



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

2017 SOCIAL RESPONSIBILITY REPORT



萃英成秀·融通致远

2017 CHINA
HUARONG
SOCIAL RESPONSIBILITY
REPORT



DEVELOPMENT

HARMONY

INNOVATION

SOUNDNESS

ABOUT THIS REPORT

This report is the second publicly disclosed Social Responsibility Report of China Huarong Asset Management Co., Ltd., complied with the Appendix 27 Environmental, Social and Governance Reporting Guide (“ESG Reporting Guide”) of Rules Governing the Listing of Securities (“Listing Rules”) of 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 Listing Rules, the *Opinions Concerning Enhancing the Social Responsibility of Banking and Financial Institutions* (《關於加強銀行業金融機構社會責任的意見》) issued by the China Banking Regulatory Commission (“CBRC”) and the *Guidelines for Corporate Social Responsibility of Chinese Banking and Financial Institutions* (《中國銀行業金融機構企業社會責任指引》) 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 corporate social responsibility reporting guidance.

【 Scope of the Report 】

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

【 Report Data Specification 】

All key financial data disclosed in this report are collected from 2017 Annual Results Announcement of China Huarong Asset

Management Co., Ltd., other data are mainly sourced from internal management systems of the Group.

【 Reporting Period 】

January 1, 2017 – December 31, 2017. 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 branches” may be expressed as “the Company”, while “China Huarong Asset Management Co., Ltd.’s headquarter, all 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 in Chinese and English from the “Investor Relations—Regular Report” template at the Company’s official website or from website of HKEX.

CONTENTS

- ◆ **CHAIRMAN’S STATEMENT** 01
- ◆ **ABOUT US** 04
 - COMPANY PROFILE
 - STRATEGY AND CORPORATE CULTURE
 - HONORS AND AWARDS
 - ORGANIZATION CHART
- ◆ **CORPORATE GOVERNANCE** 08
 - INTERNAL CONTROL
 - RISK MANAGEMENT
 - ANTI-CORRUPTION
 - SUPPLIER MANAGEMENT
- ◆ **SOCIAL RESPONSIBILITY MANAGEMENT** 11
 - SOCIAL RESPONSIBILITY CONCEPT
 - STAKEHOLDERS’ COMMUNICATION
 - STAKEHOLDERS’ ENGAGEMENT
- **I. INTEGRATE BENEFITS FOR SOCIETY: ENGAGING IN FINANCE TO SERVE THE COUNTRY AND PEOPLE** 16
 - 1. FUNCTIONING FINANCIAL AIDS AND DEFUSE ECONOMIC AND FINANCIAL RISKS
 - 2. CLING TO NATIONAL STRATEGY, AND SUPPORT THE DEVELOPMENT IN THE KEY AREA
 - 3. FOLLOWING THE POLICY ORIENTATION, AND SUPPORTS FOR THE TRANSFORMATION AND UPGRADING OF INDUSTRY

• II. INTEGRATE REPAYS FOR CUSTOMERS: INNOVATING SERVICE TO ACHIEVE WIN-WIN COOPERATION	24
1. OPTIMIZATION AND INNOVATION OF FINANCIAL SERVICES	
2. CREATING SUSTAINABLE GROWING VALUE FOR CUSTOMERS	
3. CENTERING ON CLIENTS AND GROWING TOGETHER WITH CLIENTS	
• III. INTEGRATE UNITES FOR EMPLOYEES: ADHERING TO PEOPLE ORIENTED CONCEPT TO CO-BUILD HARMONIOUS FAMILIES	30
1. FAIR EMPLOYMENT PRACTICES	
2. JOINT DEVELOPMENT OF EMPLOYEES AND THE COMPANY	
3. BEING A GOOD LISTENER	
4. HARMONIOUS BIG FAMILY	
• IV. INTEGRATE GREENS FOR ENVIRONMENT: PROTECTING ECO-SYSTEM TO DRIVE GREEN ECONOMY	40
1. SUPPORT LOW-CARBON ECONOMY AND DEVELOP GREEN FINANCE	
2. FOLLOWING GREEN CONCEPT AND REALIZATION OF GREEN OPERATION	
• V. INTEGRATE FAVORS FOR COMMUNITIES: GIVING BACK TO COMMUNITIES TO BUILD A LOVE AND CARE PLATFORM	46
1. THE HARVEST OF “FINANCE+” TARGETED POVERTY ALLEVIATION	
2. DEVOTION TO PUBLIC SERVICE AND BEAUTIFUL CHINA CONSTRUCTION	
◆ OUTLOOK OF 2018	57
◆ INDEPENDENT ASSURANCE REPORT OF THE CSR REPORT	58
◆ HKEX ESG REPORTING GUIDE INDEX	60
◆ FEEDBACK FORM	62

CHAIRMAN'S STATEMENT



Lai Xiaomin

Representative of the twelfth NPC
Chairman, Secretary of the Party
Committee of China Huarong

The year of 2017 witnessed the successful opening of 19th Community Party of China (“CPC”) National Congress. It was also a critical year for China Huarong to faithfully implement the spirit of the National Financial Working Conference. It is also an important year for China Huarong to make innovation and achieve steady development. During the year, under the correct guidance of the CBRC Party Committee and the direction of the Ministry of Finance of the PRC, People's Bank of China (“PBC”) and China Securities Regulatory Commission, together with the social support and the joint efforts of the employees, China Huarong achieved steady and sustainable growth. China Huarong’s operating results recorded new high and was listed again in many major rankings including “Top 500 Enterprises in China”, “Top 500 Service Enterprises in China”, “The Best Asset Management Company for the Year” and “The Best Listed Company”. While achieving outstanding operating performance, China Huarong remained true to its original aspiration and kept the mission firmly in mind. It upheld 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, striving 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 depicted the blueprint of responsibilities, actively responded to national strategies and effectively served the real economy. In 2017, China Huarong remained true to its original aspiration and kept the mission firmly in mind. Oriented by “returning to the source, highlighting the core business”, taking “professional asset manager and prominent provider of integrated financial services” as the corporate positioning, China Huarong unswervingly built its major business in distressed assets management. The major segments of the Group’s “one body, two wings” achieved synergic development and supported the national supply-side structural reform and the improvement of the real economy. The Group achieved net profits of the year of RMB 26.588 billion, total assets of RMB 1,870.260 billion by end of the year, the total equity of RMB 182.635 billion. The Group continued to pursue sound growth and development by implementing the principles of “energetic development of the state-owned economy, maximizing the value of state-owned capital, and preserving and increasing the value of state-owned assets” and steadily increased its social contribution. China Huarong comprehensively strengthened its core operating business of distressed assets management and purchased distressed assets with the scale of over RMB1 trillion in the past three years with a market share ahead of peer companies. Tightly following the national policies, “China Huarong Merger and Reorganization Fund for Debt-to-Equity Swap” was prepared for establishment, which effectively dissolved financial risks, helped distressed enterprises out of their difficulties and served the development of real economy.

By following the principle of “taking responsibilities”, China Huarong extended the concept of responsibility, vigorously developed green finance and constructed ecological civilization. In 2017, China Huarong actively responded to national policies and lead transformational development by the idea of green finance. It enhanced environmental and social risk management while exploring new green finance business model which balances risks and benefits. Support has been focused on green industries with the features of low-carbon, cost-effective, energy-saving and emission-reduction, industry upgrade and

environment protection. During the year, China Huarong concentrated on fostering green industries and enhanced the strategic cooperation with solution providers of ecological development, strengthened and enlarged the new energy industry. China Huarong respected the law of natural ecological development, vigorously promoted environmental knowledge on the concept of green, environment protection, cyclic utilization, and deepened green and low-carbon development consensus. China Huarong persisted on paperless and intensive business model, promoted the formation of green development and lifestyle, and achieved sustainability of management and development.

By following the principle of “being grateful”, China Huarong enhanced the sense of responsibility, innovated on serving customers’ needs and made efforts on mutual win-win. In 2017, China Huarong held the service idea of “centering on clients, growing together with clients” and continuously promoted “core client strategy”. For customers with different life cycles, China Huarong actively explored their various needs on financial services. Taking the entry point of satisfying customers’ individualized and diversified needs, China Huarong brought customers to the value-added chain of financial services and provided them with one-stop, customized and all-around financial services. During the year, China Huarong signed seven strategic cooperative agreements, had more than 11,000 existing customers and more than 3,300 new customers. China Huarong achieved “resource sharing, complementary strength, risk sharing, profit sharing, mutual benefit and cooperation for development” with an increasing number of customers. China Huarong has strengthened cooperation with key supporting customers who are in accordance with the national industrial policy and national credit policy and had the main business, market, benefit, brand and guarantee. China Huarong has optimized its customer structure, improved its capabilities of serving high-quality customers, constantly enhancing customer stickiness and continuously improving customer satisfaction. Increasingly more customers speak highly of and become loyal to China Huarong.

By following the principle of “improving people’s livelihood”, China Huarong enriched the culture of responsibility, continuously increased employees’ welfare and persisted on sharing its development achievements. In 2017, China Huarong has been fully carrying forward the idea of “development relies on employees and benefits employees, development achievements are shared with employees”. China Huarong further strengthened its team construction, improved salary mechanism, optimized salary structure and enhanced safeguard measures in order to intensify employees’ dignity, proud, happiness, achievement and gain. During the year, China Huarong made efforts to cultivate red financier team with “strong political will, excellent working style and superior working abilities”. New achievements have been made in team construction of “learning organization, knowledgeable staff, expert team, international vision and pragmatic assessment”. China Huarong continued to carry out activities that bring tangible benefits to employees, improved employees’ comprehensive welfare level and created a more convenient, more comfortable and healthier working environment. China Huarong realized a breakthrough of winning the first golden medal in 2017 Sports Meeting of Nationwide Financial System, successfully host the theatrical festival themed on “Co-constructing Huarong Dream, Celebrating 19th CPC National Congress”, which continuously boosted employees’ “energy and spirit” i.e. slogans that “take the lead, eager to win” and “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 never forget the intention of responsibility, actively devoting to precise poverty alleviation and made full efforts to social charity. In 2017, China Huarong fully implemented central government’s requirements of “precise poverty alleviation” and persisted on the combination of “blood transfusion” and “blood creation”. China Huarong actively explored a new “finance+” route of precise poverty alleviation and shaped a structure which majors in targeted poverty alleviation and gives attention to special poverty alleviation and social poverty alleviation. China Huarong vigorously carried out charity supporting education and voluntary activities, reflecting China Huarong’s selfless contribution and expecting the love of mutual assistance. With accumulative taxes and fees since 2009 exceeding RMB 50 billion, China Huarong has become a major taxpayer in Beijing Xicheng district and ranking among top 1,000 national taxpayer enterprises. China Huarong has been carrying out targeted poverty alleviation for consecutive 15 years. The total external donations in 2017 amounted to over RMB50 million. China Huarong set up an example among state-owned enterprises by implementing the national strategy of precise poverty alleviation. China Huarong donated respectively RMB 10 million to Ruijin in Jiangxi province, Huining in Gansu province and Shanghang in Fujian province to establish three Hope Schools, which greatly supported the education in old revolutionary base areas.

A powerful company owns today, whereas a responsible company owns the future. 2018 is the opening year of putting the guiding principles from 19th CPC National Congress into action, a key year of securing a decisive victory in building a moderately prosperous society in all respects, a key connecting year of implementing the 13th Five-Year Plan, as well as a starting year for China Huarong to transfer to a high-quality connotative development phase and implement the development strategy of “three improvements in five years”. A new era gives new missions. A new philosophy guides a new journey. A new action realizes new development. China Huarong will continue to uphold the core concept of “professionalism and prosperity”. In the journey of exploring high-quality development in the new era, China Huarong will strive to build a first-class asset management company featuring with “scientific governance, systematic management, strong core business, integrated operation and outstanding results”. China Huarong will dedicate to creating value of sustainable development for the nation, society, shareholders, customers, enterprises and employees.



Chairman: Lai Xiaomin
March 20, 2018

ABOUT US

COMPANY PROFILE

China Huarong Asset Management Co., Ltd. (“China Huarong”, Stock Code: 2799), with its predecessor being China Huarong Asset Management Corporation founded on November 1, 1999, was converted into a joint stock limited company upon the approval of the State Council of the PRC on September 28, 2012. On October 30, 2015, China Huarong was listed on the Main Board of the HKEX.

As of December 31, 2017, 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 Group 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 and Huarong Consumer Finance Co., Ltd.. With these platforms, the Group provides multi-licensed, multi-functional and comprehensive financial services in areas such as distressed asset management, asset management, banking, securities, trust, financial leasing, investment, futures and consumer finance.

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

【 Dream of Huarong 】

To build a first-class asset management company with “scientific governance, systematic management, strong core business, integrated operation, and outstanding performance”

【 Corporate Vision 】

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

【 Corporate Positioning 】

Professional asset manager, prominent provider of integrated financial services.

【 Core Corporate Culture 】

Soundness, innovation, harmony, development.

【 Brand Philanthropy 】

Professionalism and prosperity.

【 Corporate Value 】

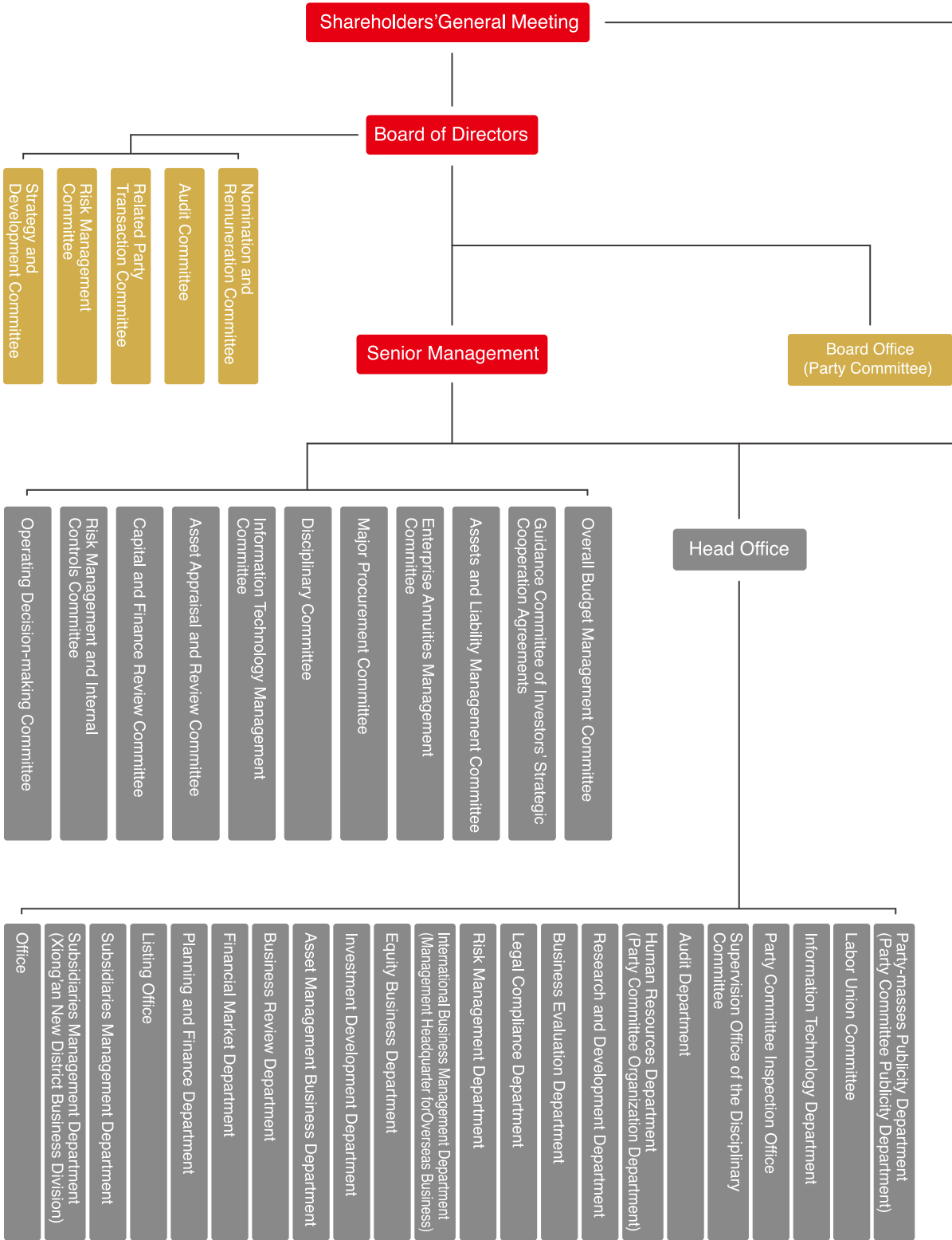
To create sustainable value increase for the nation, society, shareholders, customers, companies and employees.

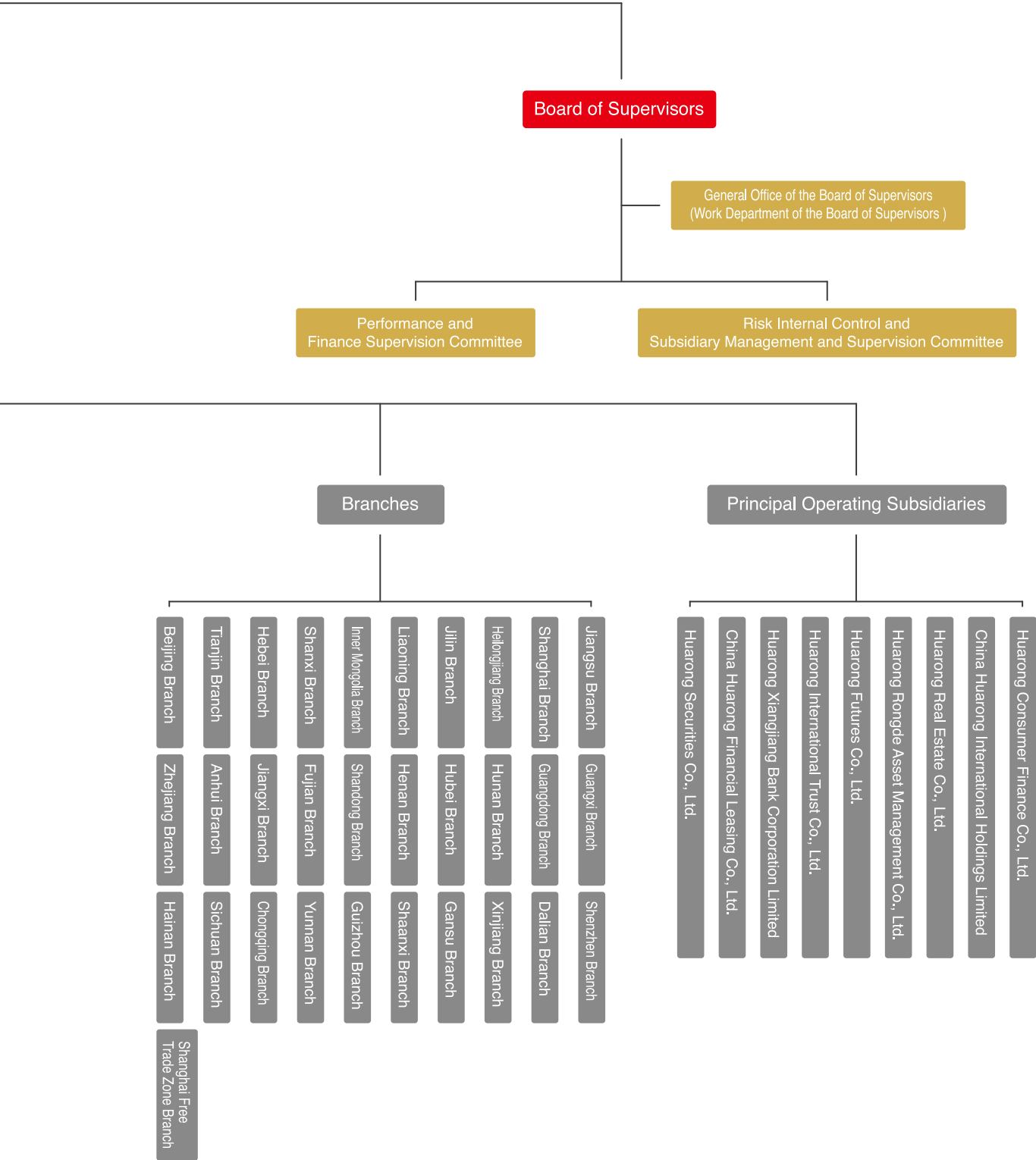
HONORS AND AWARDS

In 2017, China Huarong was recognized as one of the “2017 Top 500 Enterprises in China” and “2017 Top 500 Service Enterprises in China” by the China Enterprise Confederation and China Enterprises Directors Association, “Top 500 Enterprises in China” by Fortune China Magazine and “Top 500 Chinese Listed Companies in Market Value” by Eastmoney.com. China Huarong was awarded as “The Best listed company” by China Securities Golden Bauhinia Awards, “The Best Asset Management Company of the Year” on the Chinese Financial Institution Gold Medal List, and “Top 500 Asian Brands” at the 12th Asian Brand Ceremony and other honors and awards.



ORGANIZATION CHART





CORPORATE GOVERNANCE

INTERNAL CONTROL

China Huarong, focusing on goals such as effectiveness of operation, reliability of reports and compliance of management, conscientiously implemented all regulatory requirements, continuously improved the internal control's organization framework and strengthen internal control measures. The Group built a legal person governance structure characterized as "five-in-one" involving Party Committee in place, normative General Meeting, wholesome Board of Directors, responsible Management and effective Board of Supervisors. It established an organization framework and authorization system with clear hierarchy, reasonable division of labor and clear report route. Three lines of defenses of internal control composed of operation management department, risk management department and internal audit department were formed. Each level of institutions and each line of defense complement and reinforce each other, and work together for business development and risk prevention and control.

China Huarong developed the Internal Control Management Regulations as its guiding document to lead its internal control system building work, in which basic objectives, fundamental principles, internal control responsibilities and duties, organizational management system of internal control were identified, including internal environment, risk assessment, control activity, information and communication, internal control and inspection. The internal control management of the Group have been carried out according to the process responsibility system, and the related works of its internal control construction and evaluation have been carried out under the framework established by this regulation, and the corresponding regulations is formulated. At the same time, it ensured the orderly development of its internal control evaluation work by implementing the Internal Control Evaluation Guidebook and Standards for Internal Control Deficiencies, identifying the objectives, principles, responsibilities and duties, divisions of labor, contents, procedures, reports, deficiency rectifications for internal control evaluation work, as well as the definition, category, identification principles, methods and standards for internal control deficiencies.

In 2017, in line with external regulation requirements and internal business development, China Huarong revised its Internal Control Process Framework, Internal Control Manual and its supporting tool-Risk Management Matrix, which strengthened the risk control of the main links in the process, and promoted the establishment of the Group's long-term mechanism of internal control. The Group promoted the construction of internal culture and enhanced the level of internal control by training, investigation, inspection, rectification and reform, assessment and other measures.

RISK MANAGEMENT

China Huarong formulated the guiding document of the Basic Regulations for Risk Management, identifying main contents to be focused on, such as risk categories 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 Group's comprehensive risk management, as well as establishing a full and systematical fundamental risk management system for the Group.

In 2017, China Huarong further advanced the establishment of the comprehensive risk management system, formulated the 2017 Risk Appetite Policy, and revised the Risk Reporting System. China Huarong had further enriched the comprehensive risk management tool while speeding up to improve the establishment of the comprehensive risk management system, and continuously promoting the supporting function for the system. All business units implemented risk management objectives and requirements, integrated them into their own operational objectives, management strategies, and business operational methods, standardized their business operational process, and therefore fully identified, evaluated and managed the operational risks of their own.

ANTI-CORRUPTION

China Huarong has been thoroughly carrying out the regulator's related requirements on anti-corruption, earnestly giving full play to the role of internal joint meetings. China Huarong formulated more than ten regulations relevant to anti-corruption to strengthen discipline management and established an internal anti-corruption supervision mechanism from senior management to key positions to implement its anti-corruption responsibilities at every level. In 2017, the Group organized anti-corruption dialogues with 247 middle-level cadres and senior employees newly promoted from 2016 to 2017. The Group continued to carry out anti-corruption investigations in 926 employees who were planned to be promoted, to be transferred, to be reappointed, to resign and to be awarded honors and excellence as well. In addition, the Group issued 47 Anti-corruption Inspection Result Reports and inquired 140 people of their overseas visits.

In combination with the new requirements of the Central Committee of the CPC and CBRC Party Committee, China Huarong in 2017 revised and improved the Agreement of Building Party Spirits and Clean Governance. In order to disassemble and implement the responsibility of anti-corruption, the

agreement was signed at three levels--the company's secretary of the Party committee and the company's other leaders, the company's leader and the directors of department office, the company's secretary of the Party committee (or secretary of the commission for discipline inspection) and the subsidiary company's secretary of the Party committee (or secretary of the commission for discipline inspection). In addition, the Group also carried out discipline investigation, organized Party members and cadres to fill in the Registration Form of Observing Discipline required by the discipline inspection team of the Central Commission for Discipline Inspection (CCDI) stationed in CBRC. Furthermost, behaviors like implementations of Anti-corruption Regulation on Personal Investment, transferring benefit during the business operation, illegal access to private clubs, illegal running business and enterprise, in violation of part-time payment, in violation of public security management regulations, were brought into the Registration Form of Observing Discipline of Party Member Cadres of China Huarong, to further eliminate the risk of corruption.

China Huarong has disclosed telephone number, SMS number, mailing address and E-mail for reporting corruption on China Huarong's official website, and opened a WeChat subscription account named "Qing Feng Huarong" to accept supervision from the internal and external. In 2017, anti-corruption training hours per capita in China Huarong were 3.6 hours.

SUPPLIER MANAGEMENT

As a financial company with the core business of distressed asset management, China Huarong has its suppliers mainly in the fields of the office facilities such as office equipment and automobiles, as well as professional service providers. China Huarong set up Major Procurement Committee, and formulated the Working Rules for the Company's Major Procurement Committee to manage and control the bidding process of high-value suppliers effectively and legally. The Group took environmental and social impact of the suppliers into consideration during the procurement.

Because of the professionalism of its business, the Company 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

SOCIAL RESPONSIBILITY CONCEPT

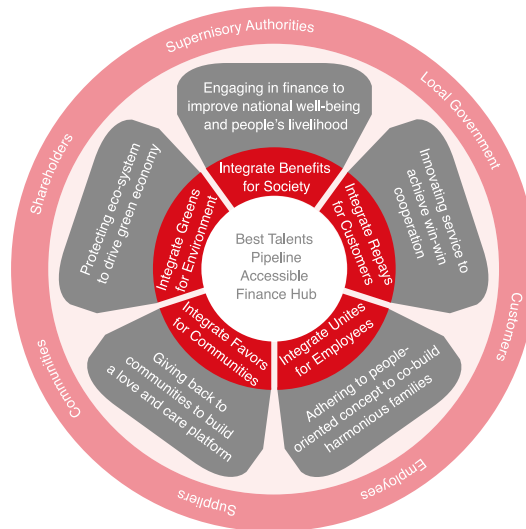
China Huarong believes that a powerful company owns today, whereas a responsible company owns the future. The Group always keeps on playing the leading role in undertaking and fulfilling its social responsibilities, and always uphold the principle of “contributing to national economy, improving people’s livelihood, being grateful, taking responsibilities and devoting to charity” and “sharing development achievements with the society”. In order to build a responsible financial company with “daring to take responsibility, willing to dedication, and pursuing the harmonious unity of economic and social benefits”, the Group takes practical action and effectiveness, and strives to forge the quintessence of a state-owned financial company by fulfilling social responsibility. The philosophy of responsibility of China Huarong has not only reflected in serving the real economy, the natural gene of a financial enterprise, but also in creating value for customers, improving the well-being of employees, contributing to the construction of ecological civilization, and serving the community development as a corporate citizen.

China Huarong put forward its social responsibility concept in 2011:

- 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

In 2016, the Group established China Huarong’s Social Responsibility model, “Five-Integrating Model”, which had put forward the direction of China Huarong’s social responsibility management, including “Integrating Benefits for Society, Integrating Repays for Customers, Integrating Unites for Employees, Integrating Favors for Communities, and Integrating Greens for Environment.

Model of China Huarong’s Social Responsibility: “Five-Integrating”



STAKEHOLDERS' COMMUNICATION

China Huarong had set up effective and diversified channels of communication, insisting on in-depth communication with all stakeholders, maintaining the frequency and effectiveness of communication, and collecting timely feedback information from all stakeholders. In addition to the daily operations of directly facing all stakeholders' demands, the Group also had strengthened communication with all stakeholders through meetings and regular visits, such as organizing investors visiting research and face-to-face meetings, understanding and responding to the demands of shareholders; holding the core client seminars to promote win-win cooperation. The Group has identified important stakeholder types and their demands, and set up relevant responsive pattern. This report, as a centralized display of China Huarong social responsibility work, also responded to the stakeholders' demands through information disclosure.

Stakeholders' Key Expectations and Communication Channels Chart

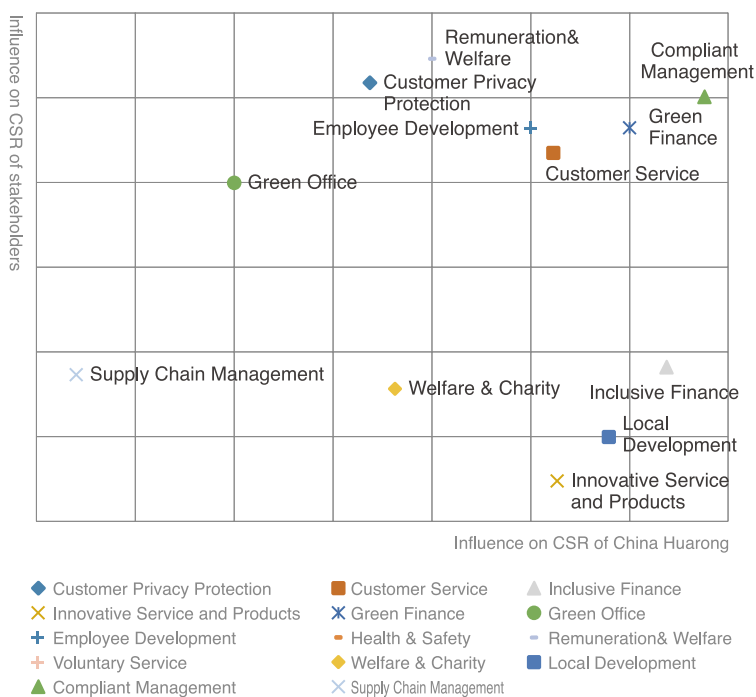
Types of Stakeholders	Key Issues of Concern	Key Communication Approaches	Key Measures to Respond
Regulatory Authorities	<ul style="list-style-type: none"> ·Steady business operations ·A well-developed internal control system and risk management system ·Actively fulfilling social responsibility of financial enterprise 	<ul style="list-style-type: none"> ·Regular report ·Participation into industry meeting ·Official website ·China Huarong WeChat account 	<ul style="list-style-type: none"> ·Establishing a comprehensive internal control system, and improve corporate governance ·Active action to relieve social and financial risks ·Improving business operation efficiency
Local government	<ul style="list-style-type: none"> ·Promoting local industrial development ·Compliant operation ·Tax payment 	<ul style="list-style-type: none"> ·Government meeting ·Regular visits ·Government staffs' supervision and inspection ·Official website ·China Huarong WeChat account 	<ul style="list-style-type: none"> ·Providing employment opportunity and contributing to tax revenue. ·Cooperation with government's supervision and inspection work, and improvement of the internal supervision and inspection system ·Compliance with laws and regulations

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"> ·General meeting of shareholders ·Regular report and company announcements ·Roadshow and other information distribution channels ·Investor Relations telephone and email ·Official website ·China Huarong WeChat account 	<ul style="list-style-type: none"> ·Enhancing diversified business, and consolidating the leading role in the industry ·Establishing an information disclosure system ·Improving 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 revisits ·Regular visits ·Customer satisfaction survey ·Official website ·China Huarong WeChat account 	<ul style="list-style-type: none"> ·Establishing a comprehensive service response system ·Improving customer complaint handling process ·Developing guidelines for service standardization
Community	<ul style="list-style-type: none"> ·Supporting community development ·Respecting community culture and participating into community activities 	<ul style="list-style-type: none"> ·Community delegates survey ·Routine visits ·Official website ·China Huarong WeChat account 	<ul style="list-style-type: none"> ·Supporting community development activities ·Maintaining good communication
Employees	<ul style="list-style-type: none"> ·Good career development and growth opportunities ·Great pay and benefits ·Protection of health and safety 	<ul style="list-style-type: none"> ·Internal Web site ·Internal journal ·Employee Congress ·Official website ·China Huarong WeChat account 	<ul style="list-style-type: none"> ·Improving staff recruitment, promotion and other internal management regulations and system ·Enriching employee's spare time ·Providing a variety of working and living security for employees
Suppliers	<ul style="list-style-type: none"> ·Fair and open procurement process ·Fulfilling the contract on time ·Helping the growth of suppliers to achieve a win-win situation 	<ul style="list-style-type: none"> ·Regular meeting of quality communication ·Official website ·China Huarong WeChat account 	<ul style="list-style-type: none"> ·Ensuring the transparency of the procurement process, internal and external supervision and inspection ·Reasonable control of corporate cash, ensure timely payment ·Promoting communication with suppliers

STAKEHOLDERS' ENGAGEMENT

China Huarong carefully assessed the issues of social responsibility most concerned by stakeholders, and strictly adhered to the scientific process to define the content of the report. In 2017, the Group has identified the prioritized issues of social responsibility, including customer privacy protection, customer service, inclusive finance, innovative services and products, employee development, health and safety, remuneration and welfare, voluntary service, green finance, green office, welfare and charity, local development, compliant management, supply chain management. In 2017, the Group defined the extent and boundary of the issue for disclosure by online questionnaire for the first time, and identified and analyzed key social responsibility issues. The stakeholder questionnaire was distributed among internal stakeholders, including management staff and grass-roots employees, and external stakeholders, including shareholders, customers, suppliers, regulators, local governments, community representatives and media. 555 questionnaires were received, and identified material issues of stakeholders were as follows:

CSR Materiality Matrix of China Huarong in 2017



The questionnaire survey helped the Group understand systematically about stakeholder's evaluation of material issues of China Huarong's social responsibility management, and ensure accurately and completely disclosing information of operation management, and identify the priorities of annual stakeholders' work. By questionnaires, the Group also obtained specific recommendations from stakeholders in terms of corporate social responsibility work, which was also an important reference for the Group to make relevant work plans, so as to respond to stakeholder demands in the future. The Group will continue to carry out stakeholder

communication such as questionnaires, and understand the development trend of stakeholder demands, and enhance corporate social responsibility management level.



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



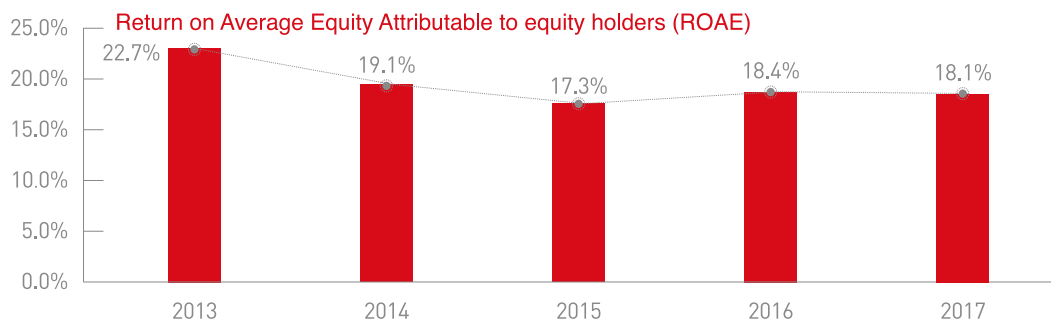
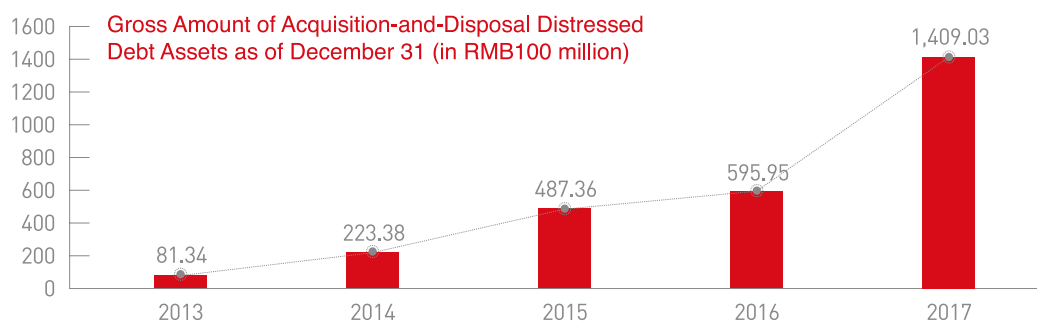
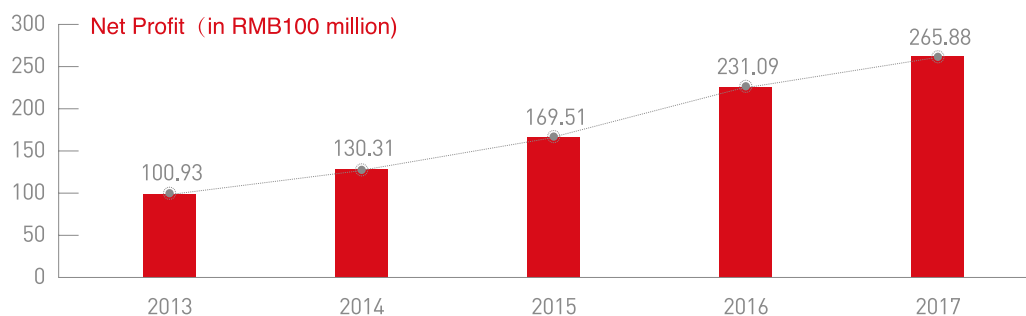
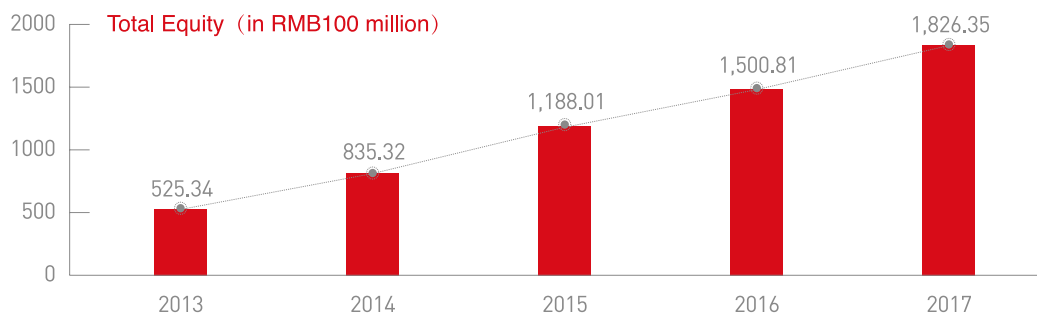
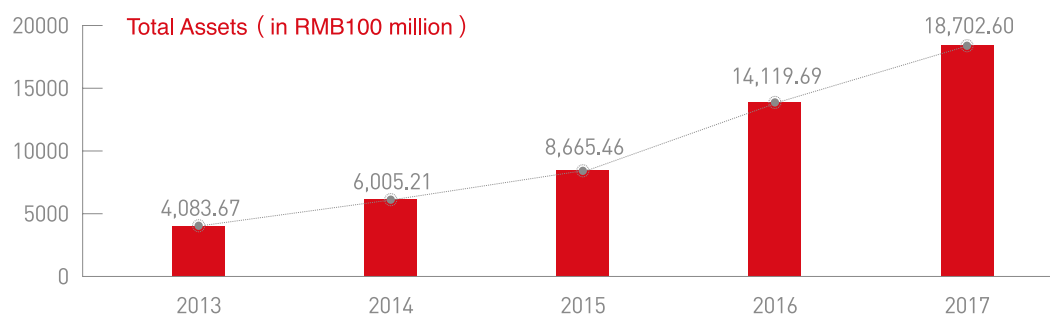
中国华融资产管理股份有限公司
CHINA HUARONG ASSET MANAGEMENT CO., LTD.

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

China Huarong firmly sets up the concept of "serving real economy is China Huarong's mission and foundation", unswervingly enhances the core business, fully exerts its own unique function of putting the stock assets to good use, disposing distressed asset and resolving the financial risk, and powerfully supports the supply-side structural reform and the real economy development, which expands the function space that the asset management companies ("AMCs") support to serve the real economy. Meanwhile, China Huarong exerts the curative financial service function and supports development of real economy.

1. FUNCTIONING FINANCIAL AIDS AND DEFUSE ECONOMIC AND FINANCIAL RISKS

Distressed asset business is the foundation of all product business systems of China Huarong. Emphasizing main business, China Huarong enhances the core business, and doesn't deviate from core business upon innovation. It conducts reform and transformation without diversion. In 2017, continuing firmly seizing the guide of "return to the source, highlight the core business", and taking "finance serves the real economy" as mission, China Huarong made the core business of distressed asset management unswervingly. In the last three years, China Huarong has purchased over RMB 1 trillion distressed assets. Under the market environment of increased competition, annual distressed asset package of winning commercial banks increases by over 40% on average, and the market proportion in the same business has kept the leading position in the industry for continuous three years. The five-year business plan of political debt-to-equity swap asset ends completely, 7 market-oriented debt-to-equity swap projects have been implemented, and China Huarong Merger and Reorganization Fund for Debt-to-Equity Swap with funds of RMB 10 billion was prepared for establishment, which powerfully supported the supply-side structural reform and the real economy development, which expanded the function space that the AMCs support to serve the real economy. Meanwhile, China Huarong played its role in the curative financial services and the role of "safety net" and "stabilizer" in the stable operation of the economy.



Note: ROAE (return on average equity attributable to equity holders) represents 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.

2. CLING TO NATIONAL STRATEGY, AND SUPPORT THE DEVELOPMENT IN THE KEY AREA

By implementing its development planning comprehensively and exerting resource advantage of the Group, China Huarong provides the comprehensive financial solution to the enterprises in the national key development area to assist the development in key area and serve the national strategy.

Response to "the Belt and Road" initiative

In 2013, Chinese President Xi Jinping put forward the strategic conception for construction of "Economic Belt of The New Silk Road" and "21st-Century Maritime Silk Road" successively, aiming at jointly building the benefit community, destiny community and responsibility community for political mutual trust, economic integration and cultural tolerance with "The Belt and Road" countries. On May 14, 2017, in the speech of international cooperation peak forum opening ceremony "The Belt and Road", President Xi Jinping mentioned that China would increase the financial support for construction of "The Belt and Road" and increase new funds of RMB 100 billion to the Silk Road Fund. On May 15, 2017, Huarong International Financial Holding Co., Ltd. ("Huarong Financial Holding") announced China HKBridge Holdings Limited and it planned to establish two 3-year investment funds of The Belt and Road in the scale of HKD 1 billion, and Huarong Financial Holding contributes HKD 780 million cash to each fund, accounting for 78%, in which, one fund will be used to invest the energy, mining or agricultural business, or the relevant infrastructure equity, fixed income security, debt instrument and load investment; while the other fund aims at investing the fixed income security, debt tool and loan.

Case: Supports for Development of "The Belt and Road" New Energy Projects

Development of new energy is an important task in the national initiative of "The Belt and Road". The Panda Green Energy Group Limited ("Panda Green Energy"), an eco-development solution provider, whose business is mainly located in the area along "the Belt and Road". Panda Green Energy has concluded and signed strategic cooperation agreement with UNDP and provides the package energy solution for the panda power station construction in countries along "The Belt and Road". In July 2017, China Huarong Overseas Investment Holding Co., Ltd. ("Huarong Overseas") and Panda Green Energy signed the long-term strategic cooperation agreement on the global layout of Panda Power Station, "the Belt and Road" project and other new energy projects. Huarong Overseas will provide the

financial support to Panda Green Energy through "financing + integrating wisdom" to further promote the market competitiveness of Panda Green Energy, support the acceleration development of Panda Green Energy in the global and the new energy business of "the Belt and Road", in order to support China's "the Belt and Road" initiative and green promise.

Case: Signing Strategic Cooperation Agreement with Bayingolin Mongol Autonomous Prefecture, Xinjiang, An Important Passage of the Ancient "Silk Road"

Bayingolin Mongol Autonomous Prefecture ("Bayingolin"), located in the joint part of South and North part of The Xinjiang Uygur Autonomous Region, is the largest prefecture in terms of its land area in China. Bayingolin is an important city along "the Belt and Road", a traffic hinge of Xinjiang, and a passage in the ancient "Silk Road". The prefecture is rich in petroleum, natural gas, mineral products, agricultural products, cultural and tourism resources. On November 22, 2017, Huarong Tianze Investment Co., Ltd. ("Huarong Tianze") and Bayingolin government signed the strategic cooperation agreement, in which Huarong Tianze will proactively strengthen the collaboration with Bayingolin government by utilizing the comprehensive financial service advantage, and gather various advantage resources to manage and operate the industry development fund in the Bayingolin.

Promotion of "Beijing-Tianjin-Hebei integration" →

As the national strategy for Beijing-Tianjin-Hebei Region collaborative development is further deepened, and the macro economy and financial market change, the relevant institutions of China Huarong defines the main keynote of "deep development of Beijing-Tianjin-Hebei Region" in 2017, and the positioning of the project marketing base of Beijing-Tianjin-Hebei Region and the reserve core zone of clients. In 2017, China Huarong Tianjin Branch implemented projects for debt restructuring and asset package acquisition in Beijing-Tianjin-Hebei region to make contribution to maintaining the stable finance and preventing the loss of national assets furthest. In the process of complete investment, the local investment amount proportion exceeds 65%, increasing by 15% on the year-on-year basis. China Huarong Beijing Branch applies the specific products and measures in AMCs to serve clients innovatively, optimizes the client structure constantly. Increased new investment for the clients or projects in the Beijing-Tianjin-Hebei region in 2017 accounted for 70.66% of local investment scale. In 2017, the proportion of balance in Beijing-Tianjin-Hebei Region rose from 36.72% in 2014 to 61.23%.



Case: Supports for Building Beijing National Culture Center by Huarong Jingguang Culture Industry Equity Investment Fund

In July 2017, Huarong Emerging Industry Investment Management Co., Ltd. ("Huarong Emerging") and Beijing International Advertising & Communication Group Co., Ltd. unite to found Huarong Jingguang Culture Industry Equity Investment Fund, aiming at integrating and using service advantages of China Huarong's comprehensive finance and the resource advantages of culture and technology integration in Beijing, and serving national cultural center layout of Beijing-- "One Core, One City, Three Belts and Two Areas". The funds would comply with the principle of marketization and professionalization, and assists the construction of the national cultural center in Beijing by investing the cultural industry project to promote the transformation and upgrading of capital service industry in the new period.

In April 2017, in order to proactively respond to the major strategic deployment that the Party Central Committee and the State Council set up Xiong'an New Area, the Company plans to support the construction of Xiong'an New Area in three aspects. Firstly, set up China Huarong leading group supporting development strategy in Xiong'an New Area to research and coordinate major matters, and strengthen the top-level design and overall planning; Secondly, strengthen the close communication and strategic cooperation with government department at all levels, and proactively provide the comprehensive financial support; Thirdly, set up new institute, enhance the ability, performance and work efficiency to serve the construction of Xiong'an new area by setting up the specific business department for Xiong'an New Area in order to provide the comprehensive and three-dimensional financial support and powerful guarantee for the construction and development of Xiong'an New Area.

Support the Development of "Yangtze River Economic Zone" →

On July 20, 2017, the "Strategic Alliances for Financial Lease to Serve Yangtze River Economic Zone" ("Strategic Alliance") jointly sponsored by 8 financial leasing companies such as China Huarong Financial Leasing Co., Ltd. ("Huarong Financial Leasing"), was signed and established in Shanghai. The Strategic Alliance carried out the comprehensive, efficient and pragmatic leasing business cooperation by adhering to the development concept of "innovation, coordination, greenness, openness and sharing" on the principle of "equality and mutual benefit, complementary advantages and joint development". The Strategic Alliance would provide the intentional leasing support for the Yangtze River Economic Zone in the Yangtze River green ecological corridor, ship type standardization, comprehensive three-dimensional transportation, industry transformation and upgrading, new-type urbanization. As the important member of the Strategic Alliance, Huarong Financial Leasing would try to exert own advantages to proactively serve

the construction of Yangtze River Economic Zone. Huarong Financial Leasing invested more than RMB 25 billion in "Yangtze River Economic Zone" leasing business in 2017, which promoted the regional economic development effectively.

3. FOLLOWING THE POLICY ORIENTATION, AND SUPPORTS FOR THE TRANSFORMATION AND UPGRADING OF INDUSTRY

China Huarong proactively grasps the opportunity of the macroeconomic adjustment and the transformation and upgrading demand of industry, supports the elimination of backward production capacity, helps the key enterprises out of difficulty and conduct the technical transformation and updating, and promotes the growth of strategic emerging industries. Huarong Xiangjiang Bank Co., Ltd. ("Huarong Xiangjiang Bank") strongly supports the construction of state-level and province-level economic development zone, high-tech zone, industrial parks, industrial concentration district, industry demonstration base and bonded area in all cities of Hunan province by helping the development of enterprises in industrial park. At present, Huarong Xiangjiang Bank accumulatively invests more than RMB 35 billion in energy saving and environment protecting, information, bio-industry, advanced equipment manufacturing, new materials, new energy and cultural creative industry, and other fields in Hunan province.



Case: Supporting the Transformation and Upgrade of Manufacturing Industry

In order to vitalize the inventory distressed asset and help enterprises in Zhejiang province out of difficulty and gain development, China Huarong Zhejiang Branch carries the "stock + increment" restructuring to a large-scale machinery manufacturing enterprise in Zhejiang by virtue of the professional advantage for disposal of distressed asset and restructuring for problem enterprises, and provides construction funds for the scientific creation park of such enterprise to help it to thoroughly vitalize such asset and conduct the transformation and upgrading for such manufacturing industry. In October 2017, the scientific creation park brought new energy for the regional economic development by constantly introducing the information technology, energy saving and environment protecting, electronic information, instrument and meter, e-commerce and other strategic emerging industries, promoted the overall ascension of industry chain, and attracted the high-end talent, high-end resource and high-end project to gather in the surrounding of industry concentration area, bringing the considerable economic and social benefits.

 **Case: Assisting the Reform of Textile Industry in Shaanxi**

In 2012, the construction project of the emerging textile park in Xianyang city, Shaanxi province, generated several distressed loans from non-financial institutions, because textile enterprises moved and cleaned up the preliminary debt, and land revenue of old factory wasn't obtained promptly. China Huarong Shaanxi Branch innovatively purchased the distressed assets and greatly supported 4 large-scale state-owned textile enterprises for the reform restructuring, retreat from city and entry into industrial park, overall relocation, industrial updating and rebuilding. In 2017, the existing funds of the project reached nearly RMB 800 million, making huge contribution to the transformation and upgrade of Shaanxi textile industry, driving of local employment of Guanzhong - Tianshui economic belt and promotion of local real economy development, which is highly praised by Xianyang Government and CBRC Shaanxi Office.

As of December 31, 2017, agricultural loan balance of Huarong Xiangjiang Bank

amounted to RMB **25.74** billion

with the increase rate of **32.35%**

In 2017, Huarong Xiangjiang Bank strengthened the innovation of agricultural credit business, launched the characteristic credit service of agriculture industries such as the food loan, sasanqua loan, to support the grain production, sasanqua plantation and other agricultural industry development in western Hunan, Huaihua, Shaoyang, Yiyang, etc in Hunan province. As of December 31, 2017, agricultural loan balance of Huarong Xiangjiang Bank amounted to RMB 25.74 billion, with the increase rate of 32.35%.

 **Case: Setting Up the Local Investment Fund for High-tech Industries**

Huarong Yufu Equity Investment Fund Management Co., Ltd. ("Huarong Yufu") proactively responds the national requirement for promotion of industry development, and has constantly attempted new path for the development and investment of industry in recent years. In 2015, Huarong Yufu successfully passed the strict inspection and screening by Chongqing Industry Investment Fund Co., Ltd. ("Chongqing Industry Investment Fund") and was selected as one of the fund managers

of Chongqing Industry Investment Fund. In the same year, it established a local investment fund, Evergreen Fund cooperated with Chongqing Industry Investment Fund. The fund was mainly invested in new energy, energy saving and environment protecting, bio-technology and medicine, high-end manufacturing, strategic emerging industry. In 2017, Evergreen Fund carried out a series of investment business by centering on the stated objective, which was mainly used in the software and IT service industry.

Case: Supports for the Development of High and New Technology Companies in the Digital Fujian (Changle) Industrial Park

In September 2017, Huarong Emerging worked together with Fuzhou municipal government to jointly set up the “Huarong Emerging & Fujian Industrial Fund” with government of Changle district, Fuzhou city, and Fuzhou City Financial Holding Group Co., Ltd. The fund would support high technology companies related to the data center, Internet, software, technology and science, media in Digital Fujian (Changle) Industrial Park, which make the park one of key bases for the construction of Digital Fujian and an important big data park in Fujian province as well.

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

With the focus on the core business of distressed asset management, China Huarong coordinated development of its major business sectors within the scope of “one body, two wings” and brings good returns to its shareholders and customers. Unswervingly sticking to the “Core Clients Strategy”, China Huarong has made efforts in innovative business mode exploration, supporting supply-side structural reform, the real economy transformation and upgrade, as well as service people’s livelihood, small and micro enterprises and inclusive finance.

1. OPTIMIZATION AND INNOVATION OF FINANCIAL SERVICES

An integrated financial services provider →

China Huarong insists on its positioning to build “a professional asset manager and prominent provider of integrated financial services” and constantly improves the strategy of “one body, two wings”. China Huarong has 31 branches, business offices and many subsidiaries. Taking advantages of its multi-licensed financial services, China Huarong strives to meet financial needs of the key economic sectors in China and provides a package of multi-licensed and multi-functional integrated financial services in fields such as distressed asset management, asset management, banking, securities, trust, financial leasing, investment, futures and consumer finance.

Case: China Huarong Signed Strategic Cooperation Agreement with Agriculture Bank of China

On September 22, 2017, China Huarong signed Strategic Cooperation Agreement with Agriculture Bank of China Co., Ltd. (“Agriculture Bank of China”) to thoroughly implement the spirit of the National Financial Working Conference and the regulatory requirements of CBRC, and to support real economy and to make financial institutions stronger, better and bigger. According to the agreement, the two parties would establish a new type of strategic cooperation based on the principle of “resource

sharing, complementary strength, risk sharing, profit sharing, mutual benefit and cooperation for development" with the focus on the business such as distressed asset management, industry funds, financing, investment banks, consulting, bank cooperation, securities, futures and other derivative, trusts, financial leasing, private equity investment to further exert the advantages of two parties and jointly promote financial reform and innovation.



In September 2017, China Huarong and Agriculture Bank of China signed strategic collaboration agreement in Beijing

Financial Services Innovation →

In 2017, focusing on the exploration of financial technology, China Huarong has firmly implemented the philosophy of "technology leads the future" and it has increased its resource investment so as to continuously enhance its own strength in financial technology. In order to respond to IFRS 9, a new international accounting guide, the Group organized and designed standardized and component-base IFRS 9 General Scheme and took the lead in making systematic adjustment among peer companies. Meanwhile, the Group carried out the construction of relevant business, financial and risk system, establishing the group-based and data-based practice of implementing IFRS 9 for asset management companies, which can be used for reference, and also gathered some experience. By virtue of the "Construction of IFRS 9 Application System of Asset Management Companies" Project, the Group won the Developmental Innovative Contribution Award of Scientific and Technological Innovation and Outstanding Services Award of Financial Industry from Financial Electronization issued by PBC. The research project named "Study and Practice of the Application System of Asset Management Company in Terms of Implementing IFRS 9, the New Accountant Regulation Standard", was awarded the third prize for Achievement Award of 2017 Information Technology Risk Management in Banking Industry Research Project of CBRC.

2. CREATING SUSTAINABLE GROWING VALUE FOR CUSTOMERS

China Huarong managed to provide integrated financial services to its customers, to promote market-oriented debt-to-equity swap, to help enterprises reform and out of distress, to shoulder social responsibilities, to participate in the people's livelihood projects, to promote the development of small and micro enterprises, to develop financial innovation and to create sustainable growing value for customers and financial industry.

Promoting Market-oriented Debt-equity Swap →

Huarong Ruitong Equity Investment Management Co., Ltd. ("Huarong Ruitong") was officially established on January 18, 2017. On that day, China Huarong and Huarong Ruitong signed strategic cooperation framework agreement with five strategic partners respectively. Huarong Ruitong is a strategic platform for China Huarong to participate and carry out market-oriented debt-equity swap. Relying on the brand advantages of China Huarong and powerful supports from clients, Huarong Ruitong has actively operated market-oriented debt-to-equity swap by upholding the principles of "calculating costs, controlling risks, making profits and promoting the brand" and "taking existed resources, listed companies, governmental concern, market demands and Huarong realities as guidelines". In 2017, China Huarong carried out 7 market-oriented debt-to-equity swap projects, achieving "double harvests" both in social and economic benefits.

Benefits to People's Livelihood →

China Huarong strongly supports livelihood's projects, making great contribution to such sectors as medical care, urban infrastructures and affordable housing projects like shanty area rebuilding. In recent years, Huarong Rongde Asset Management Co.,Ltd ("Huarong Rongde") has tilted towards non-housing segment in terms of investment share and allocation of asset under management and the proportion of investment in the health care sector has risen significantly.



Case: Supporting Major National Shanty Area Rebuilding Projects

In 2017, working with other investors, Huarong Innovation Investment Co., Ltd. ("Huarong Innovation") set up the Infrastructure Investment Fund and invested in three projects of shanty area rebuilding in downtown, Chifeng city, the Inner Mongolia Autonomous Region, which could be listed in the national key project catalogue. During his visit in Chifeng in 2017, Premier Li Keqiang inspected projects and put forward important instructions that the shanty area rebuilding projects were significant to the country and people's livelihood.

Supporting the Development of Medium, Small and Micro-Sized Companies →

China Huarong has been constantly enhancing its support to small and micro enterprises (SMEs) and provided them with ancillary financial service to help them broaden financing channels and support the development of SMEs. In 2017, Huarong Xiangjiang Bank continued to release credits and loans for SMEs. As of December 31, 2017, the growth rate of the loan balance of SMEs was 44.29%. The number of SMEs credit and loan customers increased 862 compared to early 2017, and the ratio of applicants who successfully attained loan reached 95.21%. In addition, Huarong Xiangjiang Bank actively cooperated with government agencies and other institutions in launching services like Tax Participating Loan, Start-up Loan, Bank and Guarantee Organization Loan and Bank and Insurance Loan. Among these products, the Start-up Loan has helped over 3,200 people, including laid-off workers, veterans, handicapped and graduates, start their businesses. Huarong Gannan Financing and Investment Co., Ltd (“Huarong Gannan”) set up Technology Innovation Investment Fund to invest in the fields of high-tech and strategic emerging industries like new materials, new energy vehicles and components, deep processing of competitive mineral resources, electronic information, food and medicine, energy-saving, environmental-protection and machinery manufacturing, which follow the guidance of national policies and has the major support of Ganzhou government of Jiangxi Province. The investment of each project was no more than RMB 50 million for the purpose of mainly supporting SMEs.

As of December 31, 2017 Huarong Xiangjiang Bank

the growth rate of the loan
balance of SMEs was

44.29%

The number of
SMEs credit and
loan customers
increased **862**

the ratio of applicants who
successfully attained loan
reached

95.21%

the Start-up Loan has
helped over

3,200 people

including laid-off workers,
veterans, handicapped and
graduates



Case: Connecting with Banks and Enterprises to Serve Small, Medium and Micro Enterprises

On the event of Entrepreneurs Day of Hainan province on May 26, 2017, China Huarong Hainan Branch signed a strategic cooperation agreement with Hainan Yinqi Liantong Financial Service (Hainan) Co. Ltd. (Yinqi Liantong). Both sides agreed to give full play to their advantages in providing all-around financing services for the thousands of high-quality member enterprises of Hainan Enterprise Director Association and the 210 thousand medium enterprises and SMEs in Hainan province. Yinqi Liantong was authorized by Hainan Provincial Government and launched jointly by Hainan Enterprise Confederation and Hainan Enterprise Director Association. It solves financing difficulties for small, medium and micro enterprises by openly connecting enterprise projects with social funds.

Developing Inclusive Finance

As a financial institution, China Huarong actively fulfilled its social responsibilities of developing inclusive finance. Huarong Consumer Finance Co., Ltd (“Huarong Consumer Finance”) is a licensed consumer finance institute. Adhering to the core philosophy of “basing on the Internet, covering all areas and accompanying all the way”, it built a business model with the integration of online and offline service. In 2017, more branches and centers of Huarong Consumer Finance were established in Guangzhou and Shanghai on the basis of the four marketing centers in Hefei, Changsha, Shenzhen and Beijing. Meanwhile, it constantly opened more business channels to satisfy the diversified and differentiated consumer demand of the people and promoted the development of consumer finance sector. In addition, Huarong Huitong actively explores investment opportunities in customer financial field.

3. CENTERING ON CLIENTS AND GROWING TOGETHER WITH CLIENTS

Core Client Strategy

In 2017, in order to serve the national strategy, improve the quality and effectiveness of serving real economy and optimize client services, China Huarong required all business units to adjust and improve client structure by implementing the new requirement of “two-accordance and five-have” core clients who are in accordance with the national industrial policy and national credit policy and had the main business, market, benefit, brand and guarantee .

To manage clients uniformly and improve the management level, China Huarong developed the client information system and therefore provided information and data assurance for improving marketing, risk management and business collaboration. In order to implement the development concept of “centering on clients” and the client-hosting system, the Group optimized the

As of December 31, 2017, China Huarong had existing clients

more than **11,000**

new clients

more than **3,300**

Interim Measures for Client-Hosting System to promote client-hosting system implemented in the Group.

More high-quality clients became loyal, optimistic and cooperative with China Huarong under the efforts in further carrying out the "Core Client Strategy" and supporting clients with "two-accordance and five-have". As of December 31, 2017, China Huarong had more than 11,000 existing clients and more than 3,300 new clients. It had signed comprehensive strategic cooperation agreements with 22 provinces, autonomous regions and municipal people's governments; signed business cooperation agreements with over 300 clients; and actively supported the development of pillar enterprises and emerging industries in various places. China Huarong has established a strategic partnership of "resource sharing, complementary strength, risk sharing, profit sharing, mutual benefit and cooperation for development" with more clients.

Optimizing Customer Experience

To further understand the customer needs and service problems in the work, China Huarong conducted a survey through a return visit survey for host clients of all business units of the Group at the end of 2017. Survey objects included institutional clients who took the actual business cooperation or potential high-quality clients in 2017. As of December 31, 2017, 1,443 questionnaires were taken back with overall client satisfaction reaching 98.27%.

China Huarong established a convenient way to get customers' feedback. Huarong Xiangjiang Bank actively strengthened the construction of a new generation of complaints management system and built a new generation of financial consumer complaints management system, according to requirements of pilot work on financial consumer complaints classification criteria of the PBC Changsha Central Branch. The system was launched in September 2017, which further refined complaint classification criteria, optimized the complaint handling and supervision process, achieved complete management for the customer complaint and improved the efficiency of complaint handling. In 2017, for Huarong Xiangjiang Bank outlets, the overall standard was 92.13 points and the satisfaction of customer service was 92.1 points, which reached the excellent level.

In order to strengthen protection of personal financial information and protect the personal privacy of customers, China Huarong strictly manages the customer information security. All subsidiaries establish relevant systems for customer information protection and take measures to prevent leakage of information, and continuously strengthen technical support, protect the legitimate rights and interests of every financial consumer.

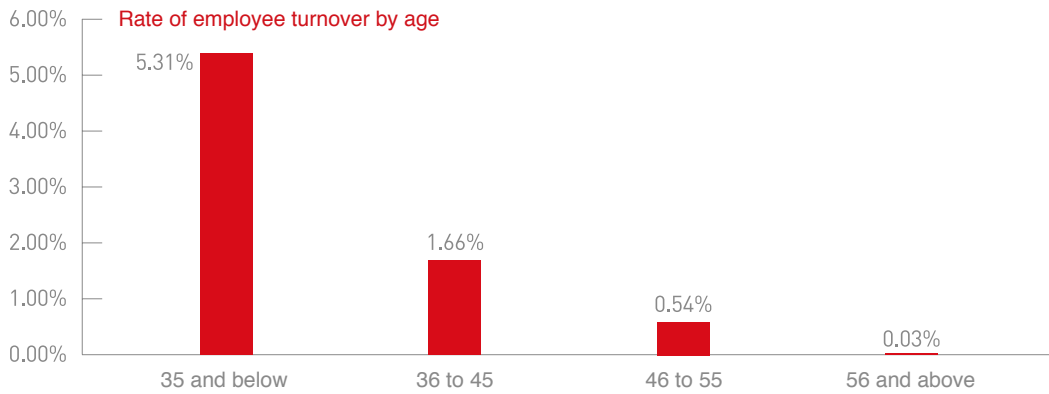
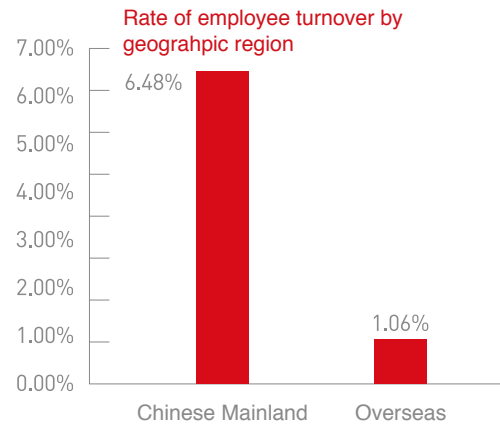
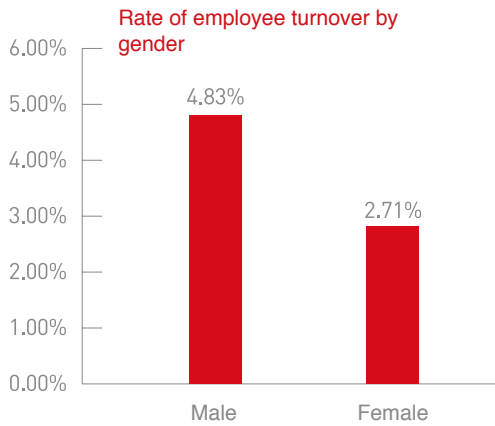
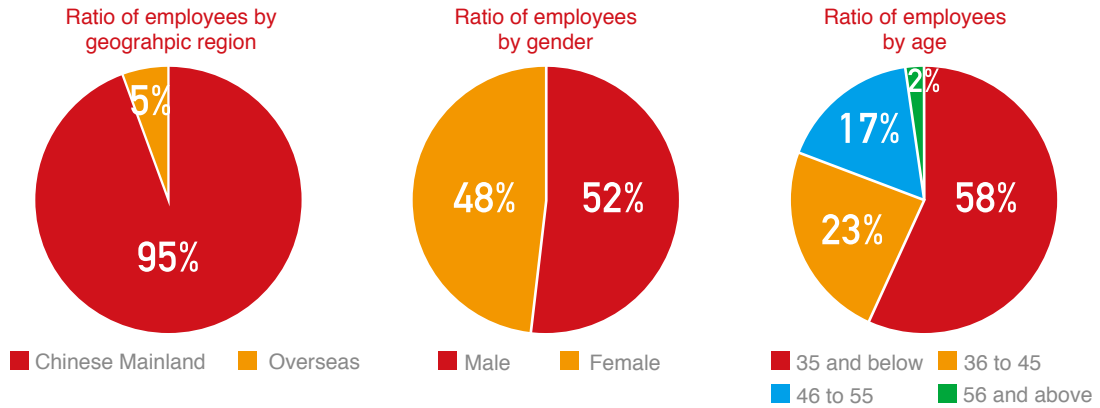
III. INTEGRATE UNITES FOR EMPLOYEES: ADHERING TO PEOPLE ORIENTED CONCEPT TO CO-BUILD HARMONIOUS FAMILIES

As employees' supporter, China Huarong adheres to people-oriented concept, puts employees' interests in the first place, considers what they consider, and worries what they worry. The Group devotes to building an employee team that "wants to work, is qualified to work, is good at the work, and accomplish the work without contingencies", taking every care of them, which carries forward the "energy and spirit" that "take a lead, eager to win" and "keep warm as fire when we gather and share sparks when we leaving to everywhere like stars in the sky; therefore a single spark can start a prairie fire, which enlightens China Huarong".

1. FAIR EMPLOYMENT PRACTICES

China Huarong always hires labors in accordance with national laws and company regulations. The Group strictly implements Employee Recruitment Rules, Talent Introduction Management Measures, and Employee Labor Contract Management Rules, strictly checks recruitment requirements, so as to reasonably select and employ labors and achieve 100 % labor contracts signing rate. Employment of child labor or forced labor has never happened in China Huarong. The Group respects and values legitimate rights and interests of all employees. Taking employees' interests as first, the Group will try its best to create an equal and diversified work environment and provide competitive benefits for employees. It eliminates any kind of discrimination in terms of gender, region, ethics, religion, age, and political stand 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.

As of December 31, 2017, China Huarong has had 12,520 regular employees. Female employees are 6,034 and accounted for 48.2%, which was 1.4% higher than 2016. Average age of employees in the Group is 36.



Note: Employee turnover rate refers to the percentage of number of employees who left during the reporting period over the sum total of number of employees at the end of the reporting period and number of employees who left during the reporting period.

2. JOINT DEVELOPMENT OF EMPLOYEES AND THE COMPANY

China Huarong constantly improves occupational development path for employees, provides comprehensive training courses and innovative training programs for employees, and devotes to creating a platform for employees to let everyone fully display their individual values. In this way, employees will grow and develop together with China Huarong.

Occupational Development →

In 2017, China Huarong continued to build a team featuring with “learning-oriented organization, knowledge-oriented employees, expert-oriented group, forward-looking vision and down-to-earth assessment”, and had made new achievements. Therefore, the staff quality got greatly improved. The Group always adhered to the construction of occupational development channels, continuously broadened the occupational development path for employees, enriched and refined methods of selection and appointment for senior staff. According to relevant requirement, the Group would reinforce continuously the strength of senior staff team through the recommendation of the Party organization, position competition, open selection, organizational nomination, and other selection ways. The Group insisted on appointing competent and virtuous people, co-ordinates human resources in the process of selecting cadres, and broke barriers among departments, units and regions; held on to strict checks, investigated their political integrity, work style, ability and honesty in matters of selecting and appointing employees, judges cadre’s loyalty, purity, responsibility, matching and recognition; adhered to enhancing vitality, reinforces accountability and punishes to the mediocrity, laziness and disciplinary.

Case: Care for the Growth of Young Employees

China Huarong has always stressed that “revitalized youths lead to a revitalized Huarong; strong youths lead to a strong Huarong; youths are not only the future of Huarong, but also the hope of Huarong”. To strength the construction of communist youth league, China Huarong established its Youth Federation (“Huarong Youth Federation”) on May 4, Youth Day of 2011. The establishment of Huarong Youth Federation provided an opportunity for the Group to put young employees in an important position. Aiming towards the larger development blueprint the Group gave youth more responsibilities, chances, posts, praises, as well as help, called on them to “forge ahead with the

motherland and add glory to Huarong”, helped young cadres grow as fast as possible, so as to push the development of the Group.

In October 2017, “Forty Youths Forum of China Huarong”, a youth think-tank, was established in Beijing. The Forum would burden the mission of “providing services for the transformation and development of China Huarong”. Next, the Forum would further absorb more talented people, and innovate the mechanism of talent management and research project, so as to provide intelligent supports for the development of China Huarong.

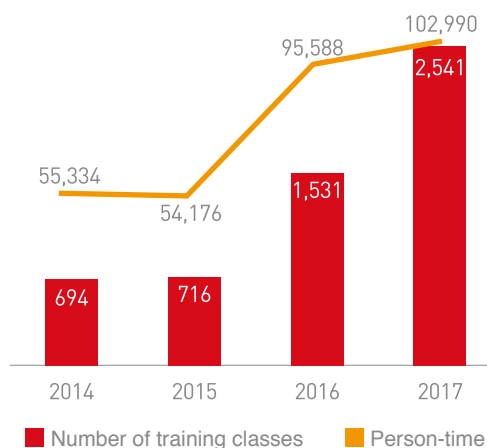
China Huarong actively recommended advanced collectives and individuals to participate in the "excel in the performance" activity of 2017 national financial system. China Huarong won a number of awards. The business innovation department of China Huarong Zhejiang Branch was awarded as National Worker Vanguard by All-China Federation of Trade Union. China Huarong Guangdong Branch won National Financial Industry Labor Certificate, Mr. Shi Jiewen from China Huarong Zhejiang Branch was granted National Financial Industry Labor Medal, Labor Union of Huarong Financial Leasing was granted A Family of National Financial Industry Model Worker, Ms. Liu Ling from China Huarong Inner Mongolia Branch was granted Outstanding Cadre of National Financial Industry Labor Union, Changde Branch of Huarong Xiangjiang bank was awarded National Financial Industry Women’s Pacesetter Post, and Ms. Yuan Xiaojing from the office of the board of directors of the Company was granted National Financial Industry Women’s Pacesetter. All above awarded groups and individuals were circulated a notice of praise, which played in a leading role in the Group.

Relying on the labor competition activity as a platform, China Huarong carried out 2017 annual "comparing, learning, striving, helping and excelling" labor competition, and then selected 20 teams with "outstanding innovation and efficiency" as well as 100 individuals with "post contribution". All of them were praised and rewarded as annual “Five Excellent and Five Households” by the Group. (“Five excellent” means excellent unit, excellent individual, excellent Communist Party member, excellent Party committee secretary, excellent discipline committee secretary; and “Five households” means good profit making household, risk dissolving household, coordinated development of new household, management transformation excellent household, and household with strong team building.) In 2017, the Group revised and issued Administrative Measures on Model and Advanced Staff in order to strengthening the management service work for the Group model and advanced staffs.

Occupational Training →

China Huarong attaches great importance to training, puts forward a series of innovative training concepts, such as “training is inclusive”, “training is welfare”, “cadres emerge in training”, formulates a series of training regulations to improve the Group’s training system. In 2017, the Group organized 2,541 various domestic training sessions, representing an increase of approximately 66.0% over 2016; 102,990 employees received training, representing an increase of 7.7% over 2016; every employee was trained for an average of 8.23 times. Therefore, inclusive training was greatly improved, and professional abilities and comprehensive quality of the workforce were enhanced.

Training of the Group in the Recent Years



Case: “Stars of Huarong” Training Plan for Young Employees

In 2017, in order to meet the needs of talents for “One Body, Two Wings” of the Group, China Huarong initiated the “Stars of Huarong” training plan for reserving young talents. It successively held a total of 3 special training sessions in economic and financial professional knowledge, improvement of business capability and expansion of international vision, as well as advancement for comprehensive management of enterprises, which aimed to fully promote youths’ competence and quality. There were ten topic reports formed by training sessions, including Preliminary Concepts of Enterprise Credit Risk Management System Based on Big Data Technology, which all targeted at specific business and needs of the Group’s development and functioned as a bridge for playing synergistic effect of China Huarong’s “one body, two wings”.



In 2017, China Huarong initiated “Stars of Huarong” Training Plan for Young Employees

3. BEING A GOOD LISTENER

In line with the principle that every employee's voice can be heard, China Huarong would collect demands of employees. The Group elected 211 additional employee representatives for performing the democratic rights on behalf of all employees and safeguarding the employees' rights to know, to participate, to express and to supervise. The Group amended the Opinions on Operation of Grass-roots Employee Representatives Meeting Regulation, standardized the daily operation and management of the employee representatives meeting at its subsidiaries. In addition, the Group guided and urged the newly established institutions to formulate the employee representatives meeting regulation and convene employee representatives meeting, so as to improve continuously democratic management at the grass-roots level.

In 2017, China Huarong convened three employee representatives meetings in different forms, such as video conference, on-site meeting and internet meeting, successfully completed the general election and by-election of employee representative supervisors of the second session of Board of Supervisors. The meeting voted to adopt the "Interim Measures for the Administration of Supplementary Medical Insurance" and other important rules and regulations related to employees' benefits. In soliciting proposals for the fourth meeting of second session of the employee representatives meeting, the Group collected proposals including comprehensive staff protection, retired staff management, staff training, improvement of working conditions, education of staff's children, perfection of business processes and enhancement of corporate culture construction, etc., and then provided relevant suggestions for them. After the review of the employee representative meeting examination committee, some of proposals were implemented. In 2017, proposals of employee representatives were well handled as well.



In March 2017, China Huarong convened the Fourth Meeting of Second Session of the Employee Representatives Meeting & Labor Union Members' Congress

4. HARMONIOUS BIG FAMILY

China Huarong is committed to creating a harmonious working and living environment for its employees, helping employees to effectively solve their life difficulties and organizing a series of ample recreation and sports activities so that every employee can feel the meticulous care.

Employee Care

The Company set up a labor union committee. To be in line with the principle of seeking welfare for its employees, serving its employees sincerely, caring for employees' physical and mental health, the labor union committee regularly organizes health examination for the employees to protect employees' rights and interests. In March 2017, the 4th meeting of the second Session of the employee representatives meeting passed the "2017 Budget Arrangement for Employee Benefits". In 2017, an employee of the Company had a sudden myocardial infarction at the site of the project and eventually died from ineffectual rescue. The Company promptly carried out the industrial injury compensation and post-treatment work. At the same time, the Company strengthened the education for employees about safety issues during working and business trip. Furthermore, the Company increased the physical examination items for the employees. During the reporting period, the total number of days of injury lost of the Group was 355 days.

China Huarong always attaches importance to fulfilling social responsibilities, actively promotes the corporate culture of "relying on employees, developing for employees, sharing with employees". In order to further consolidate and give play to "Huarong Trust of Love" and "China Huarong Relief Fund for Employee Serious Illness", Mr. Lai Xiaomin, chairman of the Company, once again donated his writing remuneration of RMB 1.5 million to Huarong Trust of Love and the China Huarong Relief Fund for Employee Serious Illness. Approved by the commissions of the two institutions, a total of RMB 1.644 million was used in 2017. Among them, "Huarong Trust of Love" allocated RMB 1.084 million to 17 employees and to Dun village, Tushala town, Hetian city, Xinjiang, and "China Huarong Relief Fund for Employee Serious Illness" allocated RMB 560,000 to 27 employees for medical aid and condolences, which plays a vital role in social poverty alleviation, special aids and caring. The Group organized the "warmth-giving activities" during the New Year's Day and Spring Festival of 2017 and allocated RMB 170,000 to 37 needy employees.

To promote and safeguard the rights and interests of female employees and fully embodies love and care to them, China Huarong arranges health examination for female employees annually. In addition, it continues to push forward the renewal of the "Special Collective Contract for the Protection of the Rights and Interests of Female Employees" for protecting rights and interests of female employees.

Recreation and Sports →

China Huarong organizes various recreation and sports to enrich employee's spare-time activity, to promote the internal communication of employees and to improve physical quality of employees.

Case: Participating in the Third Sport Meeting of National Financial System and Realizing a Breakthrough of Winning the First Golden Medal

China Huarong actively organized its employees to participate in the third Sports Meeting of National Financial Systems of 2017. The Group sent more than 50 delegates to take part into 10 competitions and perform Tai Chi as well. The Group won the women's 40-meter running champion, which realized a breakthrough of winning the first golden medal in the Sports Meeting of National Financial System. The players of the Group won medals and cups in the 7 sport competitions, which fully showed the tenacious spirits of China Huarong people.



In September 2017, China Huarong participated in the third Sports Meeting of National Financial System



In July 2017, China Huarong held the Theatrical Festival of "Co-constructing Huarong Dream , celebrating the 19th CPC National Congress"



In October 2017, China Huarong held the “Qing Feng Huarong” painting and calligraphy exhibition.



In December 2017, an employee of China Huarong was awarded the Golden Prize and the Excellence Prize in the 4th National Photographic Exhibition (Agriculture Bank Cup) by Chinese Finance Photographer Association.



**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.

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

The Fifth Plenary Session of the Party's 18th Central Committee put forward the idea of “innovation, coordination, greenness, openness and sharing”. Ecological, recyclable and sustainable green development has become the consensus of all walks of life and common practice. China Huarong as large financial state-owned enterprise, regards low-carbon development as its own duty. It supports the development of green industry through the comprehensive financial services, reduces its energy consumption and adheres to green office at the same time. The Group embodies the idea of green, low-carbon, sustainable development in the whole process of operation management.

1. SUPPORT LOW-CARBON ECONOMY AND DEVELOP GREEN FINANCE

In line with the development trend of China's low-carbon energy. China Huarong vigorously develops green finance through direct investment and acquisition-and-restructuring, and leverages resources to support the development of green industries and promote the transformation of low-carbon economy.

Aiming at Green Poverty Alleviation and Boosting Environmental Protection Industries →

To build a beautiful China with green water and green mountains cannot success without financial support. China Huarong has always actively fulfilled its responsibilities of financial enterprises, made efforts to promote the precise connection between green finance and industrial poverty alleviation, vigorously promoted the combination of industry and finance, supported the development of green industries and assisted the economic restructuring and upgrading.

Case: Reducing Emission by Launching the "Fishing Light Complementary" Photovoltaic Power Station Leasing Project

In 2017, Huarong Financial Leasing and one electric power company in Ninghai, Zhejiang, carried out a leasing project of the "Fishing Light Complementary" photovoltaic power station. This project was the first "Fishing Light Complementary" photovoltaic power station assets leased by Huarong Financial Leasing, which is in line with the national support for green financial development's initiatives and guidelines. Compared with thermal power of the same capacity, the "Fishing Light Complementary" photovoltaic power station could save about 35,900 tons of standard coal per year and reduce around 84,800 tons of carbon dioxide, 427.2 tons of smoke emissions, and 326.4 tons of sulfur dioxide emissions each year. The photovoltaic power station of the project could be able to fill the local electricity gap and meet the local production capacity. "Fishing Light Complementary" model of photovoltaic power station has proved to be beneficial to mudflat aquaculture, and has the potential for developing leisure tourism industry. Besides strong promotion effect, the "Fishing Light Complementary" photovoltaic power station has higher social benefit than ordinary centralized photovoltaic power station on the ground.

Issuing Green Bonds to Promote Financial Innovation →

In recent years, the practice of green finance in domestic and international market is growing. Innovative financial products like green bonds, green securities, green insurance and environment funds continue to spring up. The breadth and depth of financial and ecological environment protection's integration keeps expanding. Huarong Xiangjiang Bank and Huarong Financial Leasing have gradually improved the green financial system, promoted the green finance attribute, and practiced the social responsibility of green development.

Case: Huarong Financial Leasing Issued Green Financial Bonds

On February 14, 2017, Huarong Financial Leasing successfully filed on the bookkeeping issued the first phase green financial bond with issuing scale of RMB 2 billion in the national inter-bank bond market in 2017, including the three-year and five-year two varieties. Issuers and debt ratings are AAA. Raised funds would be specially used for green projects that could improve the environment and mitigate climate change, such as the projects in environmental protection, energy saving, clean energy and clean transportation. Next, Huarong Financial Leasing will further promote the development of green financial business and green financial service level.

Practice of Green Development and A Boost for Green Economy →

China Huarong has always regarded the green economy as the booster of sustainable development, and has been committed to developing green finance and striving to be the practitioner of green credit. China Huarong actively responds the call for energy saving and emission reduction, gives full play to its comprehensive financial service advantages, guides the subsidiaries to develop green financial services to promote green, cyclic and low-carbon development.



Case: Development of Green Finance by Huarong Xiangjiang Bank

In recent years, Hunan Provincial Party Committee and Provincial Government have decided to push forward the construction of "Two-oriented Society" (resource-conserving and environment-friendly society). As a social capital intermediary agency, Huarong Xiangjiang Bank is national industrial policy oriented and strengthens environmental and social risk management. Following the principles of tailor-made methods to promote and to confine, the bank strictly controls its new credit support for high-polluting, high-energy consuming projects and product export, and continues to drop out of enterprises with excessive emission and lagging production capacity. The loan review stage focuses on the compliance, integrity and legality of the environmental approval documents, and the loan issuance process focuses on the borrower's production energy consumption and environmental compliance information. Post-loan management phase ensures strict exit criteria, and strengthens the real-time risk forewarning management. Environmental risk credit quit mechanism was established against loan enterprises which didn't reach the standard of energy consumption and environmental protection or in violation of relevant provisions of the country. Integrating the concept of "green credit" into the credit policy, and increasing the support of green credit, providing powerful credit fund support for a group of key environmental protection enterprises and projects with greater social impact. In 2017, environment protection projects and the companies which was supported by and got loans from Huarong Xiangjiang Bank performed well in energy saving and emission reduction, total saving 11,338 of standard coal and 3,050 tons of water as well as reducing 10,088.2 tons of chemical oxygen demand (COD) emission, 22,100 tons of carbon dioxide, 665 tons of ammonia nitrogen, and 895 tons of sulfur dioxide.

Case: Setting up the Eco-environmental Protection Development Fund in Jiangsu Province

On July 17, 2017, Huarong Tianze and Jiangsu Provincial Government Investment Fund jointly initiated the establishment of Jiangsu Eco-environmental Protection Development Fund in Nanjing, Jiangsu. The fund is a province-level fund that focuses on eco-environmental protection in Jiangsu province. The layout of Eco-environmental Protection Development Fund in Jiangsu province was based on the industrial structure's characteristics and plans of the areas along the Yangtze river, areas around Tai Lake, coastal areas and the northern of Jiangsu areas. Taking the national and Jiangsu province's ecological and environmental protection laws and regulations and related policy documents as the guide, it was arranged with the combination of Jiangsu province's implementation plan of ecological protection, the implementation opinions of the development of the provincial chemical industries' transformation, the comprehensive implementation plan of energy conservation and emission reduction. Its main investment was used in special projects' investment and financing which includes the relocation of hazardous chemicals, water environment control, ecological protection and restoration. And it also participated in relevant PPP (Public-Private Partnership) project.

2. FOLLOWING GREEN CONCEPT AND REALIZATION OF GREEN OPERATION

China Huarong has devoted to integrating 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. In 2017, China Huarong 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 on a regular or irregular basis, and continuously urge and supervise employees to make contributions to energy-saving in terms of routine details. The subsidiaries such as Huarong Qianhai Wealth Management Co., Ltd. and Huarong Jinshang Asset Management Co., Ltd. established environmental management framework, to ascertain companies' division of the environmental management. Huarong Financial Leasing formulated the Management Measures for Office Supplies, advocating green office and promulgated the Management Measures for Office Rooms, to construct energy-saving enterprises with decoration of low-carbon environmental protection materials, and green energy-saving products. Huarong Financial Leasing also formulated the Implementation Plan for Official Vehicle System Reform, and made special priority to select new energy vehicles. Huarong Consumer Finance made full use of cloud computing technology and risk control based on big data and provided customers with rapid, paperless

and online services such as loan application, approval, payment and repayment through official website, App, WeChat, Alipay and other channels.

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 water and papers. China Huarong's regular waste mainly includes waste paper and office waste; no waste gas and liquid have been generated. Wasted cartridge and ink cartridge are recycled by their producers, and wasted modulator tube and Electronic waste are disposed by those certified third parties.

Energy and Resource Consumption, Waste and Emission of the Company in 2017¹

Items	Type	Amount
Resource consumption	Electricity (kWh)	11,680,894.61
	Gasoline (liters)	915,432.24
	Water (tons)	185,393.50
	Nature gas (m ³)	268,947.94
	Outsourcing thermal (GJ)	33,448.99
	Liquefied petroleum gas (m ³)	3,101.88
	Paper(tons)	67.75
Waste	Wasted cartridge (pieces)	2,894
	Wasted ink cartridge (pieces)	638
	Wasted modulator tube (pieces)	7,920
	Electronic waste (tons)	7.73
	Household garbage (tons)	5,830.58
	Kitchen garbage (tons)	398.98
Emission	Scope1 +Scope2 ² carbon dioxide emissions (tons)	2,228,567.01

Note: 1. during the reporting period, China Huarong conducted statistical accounting of all kinds of energy consumption, waste and emissions from its headquarters and branches as the annual disclosure scope in 2017. At the same time, the Group started a trial collection of environmental data of subsidiaries, and would further expand the scope of disclosure to subsidiaries in the future.

2. Scope1 refers to all direct GHG emissions, Scope 2 refers to indirect GHG emissions from consumption of purchased electricity, heat or steam.

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



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

China Huarong adheres to share its fruits of development with society, which has insisted fixed-point poverty alleviation for 15 years and continued to open up creative poverty alleviation modes. At the same time, China Huarong makes use of its own business advantages and the Group's trans-regional management mode and distribution, it has implemented nationwide activities to give back to communities and make contributions to their construction and development.

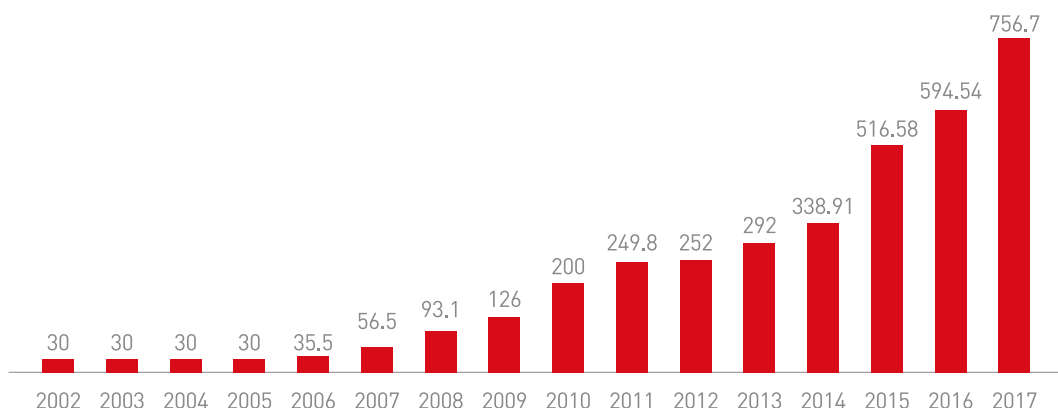
1. THE HARVEST OF “FINANCE+” TARGETED POVERTY ALLEVIATION

China Huarong, as the designated poverty alleviation organization appointed by the Poverty Alleviation Office of the State Council, has set targeted poverty alleviation as an important political assignment, and has carried out its targeted poverty alleviation work in minority ethnic areas, border areas and poverty-stricken areas. It has effectively explored a series of strategies—“poverty alleviation by science and education, intelligence, brand, benefit, project and strategy” and opened up a new way of “financial +” targeted poverty alleviation in its practice. On December 28, 2017, the seminar of the thought of President Xi's socialism with Chinese characteristics in new era-- the top 10 typical experience research achievements of targeted poverty alleviation in 2017 had been announced in the 4th National Governance Peak BBS Annual meeting in 2017, in which China Huarong's “financial +” targeted poverty alleviation model had successfully been selected. During the year of 2017, the total donations of the Group related to poverty alleviation reached RMB 44.72 million.

As a national-level poverty-stricken county, covering 211 villages and a poverty-stricken population of 209,400, Xuanhan county in Sichuan province became the target of poverty alleviation of China Huarong in 2002. China Huarong brought its financial advantages into full play. Combining the current development situation of Xuanhan county in Sichuan province, with its actual demands, the Group focused on three major areas of industry poverty alleviation, people's livelihood poverty alleviation and education poverty alleviation. Through the constant promotion in the application of poverty alleviation funds and projects'

management methods, the Group aimed at elevating its working efficiency. As of December 31, 2017, the total investment of poverty alleviation funds to Xuanhan county, Sichuan province had reached RMB 36.32 million, the total value of the money donation and material donation worth RMB 11 million. The Group would spare no effort to promote economic and social development of Xuanhan county.

Investment of China Huarong in fixed-point poverty alleviation (RMB in thousand)



Total investment in fixed-point poverty alleviation is RMB 36.32 million, with average amount of RMB 2.27 million a year from 2002 to 2017

Poverty Alleviation by Building Industries →

In 2017, China Huarong had donated RMB 1 million to build a silage processing plant (“feed factory”) in Fengcheng town, Xuanhan county, Sichuan province, using cornstalks produced in nearby areas of Fengcheng town as raw materials so as to provide upstream industry line services for Xuanhan county’s key development in Shu Xuan cow. The Group had invested capitals for all families in Longquan village registered as in poverty to help them become shareholders of cooperatives by their share capital and increase the earnings of low income families through money bonus from feed factory. Meanwhile, through order support mode, feed factory could put up the procurement prices of cornstalks in the nearby areas to develop targeted poverty alleviation for the poverty-stricken families in area. In 2017, feed factory had purchased 3,000 tons of cornstalks from the nearby farmers and 2,000 tons finished fodder products had successfully been sold, which had efficiently assisted in the disposal of cornstalks in the surrounding areas and improved peasant households’ income. The feed factory also employed poverty-stricken families to process and produce the needed products, bring more than RMB 200,000 service revenues.

At the same time, China Huarong had invested RMB 1.2 million to further expand its scale of China Huarong Agriculture Industry Poverty Alleviation Fund (“Industry Fund”) and negotiated with Poverty Alleviation Immigration Office of Xuanhan county to revise and fulfill the fund regulations. In 2017, the Industry Fund had provided RMB 1.6 million loans in total to develop projects, including the production of

"peach blossom rice", planting Chinese traditional medicine and cherry in Renyi village, breeding black-haired pigs and planting walnuts in Longquan village, and planting crisp raspberries in Paoma village, Xuanhan county, Sichuan province. It had effectively solved the financing trouble of poor villages in industry development and the predicament in cash flow. Besides, the Group also appealed its employees to purchase products of poverty alleviation projects. In 2017, the Group had spent about over RMB 0.75 million on the purchase of "peach blossom rice" and over RMB 0.3 million on the purchase of black-haired pigs, which exerted a profound influence on the increase in income of poverty-stricken villages and the improvement of their living standard.

Poverty Alleviation by Improving People's Livelihood →

China Huarong devoted to assist the poverty-stricken areas to promote their infrastructure construction and improve people's livelihood welfare. In 2017, the Group had appropriated RMB 0.5 million from party membership dues, respectively used to build activity rooms of party construction culture for Renyi village and Longquan village. It further strengthened the construction of grass-roots Party organization, providing villagers places for cultural activities and meetings, which fortified the cohesion of poverty-stricken villages' Party organization. In order to meet government's relocation and dangerous house renovation policies, the Group offered RMB 0.6 million counterpart funding to help Renyi village construct new village settlement points. In accordance with "no worry on food and clothes, compulsory education, basic housing and health insurance can be guaranteed" standard, the Group made an assistance for 52 people from 16 registered poor families in Renyi village to realize "housing security can be guaranteed". From the aspect of villagers' going out, the Group had arranged RMB 0.5 million and RMB 1 million respectively for Renyi village and Longquan village to make a supplement for the construction of the internal connected road between two villages. Total of 3.2 kilometers roads were hardened and the dead-end highway between village communities and from village community to main stem were connected through, which had solved the difficulties on villagers' travel and transportation of agricultural products. Besides, the Group invested RMB 0.1 million to fund students from registered poverty families in Renyi village and Longquan village. The relief and condolence for those poverty-stricken villagers troubled by disease and disasters were delivered to convey warmth.

Poverty Alleviation by Education →

Education is the foundation of a country's development. Besides the life insurance provided to poverty-stricken family, China Huarong paid more attention to promote education level and culture for students from poor areas. In 2017, the Group continued to invest RMB 0.66 million to carry out the third project of the prize fund called "China Huarong —the most beautiful rural teachers in Xuanhan county" so as to reward 50 outstanding rural teachers selected by the Bureau of Education of Xuanhan county, who were invited to attend training in Beijing in August 2017. At the same time, the Group continued to invest RMB 0.51 million to implement project of "China Huarong Assisting Poor Student Fund". Within 2017, 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, covering a total number of 210 students. It aimed to encourage poor students' desire to study and change their destiny with knowledge. For the improvement of students' basic living condition and learning environment from poverty-stricken areas, the Group appropriated RMB 1 million to rebuild the girl's dormitory which had been authenticated as dangerous building and invested RMB 0.5 million to donate computers, books and sporting goods for schools in poor areas in Xuanhan county, Sichuan province.



In 2017, China Huarong organized the third Symposium of "China Huarong - the most beautiful rural teachers in Xuanhan County"

Case: Funding the Construction of China Huarong Gutian Hope Primary School

On December 22, 2017, the donation ceremony for China Huarong Gutian Hope Primary School was held in Gutian, Shanghang county, Fujian province. The school was the third one implemented in the old revolutionary base areas and the special project plan of educational poverty alleviation. RMB 10 million donation of China Huarong would be used to build a new teaching building and its subsidiary facilities, covering 4,100 square meters. It was planned to be settled and come into service in December 2018, which will be admissible for 36 classes and predicted to fulfill the study demand of 1,600 students. Once the school construction has been finished, it can effectively solve the current crowded situation of teaching materials so as to improve school's teaching environment.



In December 2017, the donation ceremony for China Huarong Gutian Hope Primary School was held in Gutian, Shanghang county, Fujian province.

2. DEVOTION TO PUBLIC SERVICE AND BEAUTIFUL CHINA CONSTRUCTION

Life-giving spring breeze and rain are hidden but influential. Participation into public service, rewarding society and enthusiasm in charity are essential components of social responsibility concepts of China Huarong. Over the years, China Huarong's warm heart could be found in the donation to relieve the people in the disaster and poverty, active poverty alleviation work in villages and towns, as well as its voluntary service for school of rural migrant workers' children and for vulnerable groups.

Philanthropy Activities →

Case: Donation to Earthquake Stricken Areas in Jiuzhaigou, Sichuan Province from China Huarong

On August 8, 2017, a 7.0-magnitude earthquake attacked Jiuzhaigou county, Aba autonomous prefecture, Sichuan province, caused serious casualties and property loss. To help people in disaster areas, employees of the Group organized the donation activities immediately and donated RMB 3.02 million in total to Sichuan Charity Federation, which showed their sympathy and love to people in disaster area.

Case: Clothing Donation Activity Organized by Huarong Youth Federation and Youth Volunteer Association in 2017

“Send rose to others while fragrance is left in your hand”. In November 2017, Huarong Youth Federation and Youth Volunteer Association were oriented by “joyfully welcome 19th CPC National Congress, and warm the heart in the early winter”, and successfully held a philanthropic activity of “the love clothing donation activity from organizations of China Huarong located in Beijing in 2017” for poor people in Butuo county, Sichuan province, Minsheng town, Xinchang city, Sichuan province, and Yuxin district, Yueyang city, Hunan province. The activity raised 2,620 clothes in total, packed in more than 100 boxes and the raising amount of this year increased more than twice compared with 2016, which had contained the maximum amount since the “love clothing donation activity” held three years ago.



In November 2017, China Huarong launched the clothing donation activity from organizations located in Beijing.

 **Case: “Sincere Guardian, Grow Happily” Exceptional Children Caring Activity**

China Huarong Jiangsu Branch organized its employees and headed for the special school in Pukou district, Nanjing, Jiangsu to launch exceptional children caring activity. The employees held a special collective birthday activity for these children as a gift of “Sincere Guardian, Grow Happily” for their tenth birthday. In accordance with these children’s interests and traits, the employees elaborately decorated the site, prepared birthday cakes, birthday presents and some performance. Employees of Jiangsu Branch were deeply touched by these children’s perseverance and endeavor through the activity, which would inspire them to face their work and life with a stronger and more optimistic attitude.



In June 2017, “Sincere Guardian, Grow Happily” Exceptional Children Caring Activity organized by China Huarong Jiangsu Branch.

 **Case: China Huarong (Fuzhou) Educational Fund Offered Education Monetary Awards**

China Huarong (Fuzhou) educational fund was set up in 2016, jointly established by China Huarong and Fuzhou Education Development Association. In August 2017, China Huarong offered total of RMB 450,000 education monetary awards to 100 teachers and students who came from 13 districts and counties in Fuzhou, Jiangxi at “China Huarong (Fuzhou) educational fund award ceremony of 2017”.

Financial Knowledge Popularization →

As a financial institution, China Huarong actively performed the protection of the legitimate rights and interests of consumers to promote social responsibility of the public's financial quality. In 2017, in order to benefit residents from the aspects of strengthening their consciousness of risk and improving their financial quality, the Group had developed various financial knowledge popularization activities.

🎯 Case: “Action of China Huarong to Guard the Tower of Ivory” Themed Activity

On June 27, 2017, CBRC Anhui Office, the Communist Youth League Anhui Provincial Committee and Anhui Education Department held the launch ceremony of “bringing financial knowledge into campus” activity together in Anhui University. Huarong Consumer Finance, as the only one financial organization joined the exhibition apart from banking industries, focused on “action of China Huarong to guard the tower of ivory” and performed the program “Something about Net Loan” to the audiences present. Huarong Consumer Finance positively advertised and popularized financial knowledge to all students, which aimed to guide them to form a healthy consumption concept and help them discriminate different net loan platform so as to improve their cognition on credit investigation and self-guardian.



In 2017, Huarong Consumer Finance joined the program of “Deliver Financial Knowledge into the Campus”.

🎯 Case: The Month of “Financial Knowledge into Average Family”

From July 2017 to October 2017, China Huarong Gansu Branch launched an activity— the Month of “Financial Knowledge into Average Family”. Gansu Branch relied on its own business to advertise financial knowledge to the clients and mainly explained the risk of private lending, guiding clients to

select financial products and service from formal financial institution. In the meantime, Gansu Branch stepped into communities to carry out education activities, receive the present masses' consultation and solve the difficulties they had met in investment and finance as to establish a proper financing concept for them. In addition, Gansu Branch went deep into two universities in Lanzhou city, Gansu, to popularize financial knowledge for about 200 college students through two lectures. The lectures focused on illegal campus loan, risk on net loan, how to identify the corresponding swindle and some other related information about college students' life, which further promoted the precaution consciousness and ability on risk recognition of college students.

Voluntary Service →

Huarong Youth Federation was founded in 2011. China Huarong took the lead in establishing Youth Volunteer Association in CBRC system in 2015 and drew up measures for the Regulations for Youth Volunteers Association of China Huarong (Trial Edition). China Huarong has already equipped with relatively complete voluntary work organization chart and management system. The young volunteer troops of China Huarong, is an important organization of the Group, endeavored to give something back to society and always practiced the testament of youth that "let youth flicker in our service" since the first day.

Case: Organizing the Voluntary Service in Community

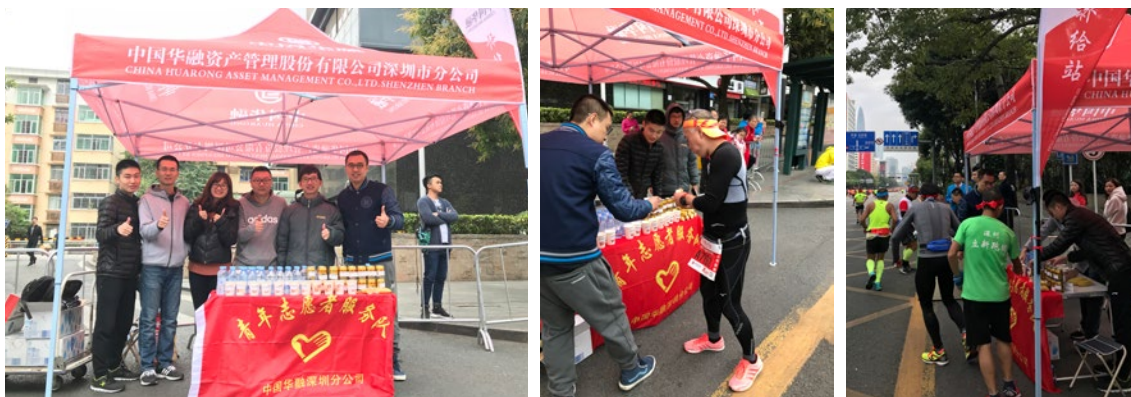
In order to fulfill corporate social responsibility and match up with the activity of creating national civilized city (nominated district) of Huangpu district, Shanghai, the Youth League Committee and Young Volunteer Service of China Huarong Shanghai Branch organized a two-month volunteer service in community since May 2017. It was also a response to the appeal of "learning the General Secretary's speech to be a qualified league member" educational practice activity, which was held by the Youth League Committee of the Company. Volunteers could apply their spare time to take part in voluntary activity, joint each block in their dependency, integrate into local and serve local and contribute to the construction of civilized city of Huangpu district, Shanghai, which showed the mettle of China Huarong's young employees to society.



In 2017, China Huarong Shanghai Branch organized a two-month volunteer activity for local community.

Case: Young Volunteer Team Supporting 2017 Shenzhen International Marathon

On December 17, 2017, the 5th Shenzhen International Marathon got started in the civic center. The volunteer teams of China Huarong Shenzhen Branch supported for 2017 Shenzhen International Marathon with their actual practice by providing supplement service for players. At the “China Huarong Service Station”, the volunteers offered participators suppliers such as mineral water, energy drinks, food and medicines, and cleaned up the rubbish in time after match to response the environmental protection concepts of “keeping Shenzhen beautiful without leaving litter” and “love but not rubbish being the only thing left”.



In December 2017, young volunteer teams from China Huarong Shenzhen Branch supported Shenzhen International Marathon

Trust Fund of Love →

To further play active roles of trust system in public service and practically fulfill corporate social responsibility, China Huarong established “Huarong Trust Fund of Love” for public service, targeted poverty alleviation and in-company care in 2014.

“Huarong Trust Fund of Love”, as a new model for social care, could take advantage of trust system to make funds management more independent and professional. Huarong Trust Fund of Love could be applied as disaster relief donation for the domestic major catastrophe as well as for China Huarong’s fixed-point poverty alleviation, support public service and other philanthropic activities. China Huarong will irregularly supplement capital through poverty alleviation funds, corporate donations and personal donations of employees. In 2017, the Group donated RMB 161 thousands though the Trust Fund of Love.



**Adapt to the “new normal”,
look for new drivers and
achieve new development**



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

OUTLOOK OF 2018

China Huarong will remain true to its original aspiration and keep the mission firmly in mind, forge ahead and move forward in solidarity. Under the guidance of “learning from, serving, promoting, carrying out and implementing the 19th CPC National Congress”, the group will put the spirit of National Financial Working Conference into action and continuously enhance the core business of distressed asset management so as to carry forward the Group’s scientific, stable and sustainable development.

【 Defusing Financial Risks 】

China Huarong will support the nation’s regional development strategy and “the Belt and Road” initiative, leverage its professional strengths and core competitiveness in distressed assets management to help defuse financial risks, serve the real economy, and fully function as a “safety net” and “stabilizer” for the social economy and finance.

【 Creating New Service Models 】

China Huarong will keep in mind that the core competitiveness of service industry is its power and ceaseless exploration. China Huarong will grow better, stronger and bigger, continue to explore and innovate new business models, and further upgrade its customer service to improve customers’ experience and satisfaction.

【 Employees Care 】

China Huarong will continue to raise the happiness of its employees and bring more benefits for them. From the perspective of the grass-roots employees, the Group will guarantee their overall rights and interests and build a scientific and reasonable pipeline for promotion. The Group will strive to develop talent training programs and provide a wide space and platform for their growth. Also, it will keep clear communication channels to have the employees’ voices heard and care them.

【 Construction of Eco-civilization 】

In order to put guiding principles from 19th CPC National Congress into action, China Huarong will, through its integrated financial services, support the economic system of green, low-carbon and circular development, help accelerate the transformation and upgrade process of traditional energy industries, assist in construction of national eco-civilization. It will also advocate green office and green operations.

【 Devotion to Public Service and Charity 】

China Huarong will make further efforts in its targeted poverty alleviation by putting it into practice. The Group will maintain “financial +”targeted poverty alleviation models and enrich its measures of poverty alleviation as well. It will continue to carry out public service for communities and keep a close touch with them through more dialogues and communication. Based on their real needs, the Group will further support community development and devote itself to voluntary service in communities.

INDEPENDENT ASSURANCE REPORT OF THE CSR REPORT



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Social Responsibility Report Independent Assurance Report

安永华明(2018)专字第60098698_A01号

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

I. Scope of Our Engagement

The 2017 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 2017 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. -Hebei Branch
- China Huarong Asset Management Co., Ltd. -Jiangsu Branch

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 2017:

Environmental indicators

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

Social indicators

- Investment of China Huarong in fixed-point poverty alleviation
- Huarong Trust Fund of Love donation amount by the group
- Average training time per employee of the group

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



安永华明 (2018) 专字第 60098698_A01 号

- 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 us to believe that the selected indicators were not presented fairly in all material respects in the 2017 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.

Ernst & Young Hua Ming LLP
Ernst & Young Hua Ming LLP
Beijing, PRC
15 March, 2018



HKEX ESG REPORTING GUIDE INDEX

Disclosures and KPIs		Response
Environmental		
A1: Emissions		
General Disclosure		P43
A1.1	The types of emissions and respective emissions data.	The Group operates within office building, which has minor affect towards environment.
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P44
A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P44
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	P44
A1.5	Description of measures to mitigate emissions and results achieved.	See mitigating emissions measures on P43. Due to small amount of emission, there is no emission reducing plan at the moment.
A1.6	Description of how hazardous and non-hazardous wastes are handled reduction initiatives and results achieved.	See handling measure on P44. Due to small amount of waste, there is no waste reducing plan at the moment.
A2: Use of Resources		
General Disclosure		P43
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).	P44
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P44
A2.3	Description of energy use efficiency initiatives and results achieved.	See reducing energy usage plan on P43. Due to small amount of energy usage, there is no energy reducing plan at the moment.
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The Company use and only use municipal water. See measure for reducing water usage on P43. Due to small amount of water usage, there is no water reducing plan at the moment.
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	The Company's business concerns service providing. Packing material is not applicable.
A3: The Environment and Natural Resources		
General Disclosure		P43
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P44
Social		
Employment and Labor Practices		
B1: Employment		
General Disclosure		P30
B1.1	Total workforce by gender, employment type, age group and geographical region.	P31
B1.2	Employee turnover rate by gender, age group and geographical region.	P31

B2: Health and Safety		
General Disclosure		According to Labor Law of the PRC, there is no health and safety risk within the Group.
B2.1	Number and rate of work-related fatalities.	P36
B2.2	Lost days due to work injury.	P36
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P36
B3: Development and Training		
General Disclosure		P32-34
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	100%
B3.2	The average training hours completed per employee by gender and employee category.	In 2017, the Group has disclosed average training rates rather than average training hours by gender and employee category.
B4: Labor Standards		
General Disclosure		P30
B4.1	Description of measures to review employment practices to avoid child and forced labor.	P30
B4.2	Description of steps taken to eliminate such practices when discovered.	P30
Operating Practices		
B5: Supply Chain Management		
General Disclosure		P10
B5.1	Number of suppliers by geographical region.	The Company mainly concerns financial related services, material purchase is not applicable.
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	P10
B6: Product Responsibility		
General Disclosure		The Group's business does not concern consumers directly, hence there is no health and safety risk.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Company does not provide physical good directly.
B6.2	Number of products and service related complaints received and how they are dealt with.	P26
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Due to the business particularity, intellectually property management is not applicable.
B6.4	Description of quality assurance process and recall procedures.	The Company does not provide physical product.
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P29
B7: Anticorruption		
General Disclosure		P09
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.	There was no relevant lawsuit concerns for the Company during the reporting period.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P09-10
Community		
B8: Community Investment		
General Disclosure		P46 P50
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P46-55
B8.2	Resources contributed (e.g. money or time) to the focus area.	P46-55

FEEDBACK FORM

Dear readers:

Thank you for reading the 2017 Social Responsibility Report of China Huarong. 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, or call your valuable advice directly. Really appreciate it.

Address: China Huarong Board Office, 8 Financial Street, Xicheng District, Beijing, China

Post code: 100033

Tel: 86-10-59619119

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

- Shareholder Employee Supplier Customer Government Supervisory authorities
 Community Other (please specify)

2. Have you read the Social Responsibility report of China Huarong Asset Management Co.,Ltd. (or ESG report)? (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 report?

·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, 2018

SOUNDNESS

INNOVATION

HARMONY

DEVELOPMENT





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