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中國華融資產管理股份有限公司

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

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

**(Stock Code: 2799)**

## **PROFIT WARNING**

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

### **I. THE RESULTS ALERT FOR THE PERIOD**

- (I) The period of results alert: 1 January 2022 to 30 June 2022.
- (II) Results alert: Upon the preliminary calculation, the Group’s net loss attributable to the shareholders of the Company for the six months ended 30 June 2022 is expected to be approximately RMB18,878 million (net profit attributable to the shareholders of the Company in the first half of 2021: RMB158 million).
- (III) The financial data involved in the results alert has not been audited by the auditor.

## II. MAIN REASONS FOR CHANGE IN THE RESULTS OF THE PERIOD

In the first half of 2022, the Group intensified reform and restructuring efforts based on the introduction of strategic investors and capital increase, corporate governance structure further optimized, operations and management capacity gradually enhanced and the system of risk management steadily improved. Focusing on the overall objective of “transformation of core business and resolution of risks”, the Group’s resolution and tackling of risks were promoted steadily with full efforts, and the asset base was further consolidated. The transfer of licensed subsidiaries was conducted in an orderly manner with a focus on main responsibility and core business, and the asset and liability structure was further optimized through active adjustment of business structure and debt size reduction at full stretch. Enhanced corporate governance and streamlined systems and processes have contributed to improved management and control capability. However, because of the impact of volatility in the capital market and downturn in the real estate market, which were caused by various factors such as the recurrence of the COVID-19 pandemic, geopolitical conflicts and pressure in macroeconomy, the Group’s interim results of 2022 did not meet expectations and the main reasons for which are as follows:

- (I) Affected by the continuous volatility in the capital market in the first half of 2022, some of the equity financial assets held by the Group experienced fair value changes, and recorded significant unrealized losses.
- (II) Affected by the macroeconomic pressure and the downturn in the real estate industry, the contract performance ability of the related customers declined and the asset quality deteriorated. For prudent consideration, the Group recognized the credit impairment losses in the current period, which increased significantly on a year-on-year basis. Due to the impacts of the increase in credit risk and the decrease in asset size, the income from acquisition-and-restructuring distressed debt assets decreased on a year-on-year basis.

It should be noted that, by making the provisions for credit impairment losses and losses from fair value changes in the current period, the Company has laid a solid financial foundation for subsequent disposals of its risk assets.

### III. MAIN COUNTERMEASURES

In the second half of 2022, the long-term positive fundamentals of China's economy have remained unchanged and macro policies will play a more active role in expanding demand. The Group will seize the opportunity to further strengthen the important role of financial asset management companies in serving the national strategy and supporting the real economy, earnestly implement the requirements of the plan for the construction of New Huarong, consolidate the foundation, seek progress while maintaining stability and improve quality and efficiency to achieve success in risk resolution, getting out of trouble, transformation and development:

- (I) **Adhere to strategic leadership and tackling efforts for all-round transformation.** The Group will follow its “one-three-five” development objective, namely, striving to get on the right track in one year, significantly improve quality and efficiency in three years, and become an industry benchmark in five years. It will accelerate revitalizing existing risk assets, optimize incremental business investment, innovate business models, strengthen customer services and continue to cultivate core competitive advantages.
- (II) **Make good use of shareholders' resources and strengthen business synergy.** Riding on substantial shareholders' resources, especially CITIC Group's advantages in industry-finance integration, the Group will strengthen all-round business synergy in such aspects as risk disposal and business expansion, and accelerate the resolution and revitalization of risk assets to foster new profit growth drivers.
- (III) **Focus on main responsibility and core business and optimize asset allocation.** In adherence to the national industrial and regional development strategies, the Group took initiative in the layout of emerging industries, innovated business models, explored the capital-light development path and cemented the position in the traditional distressed asset market. In addition, it actively expanded high-quality clients such as non-banking financial institutions and leading enterprises, increased high-quality projects reserve, and continued to enhance the profit contribution of the core business. In accordance with the strategy of “legal separation, substantive control, close supervision, restructuring and revitalization”, it will make every effort to separate the risks, resolve the risks and relieve the difficulty for real estate related projects.

**(IV) Strengthen basic management to stimulate internal momentum.** The Group will deepen the reforms of systems and mechanisms, improve the mechanisms for offering incentives and imposing constrains, strengthen the construction of a comprehensive risk management system and implement a technology-empowered strategy to reduce costs and increase benefits in a comprehensive manner. We will improve financing management to ensure liquidity safety.

**Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.**

By order of the Board  
**China Huarong Asset Management Co., Ltd.**  
**LIU Zhengjun**  
*Chairman*

Beijing, the PRC  
16 August 2022

*As at the date of this announcement, the Board comprises Mr. LIU Zhengjun, Mr. LIANG Qiang and Mr. WANG Wenjie as executive Directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping and Mr. XU Wei as non-executive Directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive Directors.*