company. In 2016, China Huarong made a breakthrough with its total assets exceeding 1000 billion, which successfully helped it to be selected as one of the 2016 Top 500 Chinese Companies. China Huarong has been keeping a sound development with dynamic state-owned economy, amplified state-owned capital function, and increasing value of state-owned assets. The operational capabilities of the company had been improved, which had further enriched the means for China Huarong to deal with distressed assets and offer comprehensive financial support, so that it could contribute more power to support the development of real economy and promote the state supply-side structural reform.

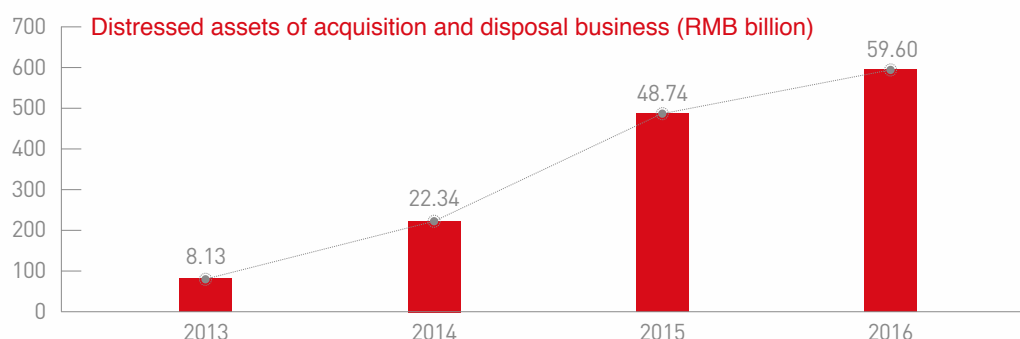




The calculation method of ROAE: the percentage of net profit attributable to Shareholders of the Company for the Reporting Period in the average balance of equity attributable to Shareholders of the Company as at the beginning and the end of the Reporting Period.

Taking distressed asset management as the main business of corporate operations and development and the foundation of responsibilities, China Huarong has been targeting at maintaining assets and reducing social resources loss to the largest extent by successively accepting, purchasing and disposing policy distressed assets, and has played a significant role as a “safety net” and “stabilizer” on state-owned bank reform and development, reducing state-owned corporate debt and turning around loss-generating operations, mitigating state loss to the largest extent, maintaining the stable operation of the financial system, preventing and defusing financial risks.

In 2016, China Huarong actively grasped development opportunities in the supply-side structural strategic reform, make full use of distressed asset management, comprehensive financial services and other unique functions, to carry out financial innovation, and revitalize the stock, to maintain the stable operation of economic and financial development and healthy development effect. Meanwhile, along with the continuous adjustment of economic structure and continuous deepening of the industrial integration progress, China Huarong assisted the structural upgrading of the distressed assets industrial chain. In 2016, China Huarong has increased the disposal of distressed assets worth 59.6 billion by the acquisition-and-disposal distressed assets business.



Based on the conventional distressed assets business, China Huarong has made innovations on the mode to defuse distressed assets by following the market principles. In 2016, China Huarong conducted much closer cooperation with local governments and institutional investors, introduced more investors through funds to participate into the “addressing overcapacity, reducing inventory and deleverage” campaign, as well as actively participated into the securitization of distressed assets by integrating the new tendency of banks disposing distressed assets. In 2016, China Huarong cooperated with joint-equity commercial banks on establishing two special funds for distressed assets, and participated the distressed assets securitization projects of ICBC, ABC, BOC, CCB, and BCM.

CASE

Developing Distressed Asset Management Through Innovations, Jointly Maintain Financial Stability in Asia

In November of 2016, with the approval of the Ministry of Foreign Affairs and China Banking Regulatory Commission, China Huarong and Asian Development Bank jointly held the International Public AMCs Forum (IPAF) and Financial Stability Seminar on Managing NPLs in Asia and Europe. It has been the first large-scale international conference held in China in 17 years since the establishment of Chinese financial asset management companies. About 150 representatives of over twenty institutions from China Banking Regulatory Commission, European Central Bank, Asian Development Bank, as well as IPAF membership units and associate membership units, performed in-depth discussions on the roles and functions of various Asian and European state-owned asset management companies in preventing and defusing financial risks and maintaining financial stabilities. Efforts will be made in the future to jointly explore the all-around cooperation in much deeper levels in a broader range of fields, and make greater contributions towards the development of the economy in Asia, even the world.

2. ASSISTING LOCAL DEVELOPMENT

Under the background of supply-side structural reform all over the country, due to diversified development status and emphasis, various places and regions are facing multi-faceted economic development demands. China Huarong has been making great efforts on exerting the advantages of the company in integrating funds, talents, technologies, management and resources through a variety of financial tools and solutions, while fully considering the interests of local shareholders and regional economic development, so as to forge the quintessence of a state-owned financial company making active efforts on serving and promoting the development of the local economy and providing an integrated financial services.

By cooperating with various local governments, China Huarong helps to stimulate distressed local assets with financial tools, assists local companies to alleviate burdens and turn around loss-generating operations, improves the vitality of local economy, and defuses local financial risks. On one hand, China Huarong has already built up the comprehensive financial service network that radiates the entire country by opening up 31 local branches; it is capable of better deploying resource advantages all over the country when serving the local economy in order to provide more diversified services for local companies. On the other hand, China Huarong signed a strategic cooperation agreement with the local government and jointly makes the investment on establishing the local asset management company, successfully serve for the national and regional development strategies on a more effective manner.

CASE Utilizing Professional Corporate Resources and Providing Support for Local Finance

Due to the high access threshold of the distressed assets disposal industry, local asset management companies, normally with limited business scale and scope, are lacking of talents with required professional capacity. China Huarong has been actively exerting the leading role in the business, devoting all of their efforts on supporting the establishment of local asset management companies, assisting the local asset management capability construction, so as to accomplish the new mode of serving the regional economy and real economy.

In February, 2016, China Huarong and the people's government of Shanxi province jointly organized and constructed Huarong Jinshang Asset Management Co., Ltd., aiming at providing professional distressed assets disposal comprehensive financial services in Shanxi province, helping local companies to alleviate burdens, turn around loss-generating operations, and overcome difficulties. In June, 2016, China Huarong and People's Government of Qinghai Province jointly organized and constructed Huarong Kunlun Qinghai Asset Management Co., Ltd, so as to defuse and dispose various kinds of financial risks through comprehensive finan-

cial services, maintain the stability of local economy and finance, and support the benign development of the local economy.



June 2016, Plaque unveiling ceremony of Huarong Jinshang Asset Management Co.,Ltd.



February 2016,Plaque unveiling ceremony of Huarong Kunlun Qinghai Asset Management Co.,Ltd.

In 2016, China Huarong kept on deepening the efforts on serving national and regional development strategies, surrounding national and regional policies, and making contributions to the construction of the Beijing-Tianjin-Hebei Integration, the free trade zone, the Yangtze River Economic Zone, the Western Development and other local economic development. From January to June in 2016, China Huarong successively and officially established platform companies in the free trade zones of Tianjin and Fujian, including Huarong (Tianjin Free Trade Zone) investment Co., Ltd. and Huarong (Fujian Pilot Free Trade Zone) investment Co., Ltd.; henceforth, China Huarong had set up branches in all the four major free trade zones, which had fully utilized the main business advantages of asset management in order to provide cross-period and comprehensive financial services for the reform and development in the free trade zones; in 2016, China Huarong constructed Huarong Innovation Investment Co., Ltd. and Huarong Emerging Industries Investment and Management by separately cooperating with the people's government of Xicheng District and Shunyi District of Beijing. In the mean time, China Huarong Financial Leasing Co.,Ltd. also reached for a consensus with the people's government of Dongli District of Tianjin on offering a RMB 1-2 billion financial support in the next 3-5 years for the infrastructure construction in Dongli District, so as to actively propel the construction of the Integration of Beijing, Tianjin and Hebei, optimize and promote the core functionality of the region, and accelerate regional economic construction through funds, securities, structures and other innovative businesses; Huarong Security Co.,Ltd. has been actively pushing forward the registration work of companies from key regions in the national share transfer system; in 2016, it recommended 11 companies from the Beijing-Tianjin-Hebei cooperative region, 12 companies from the Yangtze River Economic Zone, and 5 companies from the "The Belt and Road" regions to be listed in the New OTC Market. Huarong Trust has been implementing the strategic deployment of "Base on Xinjiang, Return to Xinjiang", and established the strategic cooperation with the administrative office of Tacheng in January of 2016. In 2016, Huarong International Trust Limited introduced 6 trust projects to Xinjiang, with a cumulative new trust fund investment of more than RMB 3.215 billion and projects involving manufacturing, service, real estate, infrastructure construction and many other industries, aiming at actively propelling the leap-frog development in Xinjiang.

CASE Huarong Huang Gongwang Financial Town

In 2016, together with the people's government of Zhejiang province, China Huarong made full efforts on forging the "Huarong Huang Gongwang Financial Town", and participating in the national and regional development strategy construction. By the end of 2016, 275 fund management companies and funds had been registered in Huarong Huang Gongwang Financial Town; the registered financial scale reached up to RMB 200.9 billion. As the business operation main body of the Financial Town, Huarong Gongwang Fund Management Co., Ltd achieved the asset management scale of RMB 97.9 billion, it became the second largest Financial Town in Qiantang River Financial Harbor. In 2016, the Financial Town realized the tax revenue of more than RMB 100 million.



August 2017, Plaque unveiling ceremony of Huarong Huang Gongwang Financial Town

CASE Providing Comprehensive Financial Service for Huangshi Newport (Logistics) Industrial Park

In 2016, as the subsidiary of China Huarong, Huarong Innovation Investment Co.,Ltd. offered comprehensive financial service for the construction of the Huangshi Newport (Logistics) Industrial Park. It assisted the park construction unit with publishing private-placement bonds. The raised funds were completely used for the park development and construction, which aimed at forging the "pier + railway + road" multi-mode logistics network that radiated Northern Jiangxi, Eastern Hubei, Anhui and other provinces, cities and areas and featured various types of goods under logistics, including food, coal, steel, etc. HUANGSHI will become the new engine for the economic development in Eastern Hubei, and make contributions for the construction of the Yangtze River Economic Zone.

3. ADHERE TO THE POLICY OF “THE BELT AND ROAD”

According to China Huarong Five-year Development Plan in the next five years, China Huarong shall closely integrate with “The Belt and Road” and other opening-up strategies, further complete well the international strategic layout, make great efforts on fostering growth pole of the group on international operation, as well as steadily propel the international strategic transformation from merely domestic business to the equal stress on international and domestic businesses.

In order to provide powerful support for the national strategy of “The Belt and Road”, China Huarong made efforts to build a new pattern for internationalization of “based on Hong Kong and Macao, service Greater China, docking “The Belt and Road” development strategy, building internal and external linkage”, and has conducted a series of active explorations. In 2013, the wholly-owned subsidiary of Huarong Group Co., Ltd was founded in Hong Kong to be in charge of exploring international businesses. In 2014, China Huarong Qianhai Wealth Management Co., Ltd was founded to be dedicated to forging the Southern China Innovative Business Corridor, which plays a more active role in constructing China’s “Maritime Silk Road”. In the same year, Huarong Western Development Investment Co., Ltd was founded to provide all-round and comprehensive financial services for the “Silk Road Economic Belt” by relying on the unique location advantages in Ningxia. In 2015, China Huarong acquired H-share listed company of “Simsen International Corporation Limited” which was changed its corporate name to “Huarong(HK) International Financial Holdings Limited” in order to create a “prevalent asset management platform” with new attitude in Hong Kong; Huarong Overseas Chinese Asset Management Limited was established to support the implementation of national strategies such as the development of “the Belt and Road” as well as the construction of overseas economic and cultural cooperation pilot zone upon the approval of the State Council. In 2016, China Huarong established Huarong (Macao) International Co., Ltd, China Huarong speeds up its International development.

While realizing constant international development, based on opportunities for domestic companies brought by the strategy of “The Belt and Road”, by constantly intensifying both domestic and international interactions, it assists Chinese companies with going global, realizing the market reform and internationalization, deepening the production capacity cooperation, and innovating financial means, so as to provide financial support and guarantee for the national strategy of “The Belt and Road” and serve domestic and overseas investors and key clients.

CASE**Assisting the Construction of the “Golden Triangle” and Making Contributions to the Development of “The Belt and Road” in China, Mongolia and Russia**

In order to respond to the national development strategy of “The Belt and Road” and adapt to the tendency of the Beijing-Tianjin-Hebei Integration, China Huarong Inner Mongolia Branch supported the modern logistics park project in Ulanqab city of Inner Mongolia Autonomous Region. The logistics park was located at the junction of the “Golden Triangle” of Huhhot-Baotou-Erdos in the Bohai Economic Rim, and served as the important hub of “The Belt and Road” policy that connects China, Mongolia and Russia. Products of the park were mainly sold to over thirty countries and regions, including Russia, Belarus, Turkey, Bulgaria, Ukraine, Mongolia, Kazakhstan, as well as Eastern Europe, Middle East, and North Africa. With the support of China Huarong, the logistics park was completed within the schedule; in addition, it also attracted the world-class brand and promoted the transformation and upgrading of the foreign trade industry.

CASE**The Move-in of China Huarong in Shantou Overseas Chinese Trial Area**

At the end of 2015, China Huarong and the People’s Government of Shantou City, Guangdong Province, collectively made an investment and established Huarong Overseas Chinese Asset Management Co., Ltd in China (Shantou) Economic and Cultural Cooperation Experimental Zone. It is planned to propel the booming development of the Eastern Guangdong CBD Central Area. The company bases itself in Shantou and serves the entire province, it is a significant action of China Huarong on implementing the national strategy of “The Belt and Road” as well as the related plan upon approval of the State Council on overseas Chinese experimental zone construction, and it is also subject to the innovative practice of China Huarong on establishing the modern asset management platform, which is conducive to deepening the system and institutional reform of state-owned enterprises, boosting the economic development in Shantou and accelerating the revitalization and development in Eastern Guangdong. In the future, Huarong Overseas Chinese will establish fund of funds both at home and abroad, and also the cross-border wealth management center. It will carry out a comprehensive private equity fund management business for the global overseas Chinese.

CASE**Participation in the Establishment of the Guangdong-Guangxi-Guizhou High-speed Railway Economic Belt Financial Alliance**

In September of 2016, together with Guilin Bank, Nanyue Bank and other financial institutions, Huarong Security Co.,Ltd. initiated and founded Guangdong-Guangxi-Guizhou High-speed Economic Belt Financial Alliance, with an aim at taking the implementation of the national open strategy of “The Belt and Road” as the opportunity, focusing on the purpose of striving for the regional cooperation in Pan Pearl River Delta, and considering the Guangdong-Guangxi-Guizhou High-speed Economic Belt as the road map, so as to jointly construct the open, practical, multi-layered communication platform, the business cooperation platform on an equal footing with mutual benefit, as well as the mutual-sharing mutual-benefit business innovation platform.

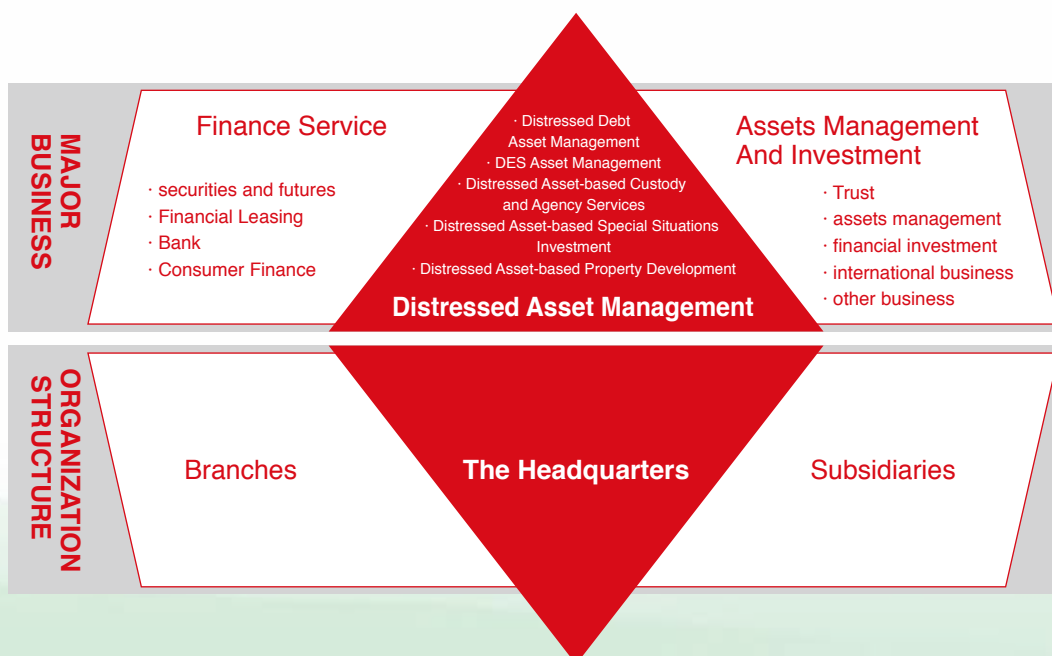
II. INTEGRATE REPAYS FOR CUSTOMERS: INNOVATING SERVICE TO ACHIEVE WIN-WIN COOPERATION

With 17 years of development and expansion, China Huarong has gradually become a comprehensive financial service provider with multi-financial licenses, forming three major business sectors including distressed asset management, financial services, asset management and investment. It helps clients tide over difficulties by restructuring its debt, integrating assets and reorganizing troubled enterprises comprehensively through the diversified financial service system. It also helps the maintenance of social stability, creating the new value of innovation and development for enterprises.

1. ARRANGING INTEGRATED FINANCIAL PROGRAMS

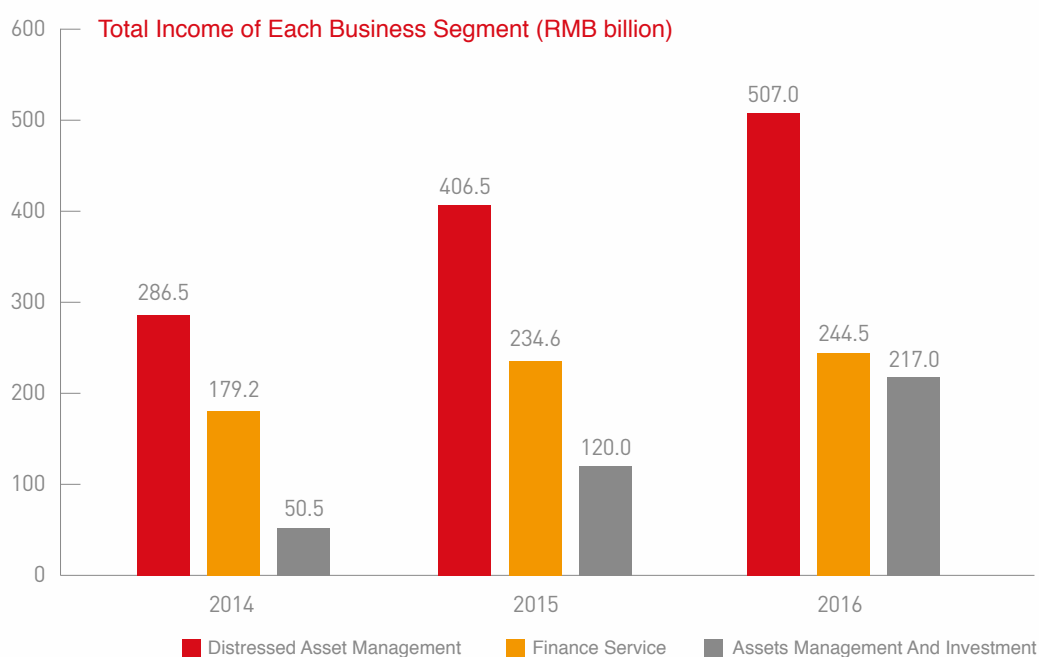
Relying on the core advantage of its main distressed asset management business, China Huarong established an organizational structure for synergistic development and integrated financial service, which was named “one body, two wings”, including its branches and holding subsidiaries with innovative ideas. In 2016, China Huarong has formed a strategic structure of a financial holding group by adhering to the position of “being a professional asset management manager and an excellent integrated financial service provider”, providing clients with asset management, banking, securities, financial leasing, trust, funds, private equity, futures, consumer finance and other comprehensive financial services.

“ONE BODY AND TWO WINGS”, THE ORGANIZATIONAL STRUCTURE OF CHINA HUARONG



In 2016, China Huarong accelerated its strategic transformation of an integrated financial program provider. Its financial services, asset management and investment revenues accounted for 25.7% and 22.8% of the company's annual revenue separately. The multi-licensed financial service qualification not only enhanced its capacity and potential of the sustainable development, but also facilitated China Huarong with more flexible and effective combined financial programs, which better help company overcome difficulties and achieve growth.

At the same time, centering on its main business of distressed assets, China Huarong carried out the financial and non-financial distressed assets business vigorously, promoting the securitization of distressed assets and new breakthrough of funding business model. It designed distressed assets acquisition fund innovatively and implemented the strategy of "Internet +". By settling in Taobao asset disposal platform, it opened a new Internet disposal model of distressed assets and continued to innovate asset management products and financial services.



In October 2016, the State Council issued Opinions on Reducing the Corporate Leverage Actively and Steadily and the annex of Guidance on the Debt-Equity Swap of Market-Oriented Banks, officially opening the prelude of China's market-oriented debt-equity swap. China Huarong began to set up franchised institutions for the market-oriented debt-equity swap and established strategic platforms to undertake duties including fund raising, project screening of debt-to-equity swap, proposed acquisition of convertible debts, implementation of debt-to-equity projects and equity management after the conversion. The implementation of market-oriented debt-to-equity swap is an important way to further deepen the reform of state-owned enterprises. It is also an innovative practice for China Huarong to contribute to China's structural reform of the supply side. It helps China Huarong play the unique role in "addressing the overcapacity, reducing the inventory, deleveraging, lowering costs and bolstering areas of weakness" as a financial asset management company, improving the effectiveness and influences of the implementation of debt-to-equity swap.

CASE**China Huarong Signed A Strategic Cooperation Agreement with China Ping An Group**

In July 2016, China Huarong signed a strategic cooperation agreement with Ping An Insurance (Group) company of China, Ltd. to achieve the powerful combination between China's largest asset management company and China's largest insurance company. According to the agreement, both sides should enhance the cooperation in eight business aspects including asset management, investment, banking and finance, securities, trust, financial leasing, real estate, as well as training and research on the principle of "mutual respect, mutual benefit, honesty and trustworthiness, win-win development", realizing the resource sharing, complementary advantages, risk sharing, benefit sharing, cooperation and development, and exploring the development direction of integrated financial services jointly.



July 2016, China Huarong Signed A Strategic Cooperation Agreement with China Ping An Group

2. CREATING VALUE FOR CLIENTS

By providing integrated financial services, China Huarong not only helps clients overcome the financing difficulties, but also helps enterprises to achieve the growth and development. Especially for the enterprises of people's livelihood, agriculture, the countryside and farmers as well as other social development related industries and small and medium enterprises, China Huarong strives to offer rich financial service programs to help enterprises create the new value.

· SUPPORTING THE ENTERPRISES TO IMPROVE PEOPLE'S LIVELIHOOD

China Huarong assisted the enterprises to improve their business capacity by providing financial services through affordable housing, water supply, logistics, medical treatment and other livelihood-related industrial projects, so as to bring better contribute to the local people's livelihood. In 2016, Huarong Financial Leasing Co., Ltd. leased environmental water and livelihood projects, and supported the establishment of sewage plant and clean energy, and actively explored services such as school bus and cinemas leasing, and agricultural machinery leasing. Huarong Financial Leasing cooperated with a water supply company in Harbin to carry out a leasing project to upgrade and reconstruct the pipelines, water purification system and related auxiliary works of Harbin Third Water Plant. It effectively improved the lives of Harbin residents and the quality of industrial water. Huarong Jinshang Asset Management Co., Ltd. invested a trading company to support its development of the fresh food supermarket chain and its construction of food cold-chain system. China Huarong Shandong Branch actively participated in the real estate projects of affordable housing and explored the creative business model of "affordable housing + commercial housing". It helped the local government relocate the squatter residents within the service area in a monetized way by purchasing the developers' houses. Huarong Securities Co., Ltd. supported the Whampoa Goldfish City Renewal and Reform Project and to expand the land commercial functions.

On January 2016, Huarong Consumer Finance Co., Ltd. was formally established. With the concept of "inclusive finance to benefit people's livelihood", it made efforts to build a product system with "Huarong Moneybag" as the core, launching a variety of credits for the people's livelihood, including loans for decoration, travel, wedding, education and other cash loan products, which was of great significance to improve the quality of life of low-income people and to continuously improve people's livelihood.

CASE

Support Affordable Housing Placement Enterprises in Shanxi

In 2016, Huarong International Trust Limited initiated and established a capital trust plan, aimed to rebuild the shantytown in south station area of Baoji so that to relocate the local poor villages.

· SUPPORTING ENTERPRISES CONCERNING THE ISSUES OF AGRICULTURE, FARMER AND RURAL AREA

China Huarong actively implements China's development policy of "agriculture, farmer and rural area" and promotes the development of related enterprises. In 2016, China Huarong Hainan Branch supported Gaolong Village with 300 mu of lemon planting base in Nanqiao Town, Wanning City which promoted the industrial development of characteristic agricultural projects. To respond to the regulatory requirements, Huarong Xiangjiang Bank issued a product system which allowed people to mortgage with rural land contracting rights and farmers' housing property rights ("mortgages with two rights").

CASE Provision of Financial Support to the National Key Leading Agricultural Enterprises

Since 2012, China Huarong Jiangxi Branch has supported one national leading enterprise in agricultural industrialization in Jiangxi. China Huarong designed a trading structure and opened a green channel for them when they had difficulties in financial liquidity due to the influence of the industry cycle and capacity expansion. China Huarong helped solve the difficulties and realized the double harvest of economic and social benefits through timely deployment of group resources.

· DEEPENING THE REFORM OF STATE-OWNED ENTERPRISES

China Huarong deeply knows that "innovation + stability" is the endogenous power of development and core experiences. Based on its own successful experience of transformation, China Huarong helps its state-owned enterprise clients deepen the strategic transformation and development, as well as reduce their debts so as to minimize the national loss.

CASE Assisting the Reform of State-Owned Enterprises by Equity Investment

In order to help a major state-owned enterprise in the construction industry to complete the shareholding reform, China Huarong Chongqing Branch together with the group headquarter, and Huarong Rongde Asset Management Co., Ltd completed the equity investment to this enterprise by increasing the capital and shares. China Huarong Chongqing Branch actively participated in major discussions like business plans, financial management and profit distribution by arranging director delegates. It submitted and reported business analysis and the main financial statements to the Headquarters and Huarong Rongde regularly, carrying out effective post-management to the project. At the same time, China Huarong Chongqing Branch had completed the establishment, IPO counseling, material declaration, financial verification of this state-owned enterprise by continuously assisting Huarong Securities in over six years, solving problems like cleaning workers' shares, industry competition, real estate divestiture, etc. It helped the state-owned enterprise improve its corporate governance and standardized operation.

· SERVING SMALL-SIZED, MEDIUM-SIZED, AND MICRO ENTERPRISES

Small, medium and micro enterprises play an important role in attracting employment, promoting innovation and enlivening the market. They are the main force of the development of the national economy. China Huarong offers adequate resources to support small, medium and micro enterprises at the start-up stage. In 2016, China Huarong Financial Leasing Co.,Ltd. served more than 4,000 enterprises whose assets were less than RMB 30 million, providing financial services worth more than RMB 20 billion, included construction machinery, engineering machinery and machine tools industries. In line with responding the Credit policy of the central bank, Huarong Xiangjiang Bank applied and obtained RMB 1 billion re-loans for small banks, increasing the support for the development of the real economy and the growth of small and micro enterprises. Meanwhile, it carried out the secured loan for start-up businesses actively, conducting pilots of “loans on mortgage with two rights” orderly.

Huarong Financial Leasing

Service assets under RMB 30 million

providing financial services worth more than

more than **4,000** enterprises

RMB **20** billion

3. OPTIMIZING CUSTOMER SERVICE EXPERIENCE

During the development and transformation of the enterprise, the customer management mechanism of China Huarong is also changing. In order to integrate the inner resource advantage more effectively and to create more targeted financial programs for clients, China Huarong proposed and started to carry out “Core Client Strategy” officially in 2009. It established a new strategic partnership of “resource sharing, advantage complementation, risk sharing, benefit sharing, cooperation and development”, providing clients with “package” integrated financial services which “covered the enterprise capital structure and life cycle”. In 2016, China Huarong had signed 15 strategic cooperation agreements and attracted more than 3,000 new customers. It achieved the centralized management and platform sharing of customer resource.

“CORE CLIENT STRATEGY” OF CHINA HUARONG



In order to implement its “Core Client Strategy”, China Huarong dedicated to serving clients through efficient resource allocation and service mode in 2016. The company selected core clients which were screened from business units and established a series of documents. The implementation of key supported customer policy laid the foundation to provide accurate marketing and integrated services to key customers and enhanced the company’s ability to serve high-quality customers. It also promoted the cooperation with key supported customers and increased customer loyalty. In 2016, the Group’s customer satisfaction rate was more than 90%.

Under the guidance of the unified customer management strategy, all branches and subsidiaries of China Huarong carry out customer maintenance work based on their own business characteristics. For branches and subsidiaries focusing more on private businesses, China Huarong pays more attention to providing the wonderful service experience. Huarong Xiangjiang Bank, Huarong Futures Limited, Huarong Consumer Finance Co.,Ltd. and other subsidiaries have established effective handling mechanisms of customer complaints. They’ve also investigated customers’ needs and consuming behaviors deeply through an independent and impartial survey of satisfactory, to further improve customer services. In 2016, the customer satisfaction rate of Huarong Xiangjiang Bank and Huarong Consumer Finance were both over 90%.

China Huarong developed the strict system of customer information and data management, which kept strictly confidential on customer’s privacy information, corporate financial information, major strategic adjustment of the company, and relevant transactions. In addition, it adopted the punitive measures and also strengthened the education of secrecy for relevant staffs.



**Professional Asset
Manager and
Prominent Provider
of Integrated
Financial Services**



中国华融资产管理股份有限公司
CHINA HUARONG ASSET MANAGEMENT CO., LTD.

III. INTEGRATE UNITES FOR EMPLOYEES: ADHERING TO PEOPLE-ORIENTED CONCEPT TO CO-BUILD HARMONIOUS FAMILIES

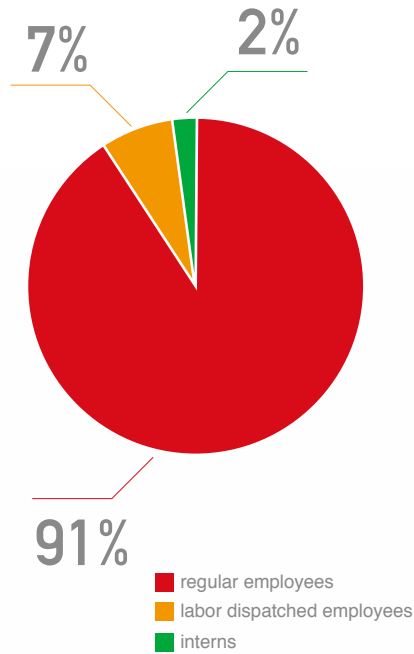
China Huarong regards talent as our prioritized resource. We took various measures to gather talents on all aspects and provided a development platform them. China Huarong devoted to building an employee team that “wants to work, is qualified to work, is good at the work, and can accomplish the work without contingencies” which met the development demands of enterprise and fulfilled joint growth of employees and enterprise.

1. MAINTENANCE OF RIGHTS AND INTERESTS

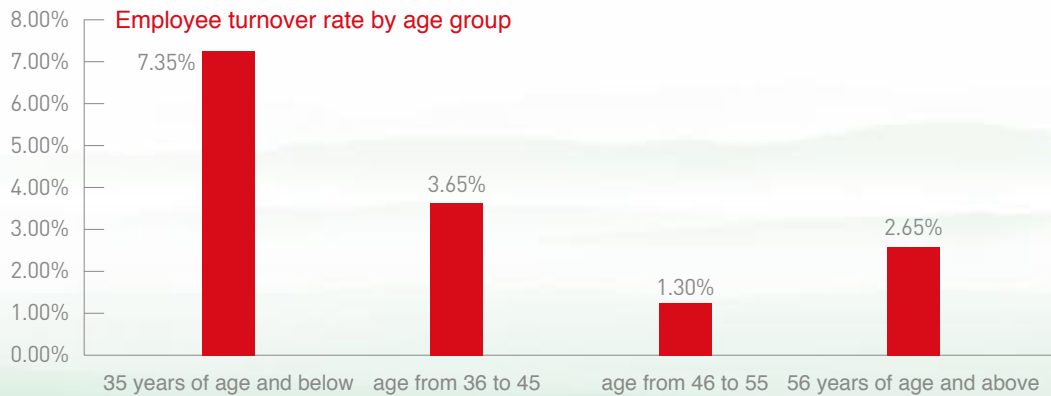
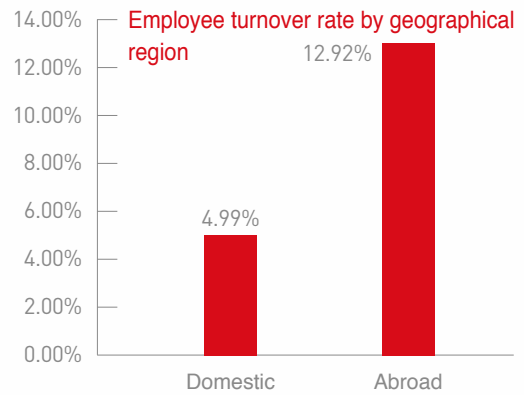
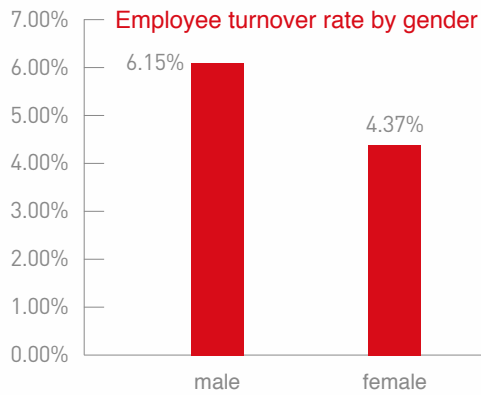
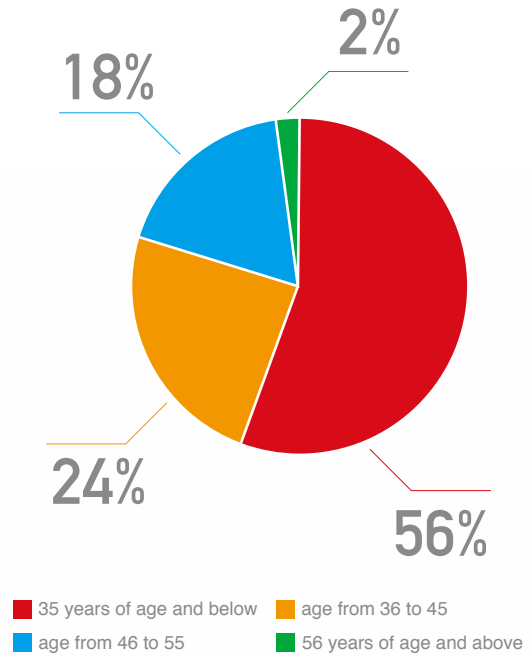
China Huarong values the legitimate rights and interests of all employees in strict accordance with the Labor Law of People’s Republic of China, the Labor Contract Law of People’s Republic of China, the Trade Union Law of People’s Republic of China and other national laws and legislation. China Huarong signs labor contract with all employees, Meanwhile, it developed a humanized employee policy, to create an equal and diverse working environment, protect the rights and interests of employees, and provide competitive benefits for employees. It eliminates any kind of discrimination in terms of gender, region, ethics, religion, age, political stand and other aspects of any form in recruitment, remuneration, training, promotion and other matters which may cause the phenomenon of inequality. It assures all employees to be entitled to have a fair, equitable and open working opportunity. The employment of child labor or forced labor has never happened in China Huarong.

By the end of 2016, China Huarong has 11,365 regular employees, where female employees accounted for 46.8% and overseas employees accounted for 3.9%. In 2016, the lost-time injury man hours is 2,792; the signing rate of labor contract with employees is 100%; 35 subsidiaries of China Huarong have signed the Contract for Protecting Rights and Benefits of Female Employees.

Ratio of employees by the type of employment



Ratio of regular employees by age group



China Huarong combines its remuneration management with the group strategy, business development and talent introduction. In order to promote the fulfillment of operation purposes, the Company persists in benefit orientation and optimize distribution system where work efficiency links to wages. The Company persists in an employee's remuneration management system where wages link to position and reward to performance; and therefore employee's remuneration is in accordance with their position duties, competence, performance and contribution. The Company further reinforces profit- and contribution-oriented incentive and restraint mechanism, and establishes and improves the remuneration management system, which has market competitiveness, matches performance and also balances internal fairness in accordance with the principle that benefit matches risk and long-term and short-term incentives are uniformly coordinated.

The nature of China Huarong's business determines its work contents which shall not have the risk of occupational disease for employees. At the same time, China Huarong regularly pays each employee various insurances, such as pension, unemployment, medical care, injury, maternity and other items, housing provident fund and commercial insurance as well. In terms of commercial supplementary medical care, the Temporary Provisions for Supplementary Medical Care was formally implemented in 2011. Commercial medical insurance was insured uniformly for employees for the first time in the Headquarter so that medical assurance level of in-service employees and retired employees is prominently enhanced, which gives employees more guarantee for illness. In 2016, China Huarong replaced insurer of commercial supplementary medical insurance, further optimized claims settlement procedures and enhanced service efficiency. Within statement period, social insurance coverage of regular employee is 100%; hours lost due to work-related injury of employees are 2,792 in total; work-related death of employee does not occur.

2. ESTABLISHMENT OF DEVELOPMENT PLATFORM

China Huarong makes effort to create a good atmosphere for employees to "let everyone fully display his talent; let everyone's talent be fully used; let everyone's ability in place" and reinforces employee team building. The Company motivates employees to "see the gap by comparison and strive for progress when falling behind" so that employees' competence is prominently enhanced in market-oriented operation, independent operation and independent development.

· OCCUPATIONAL DEVELOPMENT

China Huarong reinforces occupational development for employees. The Group developed and implemented the Management for Appointment and Dismissal of Employee's Position, the Provisional Management for Employee's Professional Title, the Temporary Regulations for General Employees' Training and Education and other policies and systems, which expanded occupational development channels and provided wide space for employees to display their talents. In 2016, China Huarong increased election and appointment of young cadre and replenished its management team. The Company carried out senior employees competition for new position in the Headquarters, which optimized employees' echelon and structure. The Company reinforced professional position sequence construction and expanded occupational development channel, improved two-way post training for young cadre and promoted rapid growth and progress of employees.

OCCUPATIONAL DEVELOPMENT CHANNEL CONSTRUCTION IN CHINA HUARONG

Increasing election and appointment of young cadres

In the Headquarters, young cadres who have “a long term in a position, high overall quality, outstanding performance and high recognition” are promoted to senior position via department and office’s recommendation, democratic election, investigation and other ways. A total of 30 employees are in a sequence of senior employees, most of whom take up management position and play a role in mentoring within department and office and as business backbone.

Position competition for senior employees in the Headquarters

A total of 42 employees were promoted to senior position by qualification investigation, examination, interview and other procedures. During this competition, three items including class A in annual assessment, prize awarded by the Group or above and work outside Beijing, were considered as extra marks, which further accentuated performance orientation, practice orientation and grassroots orientation, further improved cadre election and appointment system, and further optimized employees’ echelon and structure.

Improvement of professional position and sequence

The Group actively explores two-channel construction of administrative and professional position, and improves professional position sequence construction in its branches. Since professional position sequence is fulfilled, branches have engaged nearly 200 professional personnel, including 38 in 2016. Strength of professional talents and team are continuously reinforced. By establishing two-channel occupational development, employee structure and cadre teams of branches are further optimized.

Promotion of work shift for training young cadres in the group

To further adjust and improve employee structure and train young employees with various skills and competences, a total of 22 young and excellent cadres were selected in 2016 to shift work between headquarters and branches or subsidiaries, which had further enriched work experience of employees, effectively promoted rapid growth and progress of employees and increase employees’ experience in performing more than one post.

· OCCUPATIONAL TRAINING

China Huarong pays high attention to training, establishes and perfects training system, and develops and implements the Regulations and Procedures of Training Management in order to normalize director, supervisor and senior management employees, intermediate managers and employees training management, enhance employees' qualification and stipulate and specify duties of each unit, training organization procedures and etc. To perfect company governance and enhance duty performance competence of directors, supervisors and senior managers, in accordance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules, and other relevant laws, administrative regulations and normative documents, in combination with practical conditions of company, the Training System for Directors, Supervisors and Senior Managers is formulated to stipulate contents, organization and management of training for directors, supervisors and senior managers, and etc.

In 2016, 100% of senior management, intermediate management and grassroots employee have participated in trainings. The training time spent on senior management was about 21 hours per capita. The training spent on Intermediate management and grassroots employee were both more than 200 hours per capita; 100% of female and male employee have participated in trainings and the training time per capita were both more than 200 hours, .

In combination with characteristics of new business, more specialties and rapid development, China Huarong establishes training organization and management system based on graded responsibility "one body, two wings", builds internal trainer team with characteristics of China Huarong, develops training plan for different development phase and annual training focus, and gradually forms diversified, packaged and combined training system of "wide field, multiple level and broad coverage". In 2016, efficient and pragmatic training is performed with abundant contents and in flexible form for cadres and employees of different level, including policy and system explanation, business case analysis, themed lecture, knowledge and skill training, subject study and other on-the-job training, as well as knowledge co-sharing by online platform like Network College.

KEY TRAINING ITEMS OF CHINA HUARONG IN 2016

Objects	Contents
Senior managers	Organize directors and supervisors of the Group to participate in 4 specialized training of the Hong Kong Institute of Chartered Secretaries at 19 people/time, of which content is involved in risk management and governance control for listed companies in China, and trade sales and financing of domestic and overseas listed companies, and etc.
Intermediate managers	Hold training class for secretary of CPC in China Huarong System in terms of "two learning and one doing" plus duty performance competence enhancement together with Chinese Academy of Governance, participated in by more than 70 intermediate cadres in the Group.
Young backbone employees	Perform 2 training for young backbone employees in terms of professional ability enhancement so as to enhance overall quality and professional level of trainees.
New employees	Perform 4 training for new employees, who were admitted to the Group for recent two years, in terms of overall system, including strategy of company, corporate culture, development idea, rules and regulations, accentuated systematic training, business training, and etc

· LABOR COMPETITION

China Huarong carried out 2016 annual “comparing, learning, striving, helping & excelling” labor competition in the Group in close connection with annual work focus and operation target. Over 80 entities, including departments and offices of the Headquarter, branches, and subsidiary, participated in this competition, which fulfilled overall system coverage. There were 86 individuals with “post contribution” and 15 teams with “outstanding innovation and efficiency” by 2016 labor competition, which were integrated into the company 2016 annual “five excellent five households” to commended and rewarded them.

Overview of achievements

- ✔ Mr. Zhong Quan from Huarong Securities was granted “National Labor Medal” by All-China Federation of Trade Union and “National Financial Industry Labor Medal” by Chinese Financial Workers’ Union.
- ✔ Listing Office of the Group was granted “National Financial Vanguard” by Chinese Financial Workers’ Union.
- ✔ Huarong Xiangjiang Bank was granted “A Family of National Model Workers” by All-China Federation of Trade Union and “National Demonstrative Entity for Building Financial System Worker’s Congress Mechanism” by Chinese Financial Workers’ Union.
- ✔ China Huarong Hunan Branch was granted “A Family of National Model Workers” by All-China Federation of Trade Union
- ✔ Trade union of the Group and Trade union Commission of China Huarong Guangdong Branch were rated as “National Demonstrative Entities for Financial System Labor Competition”

CASE

Postdoctoral Research Workstation

To assure the Group is able to provide professional, superior and comprehensive financial service, China Huarong has a Postdoctoral Research Workstation, where the most excellent talent team in the industry keeps on contribution to profound industrial research and analysis and provides powerful guarantee for innovative development of the group. with the approval of the Ministry of Human Resources and Social Security of the People’s Republic of China (former Ministry of Human Resources) in December 2001, Huarong Workstation, unveiled its nameplate and signed a joint training agreement with seven educational organizations including Peking University, Renmin University of China, Fudan University, Wuhan University, and Chinese Academy of Social Sciences, University of Chinese Academy of Sciences, and China University of Political Science and Law. The group strictly complies with the Temporary Work Management Provisions for Postdoctor in Enterprise and develops the Temporary Work Management Provisions for Post-doctor in Enterprise so as to assure post-doctors maximize their greatest value in the group. Since the first group of post-doctor fellows started their research in workstation in July 2002, total 82 post-doctor fellows in 15 groups have been recruited accumulatively.

In 2016, the postdoctoral workstation published nearly 30 pieces of academic paper in authoritative and core periodicals, such as the Economic Theory and Business Management, the New Finance and the Business Review and in accordance with the orientation of company transformation, completed over 90 pieces of internal research reports on distressed assets, financial innovation, risk management and external investment environment and etc. Besides, the postdoctoral workstation positively participated in external academic communication and discussion, exchanged and shared work achievements. The workstation organized and participated in external important academic meetings, such as “2016 Post-doctor Forum for Financial Asset Management Company” for 4 times, which successively promoted joint growth of the industry.

3. COMMUNICATION

China Huarong has strengthened the construction of employee appeal and communication channel. We assure each claim of all employees could be handled and responded promptly. We encourage employees brainstorming to offer advice and suggestions for the company's development, to response the needs to guarantee their interests, to exchange the work issues. We promote growth of employees and enterprise through the communication. In 2016, there is no complaint, petition, letter or similar event in terms of forced labor in China Huarong. Furthermore, no complaint or whistle-blowing in terms of labor discrimination happened.

Trade unions of different level in China Huarong closely comply with requirements of the Trade Union Law of the People's Republic of China, the Constitution of the Chinese Trade Unions and other laws, rules and regulations and perform basic duties of “maintaining employees’ legitimate rights and benefits” as provided by laws. In 2016, Trade Union of the Group proposed to explore employees’ opinions management, give full play to advantage of mass organization advantages of trade union of different level, strengthen sense of opinions, pay attention to employees’ labor relation and dispute, explore and establish rapid communication & feedback channel of the Group and employees’ conflict mediation mechanism, enhance handling capacity of trade union of different level in responding to sudden circumstances, effectively defuse emotion, conciliate conflict and increase employees’ sense of trust in trade union.

China Huarong persists in holding Workers’ Congress and trade union conference on a yearly basis, develops and implements the Management Measures for Workers Representative’s Proposal, completes all disposals handling within the year, In accordance with the actual situation of the trade unions of each branch and subsidiary, a standardized system of workers congress or workers conference shall be established. And shall, through the workers' congress and the trade union congresses, earnestly respect the right of knowledge and participation of employees. For the major issues or any important policy involved China Huarog’s reform and development or the vital interests of employees, it shall fully listen to the views of staff, suggestions, deliberations and voting after the implementation.

In May 2016, China Huarong held the second meeting of second session of the Employees' Congress & Labor Union Members' Congress in Beijing. A series of proposals were considered and approved, including 2015 Annual Operation Report of the Group, 2015 Annual Duty Performance Report for Employee - Supervisors, 2016 Annual Report for Employees' Donation, 2015 Annual Report on 'Critical Disease Relief Foundation for China Huarong Employees' and 'Huarong Love Trust', and Report on Delegates Proposal Processing at the first meeting of the Second Session of the Workers Congress and on delegates proposal Collecting at the Second meeting of the second Session of the Workers Congress. 9 members of delegate proposal review committee were elected. Draft of Specialized Collective Contract Text for Projecting Rights and Benefits of Female Employees (edition of 2016) was passed by vote.



May 2016, China Huarong held the second meeting of second session of the Employees' Congress & Labor Union Members' Congress in Beijing

4. PROMOTION OF EMPLOYEE CARE

China Huarong promotes employee care in an all-round way, including carrying out a series of recreational and sports activities to enrich staff spiritual and cultural life and make employees have physical and mental pleasure, enhance cohesion of employee team and promote balance between employee's work and life. Besides, special attention is paid to solving employees' difficulties in life, fulfilling various relief funds and making all employees co-share achievements of development.

· RECREATIONAL AND SPORTS ACTIVITIES

China Huarong relieves employee's work pressure, enriches employee's spare-time life and promotes balance between employee's work and life by organizing employees to carry out various recreational and sports activities.

CASE

China Huarong held the Second Employees Art and Culture Performance

In October, 2016, China Huarong successfully held the Second Employees Art and Culture Performance themed "learning and sharing Long March spirits and jointly building a dream of Huarong". The activity was to match the education of "two learning and one doing", the theme of the victory of the Long March 80th anniversary, the national strategy of "the Belt and Road", and business development and corporate culture of China Huarong. 32 excellent programs were created and showed, and over 820 actors participated in the performance, which presented characteristics of China Huarong and its spirits and manners, obtained outstanding achievements of "good preparation and organization, good program arrangement, good performance results", and displayed art and culture level of China Huarong employees and cultural achievements.



October 2016, China Huarong held the Second Employees Art and Culture Performance

CASE

Embracing the Nature and Building A Dream in Huarong

In accordance with deployment and requirement of “millions of financial industry employees walking towards health activities” by Chinese Financial Workers’ Union and Chinese Financial Enterprise Sports Association, China Huarong took initiative to organize its headquarter, branches and subsidiaries of different level to carry out various walking events in succession. In April 2016, a walking event “the second embracing the nature and building a dream in Huarong” was organized and carried out for employees of the headquarter of China Huarong in Beijing Olympic Forest Park and over 300 employees participated in this event.

· SUPPORT OF EMPLOYEES IN NEED

China Huarong cares employees in need and continuously innovates and improves security measures for employees. “Huarong Love Trust” was established in 2014 and “Critical Disease Funds for China Huarong Employees” established in 2015 gradually build a “three-in-one” comprehensive guarantee system of social poverty alleviation, long-term support for the distressed, and specialized relief for Critical Disease of employees. In 2016, RMB 302,000 of relief funds for the distressed were used helping 84 people/times. RMB 180,000 of support funds were annually put in “Huarong Love Trust” to help 25 people/times. China Huarong Critical Disease Relief Fund provided 26 employees/-times with medical care supports with RMB 766,000.

CASE

2016 Annual Employee’s Donation

In China Huarong employees’ donation of 2016, Chairman of the Board Mr. Lai Xiaomin donated subsequent remuneration RMB 900,000 from his book the Strategic Transformation, and his individual accumulated donation is about RMB 1.5 million. More than ten thousand employees from China Huarong carried out love relay activities and raised donation of RMB 3,197,000, which was put into Critical Disease Relief Foundation for China Huarong Employees and ‘Huarong Love Trust (Funds and Trust for short), making ‘Funds’ and ‘Trust’ over RMB 8 million in overall scale.



IV. INTEGRATE GREENS FOR ENVIRONMENT: PROTECTING ECO-SYSTEM TO DRIVE GREEN ECONOMY

Confronting challenges of global climate change and contributing to construction society with ecological civilization, China Huarong continues to pursue low carbon development, taking emission reduction as its own responsibility. With the support of upstream and downstream business to green industry, the Company actively practices to reduce the energy consumption, develop green office and embody the green, low carbon and sustainable ideas in the whole process of operation management.

1. CONTRIBUTING TO GREEN UPGRADES

As a crucial national strategy, the development of green energy industry currently has great significance to adjust the industrial structure, improve the environment and achieve sustainable development. China Huarong focuses on green energy industry. Utilizing various approaches like direct investment and acquisition-and-restructuring business, China Huarong has made new attempts to adapt to the new situation, discover new power, seek new development and build mixed-ownership platform with private enterprises.

CASE

Energy-Saving Green Fund Trust

Led by the concept of green development as an important direct of financial system reform during “The 13th Five-Year-Plan” period, Huarong International Trust Limited constructs green financial system, continues to explore the new mode of green industry financial service. China Huarong actively supports energy conservation and emissions reduction, environment-protection, clean energy, recycling economy and other eco-friendly industries.

In 2016, Huarong Trust initiated and established a green buyout investment trust fund to subscribe the shares of a green industry buyout investment fund. The fund intends to buy out a foreign solid waste disposal company, which will help the environmental protection enterprises in China effectively expand the overseas market, acquire advanced technology and research capacity. This is also conducive to the development of refuse disposal industry in China.

· EMPOWERING THE NEW ENERGY INDUSTRY

CASE Assisting the Development of New Energy Vehicle and Its Marching Industry

In March 2016, the construction of Ganzhou as a new energy vehicle tech city under Huarong Gannan Investment co., LTD. officially started. Taking "functional area+ platform + base" construction model, with the support of 83 existing Ganzhou large-scale new energy automobile parts enterprises, the vehicle city will focus on the construction of technology research area and living area, building public technique service platform, public management service platform and logistics service platform, laying a solid research and transportation foundation for the new energy vehicle industry in Ganzhou to empower the development of this industry and its correlated ones.

CASE Supporting the Development of Green Energy Industry

With a registered capital of RMB 100 million, China Huarong, investing RMB 51million, and Sunshine KAIDI group jointly established Huarong-KAIDI green industry fund management Co., Ltd. in 2016. The main focus is put on green ecological industrial investment and poverty alleviation. Huarong Kaidi will closely follow the national ecological civilization and poverty alleviation strategy, serving the green industry and the "three rural" development, set up the green industry and poverty alleviation industry investment fund and managed the fund assets.

In 2016, when 10 biomass power plants invested by China Huarong are put into production, it is expected to save 765,000 tons of coal consumption per year, generate about RMB 800 million of labor income for local farmers and help 75,000-80,000 rural families alleviate poverty situation. With the support of China Huarong, Sunshine KAIDI Group rapidly developed biomass energy industry and became a leading enterprise in the field of bio-energy in China, thus boosted the rapid development of biomass energy industry, promoted the national energy structure adjustment, energy strategy security, the achievement of green sustainable development goals.

· BOOSTING ECO-AGRICULTURE

CASE Supporting Comprehensive Utilization of Straw Project

China Huarong Heilongjiang branch sustains a large comprehensive utilization of modern green environmental protection enterprise through acquiring Non-financial debt. When put on production, the company will dispose 3.5 million tons of straw, processed, and produce 1.2 million tons of unbleached straw pulp, 1.4 million tons of paper (including: industrial test paper 0.3 million tons, kitchen paper 0.3 million tons, 0.4 million tons food packing paper, and 0.4 million tons paperboard), and 1.8 million tons of organic fulvic acid fertilizer. Circular economy pattern is not only energy-saving and environmental friendly, but also socially beneficial.

· BOOSTING POLLUTION PREVENTION INDUSTRY

CASE Investing environmental protection enterprise

In 2016, Huarong (Tianjin FTZ) joint stock limited company supported one environmental protection enterprise to develop its pollution prevention and control work by providing working capital as subsidiary. This enterprise is currently graded as A-class qualification in air pollution control, A-class qualification in water pollution control, A-level qualification in environmental engineering project, and C-level qualification as specialized contractor of building mechanical and electrical Installation, the first three qualification of which are at the top level in its industry.

CASE Supporting the upgrading of environmental protection enterprise

In July 2016, Huarong Securities Co.,Ltd. signed strategic cooperative agreement with one environment protection company. Through various financial instruments, including “bridge loan + stock pledge”, private placement, and exchangeable bonds, two parts satisfied corporate needs of business iterative upgrade in its rapid development period. They hosted the forum, and assisted enterprises to deliver influence management and other diversified service in order to meet their multi-level requirements. This company is a leader in the environmental protection industry, and a supplier in energy saving and low carbon technology for global fossil fuel consumption market. Making full use of its own professional advantage, Huarong Securities provided significant support for company’s business upgrading and the development of environmental protection industry.

2. GREEN OPERATION

China Huarong has been devoted to integrate the green concepts with the entire process by fully managing the influences of itself on the operational and office environment, infusing green civilization concepts to the general public, practicing the green operation, and supporting the green financial development with all its strength.

Due to the business characteristics of the Group, energy consumed during the operation of China Huarong mainly includes office electricity, gas for official vehicles, and natural gas for office heating, whereas the consumed resources are mainly office drinking water and papers. China Huarong, together with its branches and subsidiaries, has not been involved in any production and manufacturing business; thus, no hazardous wastes will be generated during the operation process. Regular waste mainly includes waste paper and office waste; no waste gas and liquid have been generated.

ENERGY AND RESOURCES CONSUMPTION BY CHINA HUARONG HEADQUARTERS IN 2016

Type	Amount
Electricity (kwh)	3,816,129.39
Gasoline (liters)	44,108.54
Natural gas (m ³)	51,552.00
Green house gas emission (ton)	3948.70
Green house gas emission by output (ton per RMB 10,000)	0.000415
Fresh water (tons)	43,987.98
Fresh water consumption by output (tons per RMB 10,000)	0.00462
Paper (tons)	12.79

In 2016, the Headquarters of China Huarong, together with its branches and subsidiaries, carried out diversified green office practical activities around routine water and power conservation, paperless office, replacement of energy-saving equipment, and official vehicle configuration, so as to reduce the operational energy consumption, check energy-saving, environment protection and reasonable utilization of office equipment on a regular or irregular basis, and continuously urge and supervise employees to make contributions to energy-saving in terms of routine details.

CASE Green Construction

As a subsidiary of the Group in the real estate industry, Huarong Real Estate Co., Ltd. formulated the regulation on environment protection management for projects based on the requirements of environment protection authorities, created the environment management system with participation of senior staff. Huarong Real Estate actively implemented the environment protection responsibility system, and strictly controlled fugitive dust pollution and other environmental pollution during construction.

CASE**Green Office**

By focusing on the water conservation in the building of Headquarters, Huarong Zhiyuan Investment & Management Co., Ltd. made great efforts on publicizing and enhancing water energy management work in key areas and key departments by adopting specific measures like: devoting time and energy on floors where flushing facilities in public bathrooms are less occupied and properly reducing the storage capacity of the water tank; installing clean water recycling bins at the water heater room at each floor of the office building, and using the recycled water for cleaning, so as to achieve the target of saving every drop of water.

With upgraded office facilities, slogans and other publicity means, Huarong Tianze Investment Co., Ltd. required its employees to save power and papers, advocate paperless office, make persistent efforts to practice strict economy, and actively practice green operation.



Huarong Tianze Energy-Saving Lamp and Energy-Saving Slogan

CASE**Construction of the Green City with Great Love and Fight against Haze by All**

Huarong Xiangjiang Bank held the serial activity of “Construction of the Green City with Great Love and Fight against Haze by All” by planting more than 200 trees on the “Green Heart” Zhaoshan Mountain in March, 2016. With three years of endeavors, it had well recovered the ecological environment in Zhaoshan Mountain from the forest fire in 2013; the mountain top damaged in the fire had become overflowing with vigor. In May 2016, it also carried out the “Anti-haze Class Going into Campus” activity in the form of “Classes to Site”, with the aim of enabling children to correctly understand haze. Nearly one thousand children participated in the activity.



2016, the series activities of “Construction of the Green City with Great Love and Fight against Haze by All” by Huarong Xiangjiang Bank.



**To build a modern
financial company with
dignity, value, connotation,
strength and responsibility**



中国华融资产管理股份有限公司
CHINA HUARONG ASSET MANAGEMENT CO., LTD.

V. INTEGRATE FAVORS FOR COMMUNITIES: GIVING BACK TO COMMUNITIES TO BUILD A LOVE AND CARE PLATFORM

China Huarong keeps on actively making contributions to the society by making use of its own business advantages and the group's trans-regional management mode and distribution, it has implemented nationwide activities to contribute to communities and exerted the converging function of love and care platforms to make contributions to the construction and development of communities.

1. ACTIVE PROMOTION OF FIXED-POINT POVERTY ALLEVIATION

Helping those in distress and poverty is not only a traditional virtue of the Chinese nation but also an obligatory social responsibility of enterprises. In 2016, the rural population under poverty in China was over 700 million. The 13th Five-year Plan for National Economic and Social Development of China proposed that we should promote targeted poverty alleviation and targeted shaking-off-poverty, and that we should earnestly improve the effectiveness of poverty alleviation.

Since Xuanhan County in Sichuan Province became the target of poverty alleviation of China Huarong in 2002, it has adhered to the principles of "science and education poverty alleviation, intelligence poverty alleviation, establishment brand of poverty alleviation, benefit focused poverty alleviation, project poverty alleviation and strategic poverty alleviation", and shifted the focus of poverty alleviation work from science and education to the targeted assistance in poverty-stricken areas with population registered in archives and cards, exploring and carrying out industrial and financial poverty alleviation to help Xuanhan County to achieve the goal of shaking off the label of poverty by 2020.

As a national-level poverty-stricken county, covering 211 villages and a population of 179,400, Xuanhan County has the largest population registered and filed in poverty among all the counties in the province. In 2016, China Huarong made the Fixed-point Poverty Alleviation Plan for 2016-2020 in order to fully implement the work of poverty alleviation. On one hand, it donates money and goods to provide financial and intelligent supports for the poverty areas. On the other hand, it makes great efforts to improve labor skills of the poverty population and assist poverty areas in industrial development, auxiliary construction and livelihood projects to provide help to Xuanhan County.

By the end of 2016, the total investment of poverty alleviation funds had reached RMB 28.8309 million, and donation of money and materials RMB 11 million. In 2016, money donated in the name of China Huarong for the fixed-point poverty alleviation projects had amounted to RMB 5.9977 million which supported the rural development, infrastructure construction and educational poverty alleviation projects, etc. The poverty alleviation work by China Huarong has been generally recognized and promoted by all sectors in the society, and the Group's fixed-point poverty alleviation work was again selected and included in the Yearbook of China's Poverty Alleviation and Development 2016 and its education poverty alleviation cases were awarded as "Outstanding Case of Enterprise Poverty Alleviation 2016".

· ASSISTANCE OF INFRASTRUCTURE CONSTRUCTION

Closely following national predominant concept of targeted poverty alleviation, China Huarong concentrated on its counterpart of poverty alleviation, Renyi Village, in Fengcheng Town, Xuanhan County, which was created to "targeted poverty alleviation demonstration village of China Huarong". In 2016, China Huarong, coordinating with the national relocation poverty alleviation policy, donated and constructed two new village settlements to solve the housing problem of the villagers; improved their basic living environment such as kitchens, toilets and courtyards for the poverty families that could not implement new village settlements or had no economic capacity of improving the overall living conditions for the time being; newly constructed village-level roads of about 3.5 kilometers, and totally repaired 4 sites of village landslides and dangerous roads to solve the daily traffic problems of the villagers; constructed 3 safe drinking water projects to relieve the villagers' difficulty in getting access to domestic water; and built the Red Army Village Plaza to provide the villagers with a place of cultural and leisure activities.

· ASSISTANCE OF EDUCATIONAL AND CULTURAL INVESTMENT

Since 2015, China Huarong has begun to implement the project of the prize fund called "China Huarong —the most beautiful village teachers in Xuanhan County" to increase its assistance with the rural teachers in Xuanhan County and to encourage and guide the teachers to root in rural schools chronically and serve rural education. In 2016, China Huarong organized and carried out the second project and continued to reward and encourage 50 outstanding rural teachers chosen by the Bureau of Education of Xuanhan County, who were one-off awarded a prize of RMB 10,000, and were arranged for training in Beijing in August 2016.



August 2016, the Scene of the Orientation of "China Huarong —the Most Beautiful Rural Teachers in Xuanhan County"

China Huarong has implemented project of "China Huarong Assisting Poor Student Fund" since 2012 to encourage poor students' desire to study and change their destiny with knowledge. In 2016, China Huarong has invested RMB 510,000 of poverty alleviation funds to continue to carry out the 5th project, through which "China Huarong Scholarship" and "China Huarong Student Grant" were set up in 3 high schools in rural areas of Xuanhan County. The project awarded RMB 5,000 scholarship to each of a total of 60 college entrance examination candidates in poverty with outstanding achievements, and granted RMB 1,000 subsidies to each of the poverty high school students in the spring and autumn term respectively, covering a total number of 210 students.

China Huarong has invested RMB 500, 000 fixed-point poverty alleviation funds to subsidize the schoolyard renovation and extension project of Bajiao Town Junior High School. The original schoolyard of the school was small, and the teaching buildings, dormitory buildings and other infrastructures were inadequate for the amount of students, seriously restricting the development of the school. After learning about the situation of the school, China Huarong had been actively helping to solve the problem of land use for the schoolyard renovation and extension by coordination. After the problem was solved, the Group donated RMB 500,000 to make up for fund gap of the overall renovation and extension of the school. The project will greatly improve education and teaching conditions of the school.

In order to assist poor students in its demonstration village of targeted poverty alleviation, China Huarong invested RMB 59,000 of fix-pointed poverty alleviation funds to support all the 19 students from registered poor family in Renyi Village who go to colleges (including junior college and vocational colleges) and high schools (including technical secondary schools and secondary vocational schools).

· ASSISTANCE OF LOCAL INDUSTRIAL INVESTMENT

In 2016, China Huarong invested RMB 620,000 as poverty alleviation funds to set up a "China Huarong agricultural industry poverty alleviation fund" in Xuanhan County. Coordinating with policies of the county government, the fund was used to provide interest-free loans used as start-up and turnover costs for the families in the village registered as in poverty to develop businesses such as farming, breeding and combination of agriculture and tourism. Based on the mode of free use without compensation, paying back the principal and cycled operation, the loans solved the problem of severe fund shortage the low income family faced to develop agricultural businesses, and encouraged rural families to become better off through industrious work. The fund has provided interest-free loans to the specialized cooperatives of Renyi Village, Longquan Village in Fengcheng Town and Longjing Village in Taohua Township in Xuanhan County, supporting the development of the special local breeding industries such as Shu Xuan pied cow and black-haired pig and has benefited 365 poverty families registered in in the 3 villages, a total of 1,339 people.

In 2016, China Huarong invested RMB 1.5 million of poverty alleviation funds to support on building rice processing plant. It produced the special agricultural product of "peach blossom rice" in the central mountain area of Xuanhan County. This can help to improve the conversion rate and quality of the rice commodity in the surrounding five townships, increase the added value of agricultural products, benefit the local families, and increase their income. By the end of 2016, it had purchased about 94,000 jin (equal to 47,000 kilograms) of high-quality rice, and sold about 43,000 jin (equal to 21,500 kilograms) of "peach blossom rice", achieving sales of about RMB 305,000 and helping more than 80 households to solve the difficulty in selling grains with an average income increase of about RMB 1,000 per family. The construction of the cooperative and the processing plant temporarily provided employment for about 20 people, which increased wage income for the poverty families by about RMB 300,000.

In 2016, China Huarong invested RMB 500,000 of fixed-point poverty alleviation funds to buy the shares of Xuanhan County Professional Cooperative of Accurate Breeding on behalf of poverty households in Renyi Village, Jingfeng Town, to help the cooperative to expand its scale. By the end of 2016, the cooperatives had raised 62 Shu Xuan cows. It is estimated that it can bring in an average annual dividend income of more than RMB 500 per family for those poverty households in the village.

· VOLUNTARY ACTIVITIES FOR LOVE AND CARE

In January 2016, the Youth Work Committee and the Youth League Branch of China Huarong Sichuan branch organized a “warm winter” event and mobilized employees to donate more than 300 pieces of clothes before sending them to the poverty-stricken families of Renyi Village in Fengcheng Town of Xuanhan County, providing warm clothes for more than 50 households. In order to support students from poverty families to study, so as to prevent poverty passing to the next and future generations, young employees in the Sichuan Branch donated no less than RMB 100 each, a total of RMB 3,000, to support six children from three poverty families in studies, which not only effectively relieved the burden of tuition fees, but also bought care and warmth to those students.

In October 2016, China Huarong organized an activity for its young employees to visit Xuanhan in person. 14 young volunteers from the corporate headquarters and branch organizations in the South-west area went to Xuanhan, extending their regards to primary school students in underdeveloped villages in mountainous areas, and offering them computers, stationeries, and sporting supplies. They went to poverty families in Renyi village in Fengchen Town of Xuanhan County to live and work together with them, and contributed ideas to youth entrepreneurship projects in Xuanhan County.

In November 2016, China Huarong Youth Volunteers Association and China Huarong Youth Federation took a joint action to initiate a particular clothing donation campaign for Renyi Village of Fengcheng Town in Xuanhan County of Sichuan Province. In December, 2016, the volunteers of China Huarong collected 1,497 pieces, totally 45 boxes of clothes and sent them with their blessing to the disabled people and villagers in Xuanhan.



December 2016, the Scene of Clothing Donation by the youth in Beijing from China Huarong

· VULNERABLE GROUPS SUPPORT

In 2014, China Huarong established Huarong Love Trust with the aim of social welfare, fixed-point poverty alleviation and internal assistance, and organized "Huarong Employee Annual Love Donation Activities" successively in 2015 and 2016. In 2016, the Group donated a total sum of RMB 70,700 through "Huarong Love Trust".

When China Huarong completes one and another poverty alleviation projects, its branch companies and subsidiaries in all regions actively respond to the call of the group, base on their own advantages to conduct poverty alleviation centering on the local area and have achieved good results. In 2016, China Huarong Inner Mongolia Branch carried out the Huarong Mutual Aid Project, organized all the employees to set up a volunteer poverty alleviation group and donated RMB 22,100 to help two impoverished elderly seniors with no families in Maminggou Village, Xindianzi Town, Horinger County. The fixed-point poverty alleviation specialist from China Huarong Guizhou Branch visited and surveyed the 11 families under support, helping them analyze the cause of poverty and establish confidence of shaking it off.

2. CONTRIBUTION TO COMMUNITY DEVELOPMENT

Promoting the construction of urban communities in an all-round way is a major strategic decision made by the government of China with an aim to strengthen urban work. The Headquarters, branch companies and subsidiaries have devoted massive manpower and material resources to the development and construction of local communities, helping realize regional development by investing in the construction of infrastructures and educational causes for local communities.

· ASSIST INFRASTRUCTURE CONSTRUCTION

In 2016, China Huarong Inner Mongolia Branch invested RMB 680,000 in the construction of a pumping engineering project in Horinger County. The goal of the project was to develop an water-saving irrigation area of 1,150 mu. The first-phase project developed an area of 650 mu, and constructed one site of pumping engineering. The electrical auxiliary project laid out 700 meters of low-voltage lines, inbuilt 500 meters of low-voltage cables, and newly installed an electrical transformer. The project had been completed smoothly by the end of the year and conducted successful test of spray irrigation.

China Huarong Guizhou Branch donated RMB 100,000 to support the road-hardening project for the road to Zhangjia Community, Chashan Village, Liangshuijing Town, Sinan County, Tongren City, Guizhou Province. The road directly benefited 25 households with a population of 103. At present, the roadbed construction has been completed. In addition, the Branch has followed up the management and maintenance of the village's impounding reservoir, which was financed by the Branch with the RMB 475,000 in 2015. The Group also added identification marks to the reservoir and its water intake points. Meanwhile, it directed the installation of inlet water pipes for 62 households, ensuring that the villagers have access to clean tap water.

· ASSISTANCE OF LOCAL INDUSTRIAL INVESTMENT

In 2016, China Huarong Hainan Branch helped the pig-raising project of Qiaozhong Village in Nanqiao Town, Wanning City, Hainan Province, with 191 people receiving assistance and investment of charity amounting to RMB 116,500 (of which RMB 16,500 was personally donated by employees). The Youth Work Committee of China Huarong Guangxi Branch initiated a spontaneous donation among young employees, and worked together with community to actively mobilize the private enterprises and social forces at all levels in the area, collecting up to RMB 20,000, all used for the purchase of baby chicks. In July, 2016, young employees sent them to the poverty households in Duling Village of Lingli Town.



July 2016, the Scene of baby chick donation for rural families in poverty by China Huarong Guangxi Branch

· ASSISTANCE OF EDUCATIONAL AND CULTURAL INVESTMENT

In 2016, China Huarong made overall arrangements for its five subsidiaries to donate RMB 1 million together and set up China Huarong (Fuzhou) Educational Fund in support of the development of education of the old revolutionary base areas and to reward outstanding teachers and students in these areas. In November, 2016, the Group and the people's government of Fuzhou formally signed a donation agreement and awarded the first batch of teachers and students the subvention rewards. In 2016, China Huarong coordinated the three subsidiaries to raise RMB 1 million and set up China Huarong Red Army Offspring Educational Fund for Gannan old revolutionary base area for the assistance of impoverished students who were offspring of elderly Red Army Soldiers, missing Red Army members and former cadres in the Central Soviet Area, caring for the growth of later generations of the Red Army. In November, 2016, the fund donation ceremony was held in Ganzhou City and subventions were granted to the first batch of students.

In 2016, China Huarong provided RMB 1 million financial support for Pingchuan District of Baiyin City in Gansu Province to build the Changzheng Kindergarten in terms of solving the problem of shortage of local child care resources. Pingchuan District is one of the 17 "scattered type" poverty-stricken counties and districts in Gansu Province. In order to support the crucial work of poverty alleviation in Pingchuan District, China Huarong sent a senior deputy manager from the Group's headquarters to take up the position of deputy head of the district.

In 2016, China Huarong Jiangsu Branch launched a campaign of "Let love travel far, affection

attached to Daliangshan", in which the Group employees initiated "Charity Fund for Poverty Students of Jinyang County, Sichuan", organized the activity of "Charity Assistance for Poverty Students in Jinyang County, Sichuan" and made donations to support poverty children of Yi people as well.

In 2016, Huarong Xiangjiang Bank initiated a "Green Action to Assist the Poor Students", donating RMB 3.2 million to financially support 1,000 impoverished students with their college education. The Group's senior and intermediate managers and employees of the bank volunteered to match for mutual assistance with the students and carried out "Hand in Hand" activities to conduct one-on-one aid and care about the students in all aspects including economy, life and communication. It also provided the assisted students with social practice positions in grass-root network offices through the activity of "Holiday Social Practice".



November 2016, Donation Ceremony of China Huarong Education Fund for Red Army Offspring in Gannan Old Revolutionary Base Areas

3. VOLUNTEERS DEDICATION TO LOVE AND CHARITY

The volunteer team building and implementation of charity activities are essential to a company's sustainable development. By mobilizing and organizing its employees, boosting love and charity activities in the surrounding areas, while strengthening the internal cultural construction, China Huarong, based on its own resource advantage and professional financial knowledge, has been carrying out targeted love and charity activities, improving the harmonious coexistence of the Group and the surrounding areas.

China Huarong drew up measures for the Regulations for Youth Volunteers Association of China Huarong (Trial Edition) in 2015. The aim of the Association is to uphold the volunteer spirits of "dedication, friendship, mutual assistance and progress" and to facilitate in-depth and full development of volunteer activities of China Huarong Group. In 2016, the Association cooperating with all departments of the headquarter, branches and subsidiaries of the Group, carried out a number of charity activities. The Headquarters invested RMB 115,700 in charity undertakings with 212 volunteers and 820 hours of volunteer activities.

When following the volunteer regulations of the Headquarters, the branches and subsidiaries of China Huarong in different areas stipulate their specific long-term mechanisms for volunteer regulations according to practical situations. In May 2016, Huarong Securities Co.,Ltd. founded a youth volunteer association, aiming to promote the youth volunteer work in Huarong Securities system, better guide the youth of Huarong Securities and all its staff to develop and expand the volunteer spirit of "dedication, friendship, mutual assistance and progress" and to carry out a wide variety of volunteer service activities.

· DISSEMINATION OF FINANCIAL KNOWLEDGE

In September, 2016, China Huarong Financial Leasing Co.,Ltd. carried out the volunteer service activity of "fraud prevention propaganda" in Huanglong Community, Lingyin Neighborhood, Hangzhou, which attracted many residents to come for consultation. Volunteers from Huarong Financial Leasing patiently explained the questions to the residents on the spot and handed out the Prevention and Identification of 50 Common Financial Fraud Tricks to the residents, in which there were common anti-fraud methods. With easily understandable fraud cases, it helped the residents get to know the fraud tricks and improve their awareness and ability of fraud prevention.

· LOVE & CHARITY

In 2016, Huarong Real Estate Co.,Ltd. Zhuhai Branch actively organized all the party members and intermediate and above managers to carry a blood donation activity of "Being Qualified Communist Party Members and Dedicating Love to Fueling Life". In order to rescue and help people in the tornado and hail stricken areas in Funing County and Sheyang County in Jiangsu Province, Nanjing project company initiated all the party numbers into active donations. The donation was sent to the disaster-affected areas through Jiangsu Provincial Charity Federation. In July 2016, Huarong Yufu Equity Investment Fund Management Limited donated RMB 200,000 to Wuhu City that had been struck by a catastrophic flood. In September 2016, Huarong Real Estate held a micro-interview activity whose theme was "Good People Just around Us" in Chongqing and more than 500 people were present. Huarong Real Estate, as the business representative of love, care and assistance, awarded prizes and gave speeches for the models of "good people".



September 2016, The Scene of "Good People Just around Us" by Huarong Real Estate

OUTLOOK OF 2017

In 2017, China Huarong, will continue to pursue the balanced and synergic development of its three business segments by further leveraging its strengths in its core businesses of distressed asset management and its comprehensive financial services business with asset management and investment as a new profit growth point. China Huarong will be dedicated to becoming a professional asset manager and prominent provider of integrated financial service to create sustainable value for the nation, society, shareholders, clients, the Group, and employees.

Defusing Financial Risks

China Huarong will leverage its professional strengths and core competitiveness in disposing distressed assets to help defuse financial risks, serve the real economy, support the nation's regional development strategy and "The Belt and The Road" strategy, and fully function as a "Safety Net" and "Stabilizer" for the social economy and finance.

Creating New Service Models

China Huarong will take advantage of its strategic structure of "One body, Two wings" to continue to explore new business models, further improve its "Core Client Strategy", expand the layout of its finance, upgrade its client services and promote its customer experience and satisfaction.

Employees' Growth Care

China Huarong will continue to raise the happiness of its employees. The Company will establish and improve salary system with market competitiveness, performance matching and internal fairness , build a scientific and reasonable pipeline for promotion. Relying on strategic talent training programs, the Company will provide a wide space and platform for their growth and keep clear communication channels to have the employees' voices heard so as to jointly build the "Dream of Huarong"

Construction of Eco-civilization

In accordance with the related national energy restructuring policies, China Huarong will, through its integrated financial services, support the development of environmental protection industries and clean energy industry, help accelerate the transforming and upgrading process of traditional energy industries, promote a green economy, and assist in construction of national eco-civilization. It will also strictly carry out energy and resource saving campaigns, as well as advocate Green Office and green operations within the Group.

Be Engaged Charity

China Huarong will make further efforts in its targeted poverty alleviation initiative by investing more in local infrastructure, education for poor students and local industries, and enrich its measures of poverty alleviation as well. It will continue to carry out public service activities in the communities with heart and soul and keep a close touch with the communities for a deeper understanding of their practical needs to give a boost for their development.

SOCIAL RESPONSIBILITY REPORT INDEPENDENT ASSURANCE REPORT



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Social Responsibility Report Independent Assurance Report

安永华明（2017）专字第 60098698_A01 号

To the Board of Directors of China
Huarong Asset Management Co., Ltd:

I. Scope of Our Engagement

The 2016 Social Responsibility Report (the "Report") of China Huarong Asset Management Co., Ltd (the "Company") has been prepared by the Company. The management of the Company is responsible for the collection and presentation of information within the Report referring to the Stock Exchange of Hong Kong Limited ("HKEX") Listing Rules - Appendix 27 Environmental, Social and Governance Reporting Guide, and for maintaining adequate records and internal controls that are designed to support the corporate social responsibility reporting process.

Our responsibility is to carry out limited assurance procedures in accordance with the principles of Inclusivity, Materiality and Responsiveness required by the AccountAbility1000 Assurance Standard (2008) ("AA1000") and the International Standard on Assurance Engagements 3000 ("ISAE3000"); "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Federation of Accountants and issue the assurance statement for the year ended 31 December 2016 in accordance with the Management's instructions.

Our work was limited to these stated above and our report is made solely to you, as a body, and for no other purpose. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely as its own risk.

II. Work Performed

Our review has been planned and performed in accordance with ISAE3000 and AA1000. In order to form our conclusions, we carried out

the following procedures:

According to the Management's instructions, we performed limited assurance procedures in:

- China Huarong Asset Management Co., Ltd - Headquarters
- China Huarong Asset Management Co., Ltd. - Beijing Branch
- Huarong Securities Co., Ltd.

We did not perform limited assurance procedures on other sites.

The limited assurance procedures were performed over the following key performance indicators in the Report for the year ended 31 December 2016:

Environmental indicators

- Natural gas consumption in Headquarters
- Gasoline consumption in Headquarters
- Paper consumption in Headquarters
- Fresh water consumption in Headquarters
- Electricity consumption in Headquarters

Social indicators

- Fixed-Point Poverty Alleviation donation amount
- Huarong Love Trust donation amount
- Senior management, intermediate management and grassroots employee per capita training hours

The limited assurance procedures performed included, but were not limited to:

- Interviewing the company's management and staffs responsible for the selected key performance information;
- Performing analytical review procedures;
- Performing sample inspection on the selected key performance information;
- Performing recalculation procedures on the selected key performance information;
- Other procedures we considered necessary.



III. Limitations of Our Scope

Our scope of work did not include:

- Assessing the accuracy or fairness of the information (including financial information) other than the selected key performance information.
- Reviewing the forward-looking statements made by the Management.
- Reviewing and consequently providing assurance on historical data.

IV. Level of Assurance

Our evidence gathering procedures have been designed to obtain a limited level of assurance on which to base our conclusion. The procedures conducted do not provide all the evidence that would be required in a reasonable assurance engagement and, accordingly, we do not express a reasonable assurance opinion or an audit opinion. While we considered the effectiveness of the Management's internal controls when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

V. Our Conclusions

Subject to the limitations of scope and based on the procedures specified above for this 'limited level' assurance engagement, we provided the following conclusions:

Nothing has come to our attention that causes

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us to believe that the selected indicators were not presented fairly in all material respects in the 2016 Social Responsibility Report of China Huarong Asset Management Co., Ltd..

VI. Our Independence

We are in compliance with the Ernst & Young Global Independence Policy which was designed to comply with the requirements of the IFAC Codes of Ethics for Professional Accountants (the IFAC Code). We believe that there were no events or prohibited services provided which could impair our independence.

VII. Our Assurance Team

Our assurance team has been drawn from our sustainability assurance service network, which undertakes similar engagements to this with a number of domestic or international businesses. We have the required competencies and experience to conduct this assurance engagement..

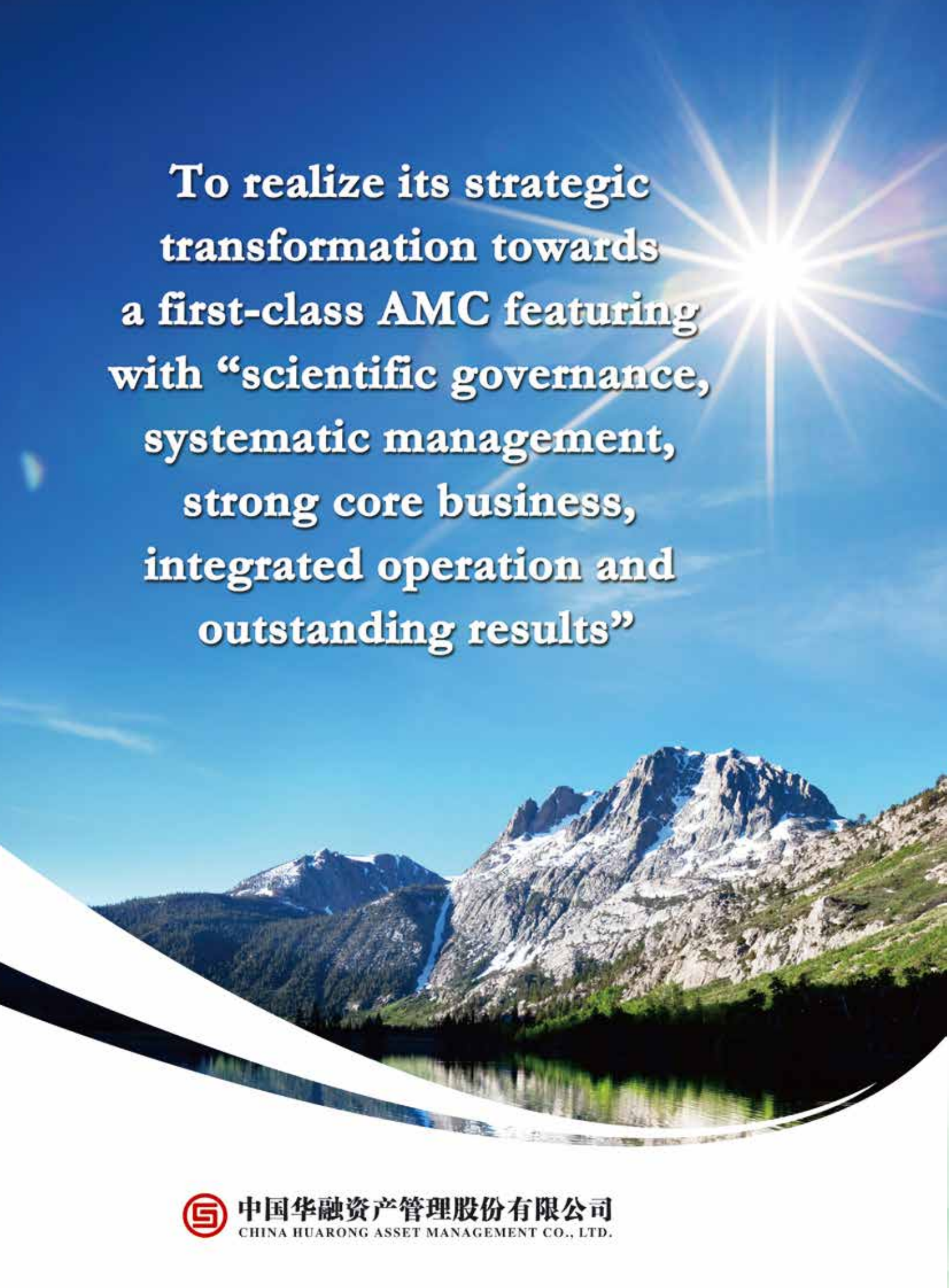


Beijing, PRC 13 March, 2017

HKEX ESG GENERAL DISCLOSURES AND KPIS

Disclosures and KPIs		Page
Environmental		
A1: Emissions		
General Disclosure		P45
A1.1	The types of emissions and respective emissions data	P45
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P45
A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P45
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P45
A1.5	Description of measures to mitigate emissions and results achieved.	No emissions that significantly impact on the environment during corporate operation
A1.6	Description of how hazardous and non-hazardous wastes are handled reduction initiatives and results achieved.	P45
A2: Use of Resources		
General Disclosure		P45
A2.1	Direct and indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	P45
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P45
A2.3	Description of energy use efficiency initiatives and results achieved.	P45
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Only consumption of small amount of water in office and no significant impacts on drinking water source in corporate operation
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	No product packing materials used as a financial service provider
A3: The Environment and Natural Resources		
General Disclosure		P45
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P45-46
Social		
Employment and Labor Practices		
B1: Employment		
General Disclosure		P32
B1.1	Total workforce by gender, employment type, age group and geographical region.	P33
B1.2	Employee turnover rate by gender, age group and geographical region.	P33
B2: Health and Safety		
General Disclosure		P34
B2.1	Number and rate of work-related fatalities.	P34
B2.2	Lost days due to work injury.	P34
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P34

B3: Development and Training		
General Disclosure		P36
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	P36
B3.2	The average training hours completed per employee by gender and employee category.	P36
B4: Labor Standards		
General Disclosure		P32
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Not Applicable to child and forced labor because of the particularity of business
B4.2	Description of steps taken to eliminate such practices when discovered.	Not Applicable to child and forced labor because of the particularity of business
Operating Practices		
B5: Supply Chain Management		
General Disclosure		P11
B5.1	Number of suppliers by geographical region.	Not applicable to the procurement of large materials for a financial service relevant company
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not applicable to the procurement of large materials for a financial service relevant company
B6: Product Responsibility		
General Disclosure		P29-30
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No physical products produced.
B6.2	Number of products and service related complaints received and how they are dealt with.	P30
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Not applicable to management of intellectual property rights because of the particularity of business
B6.4	Description of quality assurance process and recall procedures.	No physical products produced.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P30
B7: Anticorruption		
General Disclosure		P10-11
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	P10
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P10-11
Community		
B8: Community Investment		
General Disclosure		P48, P52, P55
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P48-56
B8.2	Resources contributed (e.g. money or time) to the focus area.	P48-56



**To realize its strategic
transformation towards
a first-class AMC featuring
with “scientific governance,
systematic management,
strong core business,
integrated operation and
outstanding results”**



中国华融资产管理股份有限公司
CHINA HUARONG ASSET MANAGEMENT CO., LTD.

FEEDBACK FORM

Distinguished readers:

Thank you for reading the Social Responsibility Report of China Huarong Asset Management Co., Ltd. in 2016. We sincerely hope to get your comments and suggestions regarding this report and our work as well. Please send the filled feedback form to us via mail, email after scanning or fax, or call your valuable advice directly. Really appreciate it.

Address: China Huarong Board Office, 8 Jinrong Dajie, Xicheng District, Beijing, China

Post code: 100033

1. Which of the following stakeholder do you belong to?

Shareholder Employee Supplier Customer Government Community Academic institution Other (please specify)

2. Have you read the Social Responsibility Report of China Huarong Asset Management Co.,Ltd.?
(If no, please ignore No.3, 4, and 5)

Yes No

3. If yes, do you read a paper version or an electronic version?

Paper version Electronic version

4. Do you wish to read a paper version or an electronic version?

Paper version Electronic version

5. What is your overall evaluation for the Social Responsibility Report in 2016?

·Readability (i.e. intelligible expression, beautiful design, attractive content, and easy to find the required information)

3 (good) 2 (general) 1 (poor)

·Reliability (The information in this report is true and reliable)

3 (good) 2 (general) 1 (poor)

·Completeness

The report should reflect positive and negative information, and meeting your needs in information.

3 (good) 2 (general) 1 (poor)

In addition to the contents that have been disclosed, what kind of information do you wish to read?

March, 2017



穩健 / stability



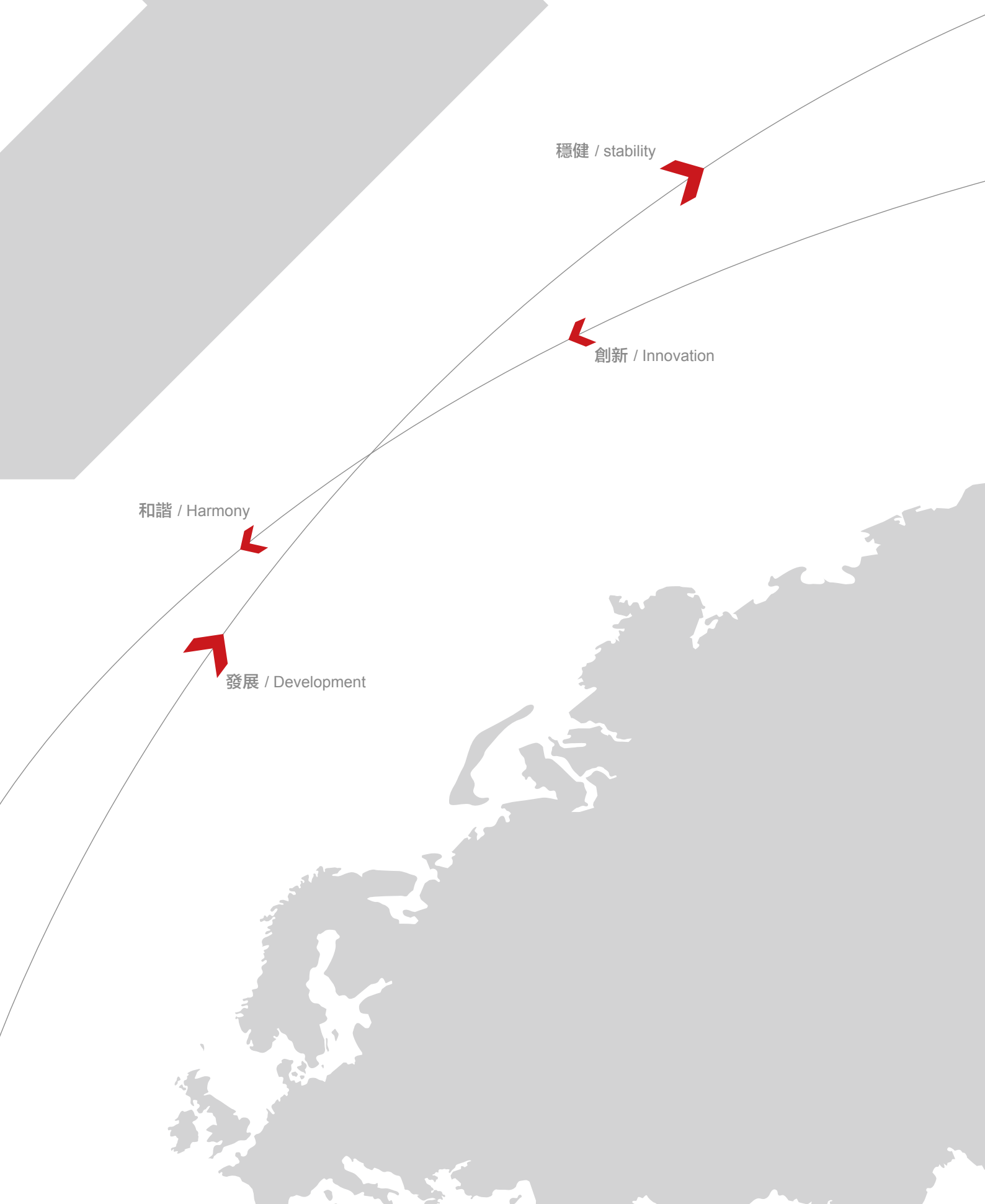
創新 / Innovation



和諧 / Harmony



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