

**Zhongrong International Trust Co., Ltd.**  
**2014 Annual Report**

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## **1. Important notes**

The Board of Directors and the directors of Zhongrong International Trust Co., Ltd. (the “Company”) undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liabilities to the authenticity, accuracy and completeness of its contents.

Independent directors of the Company undertake that the information in this report contains no false record, misleading statement or material omission, and assume individual and joint and several liabilities to the authenticity, accuracy and completeness of its contents.

There was no director rejecting to guarantee or having different opinions on the authenticity, accuracy and completeness of the report.

Baker Tilly China Certified Public Accountants issued an unqualified auditor’s report for the Company, and the Board of Directors of the Company also provided detailed explanations on relevant matters, which customers and interested parties shall read carefully.

Chairman Mr. Liu Yang and CFO Mr. Lian Jinhua undertake that the financial statements contained in the annual report are authentic and complete.

## **2. Company Profile**

### **2.1 Brief Introduction**

#### **2.1.1 Brief history of Company**

Zhongrong International Trust Co., Ltd. (the “Company” or “ZRT”) was established in 1987 as the Harbin International Trust Investment Co., Ltd. The Company completed rectification in April 2002 according to the *Circular of the General Office of the State Council on Forwarding the Trust and Investment Company Rectification Plan of the People’s Bank of China* (G.B.F. [1999] No. 12) and the *Circular on Further Strengthening the Rectification of Trust and Investment Companies* (Y.F. [2000] No. 389) of the People’s Bank of China (“PBOC”). In May 2002, the Company was re-registered and renamed as Zhongrong International Trust and Investment Co., Ltd. according to the *Reply on the Matters Concerning Re-registration of Harbin International Trust Investment Company* (Y.F. [2002] No. 139) of the PBOC. In 2004, the Company completed two equity transfer deals in succession, upon which the original shareholders, namely the State-owned Assets Supervision and Administration Commission of Harbin and Hacı Company Limited, transferred their stake in the Company to Harbin Economic Development & Investment Company and Zhongzhi Enterprise Group Co., Ltd. In July 2007, the Company was re-registered and granted a new financial license and renamed as Zhongrong International Trust Co., Ltd. according to the *Reply on Change of Name and Business Scope of Zhongrong International Trust and Investment Co., Ltd.* (Y.J.F. [2007] No. 295) of China Banking Regulatory Commission (“CBRC”).

In 2010, Jingwei Textile Machinery Company Limited acquired 117 million shares of the Company from Zhongzhi Enterprise Group, becoming its largest shareholder. All the shareholders of the Company increased their investments in the Company by capital contribution in cash according to their investment proportions or recapitalization of retained profits, increasing the Company’s registered capital from RMB325 million to RMB580 million. In 2011, except Harbin Investment Group Company Limited, three shareholders of the Company increased their investments in the Company by capital contribution in cash or recapitalization of retained profits, increasing the Company’s registered capital from RMB580 million to RMB1,475 million. At the end of 2011, the three shareholders of the Company, except Harbin Investment Group Company Limited, planned to increase their investments by capital contribution in cash, which had been approved by CBRC Heilongjiang Office. On 25 January 2013, the three shareholders actually contributed capital of RMB1 billion in total. On 29 January 2013, the Company completed the change of registration with the administration for industry and commerce, with its registered capital increasing to RMB1.6 billion. In June 2014, the Company converted RMB4.4 billion, comprising capital reserves of RMB1,173.7 million and retained profit of RMB3,226.3 million, to registered capital at the current shareholding proportion of each shareholder. The proportion of shares held by each shareholder remains unchanged after the conversion. As on December 31, 2014, the Company’s registered capital amounted to RMB6 billion.

#### **2.1.2 Basic information**

(1) Legal name in Chinese: 中融国际信托有限公司 (“中融信托” for short)

(2) Legal name in English: ZHONGRONG INTERNATIONAL TRUST CO., LTD.  
("ZRT")

(3) Legal representative: Liu Yang

(4) Registered address: No. 33 Songshan Road, Nangang District, Harbin, Heilongjiang Province

Postal code: 150090

(5) Global website: [www.zritc.com](http://www.zritc.com)

(6) E-mail address: [zritc@zritc.com](mailto:zritc@zritc.com)

(7) Person responsible for the Company's information disclosure: Huang Wei

Telephone: 010-58878260

Facsimile: 010-58878111

E-mail address: [huangwei@zritc.com](mailto:huangwei@zritc.com)

(8) Selected newspaper for information disclosure: *Financial News*

(9) Location of Annual Report preparation: F/25, Hatou Tower, No.277 Chuangxin Road II, Sci-tech Innovation Town, Songbei District, Harbin, Heilongjiang Province & F/9, Taikang International Tower, No. 2 Wudinghou Street, Jin Rong Jie, Xicheng District, Beijing

(10) Accounting firm engaged: Baker Tilly China Certified Public Accountants

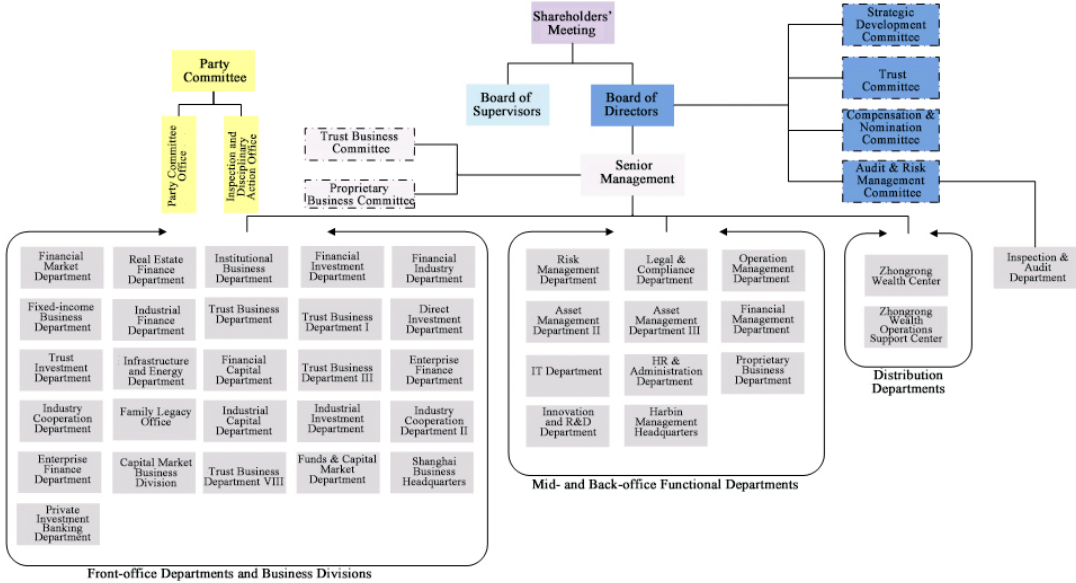
Address: Building 12, Waiwen Cultural Creativity Park, No. 19 Che Gong Zhuang Xi Lu, Haidian District, Beijing

(11) Law firm engaged: Zhong Lun Law Firm Shanghai Office

Address: Level 10 & 11, Two IFC, No. 8 Century Avenue, Pudong New Area, Shanghai

## 2.2 Organizational Structure

Figure 2.2 Organization Structure of the Company



### 3. Corporate Governance

#### 3.1 Corporate governance structure

##### 3.1.1 Shareholders

As at the end of 2014, the Company had four shareholders, of which Jingwei Textile Machinery Company Limited was the de facto controlling shareholder of the Company. Shareholders with more than 10% stake in the Company are as follows:

Table 3.1.1 (Shareholders)

Shareholders	Shareholding proportion	Legal representative	Registered capital	Registered address	Main operating and financial status
★Jingwei Textile Machinery Company Limited	37.47%	Ye Maoxin	RMB704.13 million	No.8 Yong Chang Zhong Lu, Beijing Economic & Technological Development Area, Beijing	Engage in the manufacturing of textile machinery and other mechanical & electrical products with good financial status.
Zhongzhi Enterprise Group Co., Ltd.	32.99%	Liu Xiukun	RMB1.2 billion	1515 Tower A, No.39 Dong Si Huan Zhong Lu, Chaoyang District, Beijing	Engage in asset investment and management with good financial status.
Harbin Investment Group Company Limited	21.54 %	Zhi Dayong	RMB5 billion	172 Hanshui Road, Nan'gang District, Harbin	Engage in equity investment in fixed assets and other projects with good financial status.

Note: ★ denotes the de facto controlling shareholder of the Company.

##### 3.1.2 Directors, Board of Directors and its committees

Table 3.1.2-1 (Chairman, Vice Chairman and Directors)

Name	Position	Gender	Age	Date of appointment	Shareholder as the nominator	Proportion of shareholding (%)
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Liu Yang	Chairman of the Board of Directors	Male	40	2009-5	Jingwei Textile Machinery Company Limited	37.47%
Yao Yuming	Vice Chairman	Male	54	2010-7	Jingwei Textile Machinery Company Limited	37.47%
Fan Tao	Director	Male	47	2005-3	Jingwei Textile Machinery Company Limited	37.47%
He Zhiqiang	Director	Male	40	2014-3	Jingwei Textile Machinery Company Limited	37.47%

Table 3.1.2-1 Continued (Chairman, Vice Chairman and Directors)

<b>Brief C.V. of Directors</b>	
Liu Yang	Liu Yang has been Chairman of the Board of Directors of the Company since May 2009. He was previously head of Zhongzhi High-Tech Company Limited, CFO of Shanghai Zhongzhi Jinzhi Technology Investment Company Limited, Vice President and concurrently CFO of Zhongzhi Enterprise Group Co., Ltd., as well as CEO of Zhongzhi Enterprise Group Co., Ltd.
Yao Yuming	Yao Yuming has been Vice Chairman of the Board of Directors of the Company since July 2010. At present, he is General Manager of Jingwei Textile Machinery Company Limited and a member of the Party Committee of China Hi-tech Group Corporation. He was previously Assistant to Plant Manager and Head of Financial Office of Jingwei Textile Machinery Plant, Chairman of China Textile Machinery Group Finance Co., Ltd., Chairman of Inner Mongolia Rising Securities Co., Ltd. and Executive Deputy General Manager of Jingwei Textile Machinery Company Limited.
Fan Tao	Fan Tao has been Director of the Company since March 2005. He was previously with the Department of Public Offering Supervision and the Department of Intermediary Supervision of the Harbin Commissioner's Office of China Securities Regulatory



	Commission.
He Zhiqiang	He Zhiqiang has been Director of the Company since March 2014. He was previously Assistant to the General Manager of the Engineering Department of Beijing Mengke Properties Company Limited, General Manager of the Financial Market Department of the Company and Assistant to the President of the Company.

Table 3.1.2-2 (Independent Director)

Name	Employer and position	Gender	Age	Date of appointment	Shareholder as the nominator	Proportion of shareholding (%)
Li Hui	Executive Director of Enterprise Financing Department of Credit Suisse Founder Securities Limited	Male	43	2010-7	-	-

Table 3.1.2-2 Continued (Independent Director)

Brief C.V. of Independent Director	
Li Hui	Li Hui has been Independent Director of the Company since July 2010. At present, he serves as Executive Director of the Enterprise Financing Department of Credit Suisse Founder Securities Limited. He was previously Senior Manager of the Investment Banking Department of United Securities, Deputy General Manager of the Investment Banking Department of Hantang Securities, Business Director of the Investment Banking Department of Galaxy Securities and Business Director of the Investment Banking Department of Essence Securities.

Table 3.1.2-3 (Special Committees of the Board of Directors)

Name of committee	Duties	Name of committee member	Position
Strategy Development Committee	This committee is responsible for formulating the Company's operation management objectives and long-term strategies, supervising and	Liu Yang	Chairman of the committee

	reviewing the fulfillment of annual operating plans and investment schemes. It studies and puts forward suggestions on the Company's medium and long-term development strategies and other significant events bearing upon the Company's development.	Yao Yuming	Member
		Fan Tao	Member
Audit & Risk Management Committee	This committee focuses on conducting risk assessment and forecast of the Company's major investment projects, trust fund use and intermediary business, and bringing forward risk prevention measures. It oversees the Company's major investment projects, operation of trust plan and implementation of intermediary business, sounds an early warning for the abnormalities in business and reports to the Board of Directors in time. In addition, it's responsible for submitting a proposal on engagement or replacement of an external auditor, supervising the implementation of the Company's internal audit rules, and examining the Company's significant financial information and disclosure of such information. It supervises the compliance of the Company's fund trust business, and examines the compliance of related party transactions of proprietary business, various risks possibly incurred thereby and whether they comply with the Company's long-term development strategy.	Li Hui	Chairman of the committee
		He Zhiqiang	Member
Compensation & Nomination Committee	The committee is responsible for setting the assessment and compensation standards for senior management members of the Company, and supervising, inspecting and reporting to the Board of Directors on the implementation of compensation and rewards for the senior management members of the Company. It drafts the procedures, standards for selection and appointment of directors and senior management members, preliminarily examines the qualifications of directors and senior management members and raises suggestions to the Board of Directors.	Yao Yuming	Chairman of the committee
		He Zhiqiang	Member

Trust Committee	The committee is responsible for supervising the Company's trust business, urging the Company to perform its responsibility as a trustee, and ensuring the Company serves in the best interest of the beneficiaries when there is any conflict between the interest of the Company and its shareholders and that of the beneficiaries.	Li Hui	Member
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### 3.1.3 Board of Supervisors and its members

Table 3.1.3 (Members of the Board of Supervisors)

Name	Position	Gender	Age	Date of appointment	Shareholder as the nominator	Proportion of shareholding (%)
Gao Xingshan	Chairman of the Board of Supervisors	Male	51	2009-4	Zhongzhi Enterprise Group Co., Ltd.	32.99%
Mao Faqing	Supervisor	Male	46	2010-7	Jingwei Textile Machinery Company Limited	37.47%
Liu Ligang	Supervisor	Male	45	2010-1	Employee Supervisor	-

Table 3.1.3 Continued (Members of the Board of Supervisors)

Brief C.V. of Supervisors	
Gao Xingshan	Gao Xingshan has been Chairman of the Board of Supervisors of the Company since April 2009. He was previously Vice President of Zhongzhi Enterprise Group Co., Ltd. and Chairman of the Board of Directors of the Company.
Mao Faqing	Mao Faqing has been Supervisor of the Company since July 2010, and presently serves as CFO of Jingwei Textile Machinery Company Limited. He was previously Head of the Accounting Office and Head of the Finance Department of Jingwei Textile Machinery Company Limited.
Liu Ligang	Liu Ligang has been Supervisor of the Company since January 2010, and presently serves as Deputy General Manager of the Inspection & Audit Department of the Company. He was previously Department Manager of Reanda Certified Public Accountants Co., Ltd., CFO of Heilongjiang Yuhua Guarantee Investment Co., Ltd., Deputy Head of Finance Department of Beiya Industrial (Group) Co., Ltd., and CFO of Inner Mongolia Gulifeng Real Estate Development Co., Ltd.

### 3.1.4 Senior management members

Table 3.1.4 (Senior Management Members)

Name	Position	Gender	Age	Date of appointment	Working years in financial sector	Academic credentials	Specialty
Fan Tao	President	Male	47	2010-2	18 years	Bachelor	Mining machinery
You Yu	Executive Vice President	Male	41	2013-6	18 years	Master	Financial management
Wang Hai	Vice President	Male	52	2010-2	32 years	Master	EMBA
Liu Weiqi	Vice President	Male	41	2010-2	12 years	Bachelor	Russian
He Zhiqiang	Vice President	Male	40	2011-10	9 years	Master	Business administration
Zhang Dong	Vice President	Male	43	2013-6	17 years	Bachelor	Welding process and equipment
Yang Wei	Vice President	Female	37	2013-6	7 years	Master	Science of civil law
Lian Jinhua	CFO	Male	56	2010-6	6 years	Bachelor	Accounting
Huang Wei	Chief Compliance Officer	Female	41	2010-10	17 years	Master	Accounting

Table 3.1.4 Continued (Senior Management Members)

**Brief C.V. of Senior Management Members**

Fan Tao	Mr. Fan Tao has served as President since February 2010. He was previously with the Department of Public Offering Supervision and the Department of Intermediary Supervision of the Harbin Commissioner's Office of China Securities Regulatory Commission.
You Yu	You Yu has served as Executive Vice President of the Company since June 2013. He previously held the position of Vice Director of the Non-Bank Financial Institutions Supervision Department of China Banking Regulatory Commission.
Wang Hai	Wang Hai has served as Vice President of the Company since February 2010. He previously held the positions of Manager of Financial Leasing Department at the Harbin International Trust Investment Company and General Manager of Trust Business within the Company.
Liu Weiqi	Liu Weiqi has served as Vice President of the Company since February 2010. He was previously Chairman of the Board of Directors of Ji'nan Faxiang Properties Company Limited, Vice President of Zhongzhi Enterprise Group Co., Ltd., Chief Accountant of Harbin Rongxing Pawnshop and CFO of Shanghai Zhongronghui Investment Guarantee Company.
He Zhiqiang	He Zhiqiang has served as Vice President of the Company since October 2011. He was previously Assistant to the General Manager of the Engineering Department of Beijing Mengke Properties Company Limited, General Manager of the Financial Market Department of the Company and Assistant to the President of the Company.
Zhang Dong	Zhang Dong has served as Vice President of the Company since June 2013. He previously served as Engineer at the Harbin Railway Administration, General Manager of the IT Department of Tianyuan Securities Brokerage Co., Ltd., Vice General Manager of the IT Department of Jianghai Securities Brokerage Co., Ltd., General Manager of the IT Department of the Company, General Manager of the Human Resources Department (concurrently General Manager of the Administrative Department) and Chief Administrative Officer of the Company.
Yang Wei	Yang Wei has served as Vice President of the Company since June 2013. She was previously served as Director of the Legal Affairs Department and Director of the President's Office of Beijing Zhaotai Land Real Estate Company, Lawyer at the Beijing Zhengtai Law Firm, Lawyer at the Beijing Zhongyin Law Firm, Vice General Manager of the Financial Market Department, General Manager of the Real Estate Finance Department, General Manager of the Institutional Business Department and Executive President of the Company.
Lian Jinhua	Lian Jinhua has served as Chief Financial Officer of the Company since June 2010. He was previously Director of the Audit Office of Jingwei Textile Machinery Plant, General Accountant of the Shanxi Textile Machinery Company Limited of Jingwei Machinery Group, and Director of the Strategic Management Department of Jingwei Textile Machinery Company Limited.

Huang Wei	Huang Wei has served as Chief Compliance Officer of the Company since October 2010. She previously held the position of Supervisory Principal at the Supervisory Cooperation Department for Business Innovation of the China Banking Regulatory Commission.
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### 3.1.5 Employees

Table 3.1.5 (Employees)

Item		2013		2014	
		Headcount	Percentage	Headcount	Percentage
Age distribution	Below 25	142	8.77%	119	6.56%
	25—29	720	44.44%	772	42.53%
	30—39	637	39.32%	750	41.32%
	Above 40	121	7.47%	174	9.59%
Degree distribution	Doctorate	12	0.73%	9	0.49%
	Master	745	45.99%	744	40.99%
	Bachelor	739	45.62%	908	50.03%
	Associate	103	6.36%	131	7.22%
	Others	21	1.30%	23	1.27%
Position distribution	Director, supervisor and senior management	19 (including 6 persons outside the Company)	0.80%	20 (including 5 persons outside the Company)	0.83%
	Proprietary business personnel	2	0.12%	0	0
	Trust business personnel	1045	64.51%	1332	73.39%
	Other personnel	560	34.57%	468	25.78%

Note: Proprietary business personnel mean the staff specially or mainly engaging in the use of owned capital and management of owned assets based on the division of responsibilities; trust business personnel mean the staff specially or mainly engaging in the use of trust capital and management of trust assets based on the division of responsibilities; staff of HR &

Administration Department and other similar comprehensive departments that cannot be clearly divided shall be classified as other personnel. Furthermore, among the 20 directors, supervisors and senior management members, five persons are not included in the 1,815 internal employees. The total headcount of post distribution shall be internal employees, external directors and supervisors, totaling 1,820 persons.

## **3.2 Corporate Governance Information**

### **3.2.1 Shareholders' Meetings held in 2014**

In 2014, the Company held a total of six Shareholders' Meetings, including the 2013 General Shareholders' Meeting and five interim shareholders' meetings. The meeting dates as well as the resolutions passed during these meetings are as follows:

#### (1) 2013 General Shareholders' Meeting

Date: March 28, 2014

Resolutions adopted on the following proposals: The Proposal on *2013 Work Report of the Board of Directors*, the Proposal on *2013 Work Report of the Board of Supervisors*, the Proposal on *2013 Operations Management Report*, the Proposal on *2013 Financial Settlement Report*, the Proposal on *2014 Financial Budget Report*, the Proposal on *2013 Net Capital Management Report*, the Proposal on *2013 Audit Report*, the Proposal on *2013 Annual Report and Abstract*, the Proposal on *2013 Profit Distribution Plan*, the Proposal on *2013 Report on Benefits Distributed to Beneficiaries*, the Proposal on *Report of the Implementation of the Regulator's Opinions and Rectifications Performed in 2013*, the Proposal on *2013 Work Report and Individual Performance Report of Independent Directors*, the Proposal on *Capital Replenishment Plan*, the Proposal on *Amendments to the Articles of Association*, the Proposal on *Modification of Rules of Procedures for the Shareholders' Meeting*, the Proposal on *Modification of Rules of Procedures for the Board of Directors* and the Proposal on *Modification of Rules of Procedures for the Board of Supervisors*.

#### (2) The first interim shareholders' meeting in 2014

Date: June 27, 2014

Resolutions adopted on the following proposals: The Proposal on *Zhongrong International Trust Co., Ltd. Recovery and Disposal Plan*, the Proposal on *Zhongrong International Trust Co., Ltd. Capital Management Plan*, and the Proposal on *Increasing the Number of Seats on the Board of Directors*.

#### (3) The second interim shareholders' meeting in 2014

Date: August 27, 2014

Resolutions adopted on the following proposals: of the Proposal on *H1 2014 Board of Directors Work Report*, the Proposal on *H1 2014 Board of Supervisors Work Report*, the Proposal on *H1 2014 Operations Management Report*, the Proposal on *H1 2014 Budget Implementation Report*, and the Proposal on *H1 2014 Independent Directors Work Report*.

#### (4) The third interim shareholders' meeting in 2014

Date: October 10, 2014

Resolution adopted on the following proposal: The *Proposal on Establishing a Financial Leasing Company*.

(5) The fourth interim shareholders' meeting in 2014

Date: October 20, 2014

Resolutions adopted on the following proposals: The *Proposal on the Appointment of Mr. Zhang Xinjun as Director Candidate*, the *Proposal on Capital Replenishment Plan for Beijing Zhongrong Dingxin Investment Management Co., Ltd.*, and the *Proposal on Investing in Zhongrong Money Market Funds of Zhongrong International Trust Co., Ltd.*

(6) The fifth interim shareholders' meeting in 2014

Date: November 18, 2014

Resolution adopted on the following proposal: The *Proposal on the Equity Investment Proposal for China Trustee Guarantee Fund Co., Ltd.*

### **3.2.2 The discharge of duty by the Board of Directors and its sub-committees**

#### **3.2.2.1 The discharge of duty by the Board of Directors**

In 2014, the Board of Directors held a total of seven meetings, including its 2013 Annual Meeting, its 2014 Mid-term Meeting, as well as five interim meetings. The dates and resolutions of the respective meetings are as follows:

(1) The fifth meeting of the Fourth Board of Directors and its 2013 Annual Meeting

Date: March 28, 2014

Resolutions adopted on the following proposals: The *Proposal on 2013 Board of Directors Work Report*, the *Proposal on 2013 Operations Management Report*, the *Proposal on 2013 Financial Settlement Report* and the *2014 Financial Budget Report*, the *Proposal on 2013 Net Capital Management Report*, the *Proposal on 2013 Risk Management Report*, the *Proposal on 2013 Internal Inspections and Audit Report*, the *Proposal on 2013 Audit Report*, the *Proposal on 2013 Annual Report and Abstract*, the *Proposal on 2013 Profit Distribution Plan*, the *Proposal on 2013 Report on Benefits Distributed to Beneficiaries*, the *Proposal on 2013 Case Prevention and Control Report*, the *Proposal on Report of the Implementation of the Regulator's Opinions and Rectifications Performed in 2013*, the *Proposal on 2013 Work Report of the Compensation & Nomination Committee*, the *Proposal on 2013 Work Report of the Audit & Risk Management Committee*, the *Proposal on 2013 Work Report of the Trust Committee*, the *Proposal on 2013 Work Report of the Strategic Development Committee*, the *Proposal on 2013 Work Report and Individual Performance Report of Independent Directors*, the *Proposal on Senior Management Members Performance Report*, the *Proposal on 2013 Board of Directors' Performance Evaluation Report With Regard to Board Directors and Senior Management Members*, the *Proposal on Capital Replenishment Plan*, the *Proposal on Amendments to the Articles of Association*, the *Proposal on Case Prevention and Control System*, the *Proposal on Management Rules for Human Resources and Administration Functions*, the *Proposal on Management Rules for the Incumbency of Directors and Senior Management Members*, the *Proposal on Modification of Work Rules for the Four Committees under the Supervision of the Board of Directors*, the *Proposal on Candidates of Specialized Committees under the*



*Board of Directors, the Proposal on Modification of the Rules of Procedures for the Board of Directors, the Proposal on Modification of the Rules of Procedures for the Shareholders' Meeting, and the Proposal on Holding the 2013 General Shareholders' Meeting.*

(2) The sixth meeting of the Fourth Board of Directors

Date: June 26, 2014

Resolutions adopted on the following proposals: The Proposal on *Zhongrong International Trust Co., Ltd. Recovery and Disposal Plan*, the Proposal on *Zhongrong International Trust Co., Ltd. Capital Management Plan*, the Proposal on *Relocating Back-office Functions of Zhongrong International Trust Co., Ltd., to Original Location*, the Proposal on *Increasing the Number of Seats on the Board of Directors*, and the Proposal on *Making Notification of the First Interim Shareholders' Meeting in 2014 by Means of [Tele]communications*.

(3) The seventh meeting of the Fourth Board of Directors

Date: August 15, 2014

Resolution adopted on the following proposal: The Proposal on *Mr. Wu Qiaofeng's Resignation from Position of Vice President*.

(4) The eighth meeting of the Fourth Board of Directors

Date: August 26, 2014

Resolutions adopted on the following proposals: The Proposal on *H1 2014 Board of Directors Work Report*, the Proposal on *H1 2014 Operations Management Report*, the Proposal on *H1 2014 Budget Implementation Report*, the Proposal on *H1 2014 Risk Management Report*, the Proposal on *H1 2014 Internal Audit Report*, the Proposal on *H1 2014 Case Prevention and Control Report*, the Proposal on *H1 2014 Report of the Compensation & Nomination Committee*, the Proposal on *H1 2014 Work Report of the Audit & Risk Management Committee*, the Proposal on *H1 2014 Work Report of the Trust Committee*, the Proposal on *H1 2014 Work Report of the Strategic Development Committee*, the Proposal on *H1 2014 Independent Directors Work Report*, the Proposal on *Management Rules for Related Party Transactions*, the Proposal on *Basic Rules for Inspection and Audit*, the Proposal on *Management Rules for Matters Related to Major Decision Making, Appointment & Dismissal of Important Leaders, Arrangements for Major Projects and Use of Large-amount Funds*, and the Proposal on *Holding the Second Interim Shareholders' Meeting in 2014*.

(5) The ninth meeting of the Fourth Board of Directors

Date: October 8, 2014

Resolutions adopted on the following proposals: The Proposal on *Establishing a Financial Leasing Company*, the Proposal on *2015-2017 Strategic Plan of Zhongrong International Trust Co., Ltd.*, and the Proposal on *Holding the Third Interim Shareholders' Meeting in 2014*.

(6) The tenth meeting of the Fourth Board of Directors

Date: October 20, 2014

Resolutions adopted on the following proposals: *The Proposal on Engaging Mr. Zhan Weihong as Vice-President*, the *Proposal on Appointing Mr. Zhang Xianjun as Director Candidate*, the *Proposal on Capital Replenishment Plan With Regard to Beijing Zhongrong Dingxin Investment Management Co., Ltd.*, the *Proposal for Investment in Zhongrong Money Market Funds by Zhongrong International Trust Co., Ltd.*, and the *Proposal on Holding the Fourth Interim Shareholders' Meeting in 2014*.

(7) The eleventh meeting of the Fourth Board of Directors

Date: November 17, 2014

Resolutions adopted on the following proposals: *The Proposal for Equity Investment in China Trustee Guarantee Fund Co., Ltd.*, and the *Proposal on Holding the Fifth Interim Shareholders' Meeting in 2014*.

### **3.2.2.2 The discharge of duty by committees under the supervision of the Board of Directors**

There are four committees under the supervision of Board of Directors, which are: the Compensation & Nomination Committee, the Audit & Risk Management Committee, the Trust Committee and the Strategic Development Committee. The discharge of their duty by the respective committees in 2014 is reported as follows:

(1) Compensation & Nomination Committee

The Compensation & Nomination Committee held three meetings this year. During this time, the committee approved the *2013 Work Report of the Compensation & Nomination Committee*, the *2013 Performance Report of Senior Management Members*, the *Administrative Measures for the Job Qualification of Directors and Senior Management Members*, the proposed *Management Rules for Human Resources and Administration Functions*, the *H1 2014 Work Report of the Compensation & Nomination Committee*, the *Proposal on Engaging Mr. Zhan Weihong as Vice-President*, and the *Proposal on Appointing Mr. Zhang Xianjun as Director Candidate*.

(2) Audit & Risk Management Committee

The Audit & Risk Management Committee held four meetings this year. During this time, the committee approved the *2013 Work Report of the Audit & Risk Management Committee*, the *2013 Work Report of the Inspection & Audit Department*, the *2013 Internal Audit and Inspection Report*, the *2013 Financial Settlement Report* and the *2014 Financial Budget Report*, the *2013 Risk Management Report*, the *2013 Case Prevention and Control Report*, the *2013 Work Report of the Legal Affairs Department*, the *H1 2014 Work Report of the Audit & Risk Management Committee*, the *H1 2014 Work Report of the Inspection & Audit Department*, the *H1 2014 Internal Audit and Inspection Report*, the *H1 2014 Budget Implementation Report*, the *H1 2014 Risk Management Report*, the *H1 2014 Case Prevention and Control Report*, the *H1 2014 Work Report of the Legal Affairs Department*, the proposed *Basic Rules for Inspection and Audit*, the *Proposal for Investment in Zhongrong Money Market Funds by Zhongrong International Trust Co., Ltd.*, and the *Proposal on Equity Investment in China Trustee Guarantee Fund Co., Ltd.*

(3) Trust Committee

The Trust Committee held two meetings during the year. During this time, the committee approved the *2013 Work Report of the Trust Committee*, the *2013 Trust Business Operation Report*, the *2013 Operations Compliance Report*, the *H1 2014 Work Report of the Trust Committee*, the *H1 2014 Trust Business Operation Report*, and the *H1 2014 Operations Compliance Report*.

#### (4) Strategic Development Committee

The Strategic Development Committee held three meetings during the year, during which it approved the *2013 Work Report of the Strategic Development Committee*, the *H1 2014 Work Report of the Strategic Development Committee*, and the *2015-2017 Strategic Plan of Zhongrong International Trust Co., Ltd.*

### **3.2.2.3 Performance of duties by independent directors**

Being responsible to the Company, shareholders and beneficiaries, independent directors of the Company performed their duties faithfully and diligently in accordance with the Articles of Association and the Independent Director System, and kept a close eye on the Company's operation management and industrial development trend by various channels. They personally attended all the meetings of the Board of Directors and their respective special committees in the year, earnestly reviewed various proposals and prudently and independently expressed opinions, making great contributions to the information-based and objective decision making of the Board of Directors.

### **3.2.3 The discharge of duty by the Board of Supervisors**

#### **3.2.3.1 The discharge of duty by the Board of Supervisors**

The Company's Board of Supervisors held two meetings during the year. Date and resolutions of the meetings are as follows:

##### (1) The fourth meeting of the Fourth Board of Supervisors

Date: March 28, 2014

At the meeting, the following were approved: the *2013 Work Report of the Board of Supervisors*, the *2013 Work Report of the Inspection & Audit Department*, the *2013 Internal Inspections and Audit Report*, the *2013 Financial Settlement Report* and the *2014 Financial Budget Report*, the *2013 Audit Report*, the *2013 Annual Report and Abstract*, the *2013 Performance Evaluation Report by the Board of Supervisors With Regard to Board Directors and Senior Management Member*, the *Report on the Implementation of the Regulator's Opinions and Rectifications Performed in 2013*, the *2013 Operations Compliance Report*, and the *Proposal on the Modification of the Rules of Procedures for the Board of Supervisors*.

##### (2) The fifth meeting of the Fourth Board of Supervisors

Date: August 26, 2014

At this meeting, the following were approved: the *H1 2014 Work Report of the Board of Supervisors*, the *H1 2014 Work Report of the Inspection & Audit Department*, the *H1 2014 Internal Inspections and Audit Report*, the *H1 2014 Budget Implementation Report* and the *H1 2014 Operations Compliance Report*.

#### **3.2.3.2 Independent opinions of the Board of Supervisors**

The Board of Supervisors holds that the General Meeting of Shareholders and the Board of Directors acted in accordance with law in 2014. The directors, supervisors and senior management members of the Company performed their duties legally, diligently and faithfully. No director, supervisor or senior management was found to violate laws, regulations and the Articles of Association or damage the interests of the Company and its shareholders and beneficiaries. The Company's internal control system is sound and in place. The financial data and materials of the Company could authentically, objectively, completely and accurately represent the Company's financial position and operating results.

### **3.2.4 Performance of duties by the senior management members**

In 2014, the senior management members of the Company could actively implement various resolutions of the General Meeting of Shareholders and the Board of Directors, perform their duties faithfully, prudently and diligently, and fulfilled fully and efficiently the operating targets assigned by the Board of Directors through team work. The Company's assets and operating income increased steadily, asset structure was further improved, profit structure was reasonable, and trust assets were invested in a balanced manner. Its brand awareness and popularity were enhanced and interests of beneficiaries were realized satisfactorily.

## **4. Operations & Management**

### **4.1 Business objectives, policy and strategic planning**

#### **4.1.1 Business objectives**

-- Provide high-quality services. To meet customer needs, the Company shall strengthen innovation capability, improve financial services, meet diversified demands of the society, and provide customers with a package of financial solutions.

-- Maintain profitability. The Company is determined to ensure continuous and steady growth of profitability by pushing forward business transformation, improving study and innovation capacity, and strengthening specialized operation and market competitiveness.

-- Cultivate professionals. The Company shall continue to improve its human resource system, attract professionals, unleash organization vitality, and continuously improve the framework and human resource structure to cope with future competition.

-- Expand the Company's influence. The Company endeavors to promote its own transformation and the industry's transformation, actively assume the social responsibility, expand the social influence of the trust industry and strive to become an iconic company of the industry.

#### **4.1.2 Business policy**

Adhering to the values of integrity, inclusiveness, innovation and high efficiency, the Company improves the effectiveness of investment and financing means, and refines asset management to meet up to the needs of high-net-worth customers and institutional customers. It strengthens risk identification, prevention and mitigation capability, and renders more comprehensive and convenient financial services to customers by regulated operation and active innovation.

#### **4.1.3 Strategic planning**

To push for greater business transformation and achieve long-term sustainable development, the Company formulated the *2015-2017 Strategic Plan* with an implementation plan summarized as “One goal, three driving forces”. The term “One goal” refers to the Company’s objective of transforming its overall strategic orientation from that of capital provider to comprehensive asset manager. The term “three driving forces” refers to three businesses that are expected to play a significant role in fueling business growth and realizing transformation: private equity investment, asset management, and wealth management. The Company is committed to becoming a domestic first-class comprehensive asset manager through overall business optimization, significant improvement in its management, and continuous innovation in the next three to five years.

## **4.2 Main Business Operations**

### **4.2.1 Operational profile**

In 2014, in face of the changing economic climate and business environment, the Company under the guidance of the Board of Directors 1) formulated the strategic transformation plan; 2) made active deployments for private equity investment, asset management and wealth management; and 3) reformed its back-office organization and management system with significant impact. As at the end of 2014, assets under management of the Company amounted to RMB722,793 million, representing an increase of RMB234,570 million or 48.05% over the beginning of the year. Specifically, owned assets were valued at RMB1,220 million or 1.69% of the total value of the Company portfolio, while trust assets were valued at RMB710,593 million or 98.31% of the total. The Company realized revenue of RMB5,531 million, an increase of RMB633 million or 12.93% from the past year; net assets were worth RMB9,805 million, an increase of 28.25% from the beginning of the year; net capital reached RMB8,713 million, increasing 25.38% from the beginning of the year; capital at risk was valued at RMB7,483 million, an increase of 54.89% from the beginning of the year; net capital coverage ratio (“net capital/capital at risk”) was 116.43%; and net capital surplus was valued at RMB1,230 million.

### **4.2.2 Trust business**

In 2014, with the transformation of the business and innovation at the core, the Company adjusted its business orientation and worked actively to prevent business risks as it sought to lay down a solid foundation for the long-term development of its trust business. First, deployments were made for three business sections: private equity investment, asset management and wealth management. In terms of the private equity investment section, the Company set up the Capital Market Business Division and reorganized the Real Estate Finance Department and the Shanghai Business Headquarters along the lines of business divisions with each business division focused on a single market segment or market. The aim is to encourage the development of the Company along specialized and differentiated paths and to build up the core competitiveness of the company. In terms of the asset management section, the Company has rolled out cooperation plans with top-notch business teams through its subsidiary Zhongrong Dingxin as it sought new investment opportunities in specific market segments and markets in order to bring better returns to investors. In terms of the wealth management section, with customer needs prioritized, the Company rebuilt

Zhongrong Wealth and set up the Family Legacy Office in order to establish closer relationships with its customers and to provide customized wealth management services for high net-worth customers. Second, care was taken to ensure that the real estate business was conducted in a prudent fashion. The Company shifted its focus from residential projects and industrial land, affordable housing and commercial land, and the overhaul & upgrading of urban office buildings. New real estate cases were handled with much caution while the scale of business was also cut back gradually. Third, strong efforts have been made to develop various types of innovative businesses, with many breakthroughs in the field. For instance, it was engaged in the first QDII (Qualified Domestic Institutional Investor) transaction for the overseas listing of a domestic enterprise, providing investors another channel to returns on overseas investments. The Company has also made breakthroughs in the asset securitization business through its cooperation in credit asset securitization with the Hebei Bank, Huarong Xiangjiang Bank and China Huarong Asset Management Co., Ltd., valued at over RMB8 billion in total. At present, the Company remains committed to its strategy of business transformation strategy, with balance already achieved across its various businesses. The allocation of its trust assets invested, as at the end of the reporting period, is shown below:

Table 4.2.2 Allocation and Distribution of Trust Assets (in RMB10,000)

Asset Allocation	Amount	Proportion	Distribution by Industry	Amount	Proportion
Monetary assets	1,717,442.50	2.42%	Infrastructure	14,297,632.93	20.12%
Loans	19,723,511.12	27.76%	Real estate	7,440,715.00	10.47%
Financial assets held for trading	8,511,629.89	11.98%	Securities	9,207,569.11	12.96%
Available-for-sale financial assets	11,795,507.75	16.60%	Industrial and Commercial	22,923,986.61	32.26%
Held-to-maturity financial assets	-	-	Financial institutions	15,440,916.19	21.73%
Long-term equity investment	11,179,384.71	15.73%	Others	1,748,453.21	2.46%
Others	18,131,797.08	25.51%			
Total trust assets	71,059,273.05	100.00%	Total trust assets	71,059,273.05	100.00%

### 4.2.3 Proprietary business

During the year, the Company managed its owned funds mainly in the form of highly liquid assets. Investment was also made within a certain scope to meet the needs of value preservation and appreciation. The Company's proprietary funds were mainly invested in financial assets held for trading and available-for-sale financial assets

Table 4.2.3 Allocation and Distribution of Proprietary Assets (in RMB10,000)

Asset allocation	Amount	Proportion	Distribution by Industry	Amount	Proportion
Monetary assets	411,162	33.70%	Infrastructure		
Loans and receivables	1,099	0.09%	Real estate		
Financial assets held for trading	603,932	49.50%	Securities	641,883	52.61%
Available-for-sale financial assets	60,492	4.96%	Industrial and Commercial		
Held-to-maturity financial assets	0	0.00%	Financial institutions	2,867	0.24%
Long-term equity investment	5,316	0.44%	Others	575,281	47.15%
Others	138,030	11.31%			
Total assets	1,220,031	100%	Total assets	1,220,031	100%

### 4.3 Market Analysis

#### 4.3.1 Favorable factors

China has entered the new normal of economic development after years of rapid growth. Although its economy has begun to slow, the economic foundation of China remains sound. Emerging benefits of reform and the introduction of various policies continue to support China's economy for the maintenance of long-term and steady growth. This means that conditions are favorable for the long-term development of the trust industry. First, China has good economic fundamentals. The quality of product factors such as human capital and existing capital is on the path of improvement while employment numbers remain stable. At the same time, resident income is growing more rapidly than the economy and social wealth is accumulating. All these constitute a sound foundation for sustained economic growth. Second, macroeconomic policies are also geared at ensuring stable economic development. To tackle the risk of an economic downturn, the

central government has issued a series of macro-control measures including the lowering of reserve requirements, a structured reduction of taxes, the overhaul of older and poorly-equipped neighborhoods, the continued construction of high-speed railway lines as well as the launch of a number of infrastructure-targeted PPP (Public-Private-Partnership) projects where private investments are encouraged. The government may launch more new policies to promote employment, increase resident income, and enhance infrastructure construction to maintain stable economic growth. Third, the benefits of various reforms will gradually emerge. In 2014, the government launched a series of reform measures, including administration streamlining, the delegation of authority to local authorities, allowing the use of private capital in the establishment of financial institutions, and the lowering of access thresholds for market participants. These reforms will gradually manifest themselves to amplify economic growth potential in the future, thereby exerting a positive influence on China's sustained and healthy economic development.

### **4.3.2 Challenges**

However, the trust industry also faces certain challenges under the 'new normal'. On one hand, with changes to the market and various policies, real estate and governmental credit, which are traditional businesses of the trust industry, are becoming increasingly weaker while risks are also accumulating in certain fields to create 'landmines' for industry development. On the other hand, existing players face increasing pressure as more market players enter the asset management industry. With an income growth bottleneck, the trust industry is in urgent need of promoting business transformation and finding new blue-ocean domains for future business development.

## **4.4 Internal Controls**

### **4.4.1 The internal controls environment and internal control culture**

The Company attaches great importance to the establishment of its internal control infrastructure with the aim of ensuring legal and operations compliance, asset safety, the authenticity and completeness of financial reports and relevant information, increased operations efficiency, and contributing to the Company's development strategy. In accordance with the *Basic Standards for Enterprise Internal Controls* and auxiliary guidelines (jointly issued by five ministerial organs including the Ministry of Finance), the *Guidelines for Internal Control of Commercial Banks* (issued by the China Banking Regulatory Commission (CBRC)), and other laws, regulations and supervisory provisions, the Company has, based on its internal control objectives, developed the *Internal Control Rules of Zhongrong International Trust Co., Ltd.* Within the reporting period, the Company has, in strict compliance with regulatory requirements, established a risk identification-centered internal control system comprising two main components: rules & regulations and internal control evaluations. The internal control system has been made possible with information technology infrastructure.

With the establishment of the internal control system at high priority, the Company worked to improve the internal control environment, and established a reasonable organizational structure alongside specific division of duties and reporting paths. Further, a standard corporate governance mechanism has been set up with clear areas of responsibility and authority and standardized operations. In addition, the roles of the Board of Directors, the Board of Supervisors, the Senior Management and all



departments have all been clearly defined in the course of the establishment and operation of the internal control system. With risk identification as a key objective, all internal control requirements have been further specified on the corporate level and on the business management procedure level. This means that internal control responsibilities are also assigned to specific departments and positions.

The Company has worked to nurture an internal control culture where internal culture is regarded as critical by members of the Senior Management, where internal control is the responsibility of each and every staff member, and where every violation has to be answered for. To this end, the Company has brought in industry best practices, launched awareness and education campaigns from time to time, optimized its internal control rules and procedures, and implemented the internal control accountability mechanism so as to create a pro-internal control culture and to increase the effectiveness of various internal controls.

#### **4.4.2 Internal control measures**

##### **4.4.2.1 Functions performing internal control**

The Company's Legal & Compliance Department is responsible for the *pre hoc* and in-process overall planning, organization, advancement, real-time monitoring and regular investigation of internal controls. The Inspection & Audit Department, the Company's internal audit body, performs *post hoc* inspections and the supervision of internal controls through audits on, and inspections of, business targets, business behaviors, financial standing and other internal control-related aspects. Administrative functions and resources for internal control are divided according to the Company's business features and internal control needs, constituting effective guarantees for the implementation of internal controls.

##### **4.4.2.2. Main rules, procedures and implementation of internal control**

The Company has gradually established a scientific and sophisticated system of internal controls as well as worked continuously to refine the system of internal controls, to improve the corporate governance system, to build up a corporate culture and to optimize the internal control environment. In addition, the Company has also worked continuously to improve on its business rules and operational procedures as well as internal control mechanisms for each business based on business development and operational needs. The Company's internal control system comprises three levels: the *Internal Control Rules of Zhongrong International Trust Co., Ltd.* as the operating framework, specific implementation based on the *Internal Control Management Manual of Zhongrong International Trust Co., Ltd.*, and appraisal criteria as outlined in the *Internal Control Assessment Manual of Zhongrong International Trust Co., Ltd.* The Company has also established a set of standards, regulations and procedures for every business operation and management support role covering the areas of administration, trust business, proprietary business, financial management, risk management, human resources, information technology and compliance audit.

The Company launched its Risk oriented internal control framework development project to establish internal controls, prepared the *Internal Control Management Manual*, identified and analyzed potential risks, conducted qualitative and quantitative assessments on key risk points, and finalized its risk disposal strategy and key points of

risk control by means of assessing risk conditions and internal controls so as to refine its system of internal controls. Further, the Company implemented and continuously refined its internal control rules and procedures concerning business management, risk management, information management and back-office management, and has realized a strict separation of front-, middle- and back-office operations alongside efficient links and close cooperation between departments. In addition, the Company has established mechanisms for the separation of its proprietary business from the trust business, separate management of trust accounts, and the separation of accounting functions. To ensure the security of customers' assets, various rules have also been developed to ensure stringent fund monitoring and to provide a procedural framework for capital inflows, outflows, and the processing of various payments.

#### **4.4.3 Information exchange and feedback**

The Company has established specific mechanisms for information reporting, information disclosure, information sharing, and tip-offs and complaints, and has developed the *Administrative Measures for Information Disclosure of Trust Schemes*, the *Administrative Measures for the Use of Accounting Information*, the *Administrative Measures for Related Party Transactions*, *Rules for the Reporting of Major Emergencies* and the *Administrative Measures for News Publicity*. These guidelines and standards provide for the tracking and reporting of major events, with information specified including reported items, responsible person/entity, reporting form, reporting procedure, reporting frequency etc. Key items are required to be reported in a timely manner at the Shareholders' Meeting, and to the Board of Directors, the Board of Supervisors, the Senior Management and the regulator. In 2014, the Company performed the procedures for reporting for record or reporting for approval as required by the regulators, with respect to the important matters such as issuing trust programs, increase of registered capital and change of senior management members. With respect to the opinions raised by the regulators, the Company gave timely and detailed feedbacks and reported its rectification measures and implementation progress. It regularly acquired and analyzed the internal and external operation management information, and reports on innovative business and industrial research, and widely shared information by network platform, meeting and communication. The information involving no business secret or intellectual property was made public via the Company's internal website for all staff members to learn about easily. Besides, the Company accepted the supervision from the public by the open information disclosure mechanism, and strengthened the information sharing and communication with its trustors. It reinforced the operation transparency and anti-fraud mechanism by building an all-round information sharing and feedback platform. It also established the report and compliant mechanism with convenient report means, open handling principles and just handling procedures to protect the legitimate rights and interests of the reporters, and avoid loss expansion or the failure to timely rectify internal control defects due to concealment of irregularities.

#### **4.4.4 Supervisory assessment and rectifications**

To supervise and evaluate its operational management and business operations more effectively, the Company has established and refined its internal supervisory assessment system, with its internal audit department stepping up its efforts in system building and team building. In addition, a close eye has been kept on the Company's internal control risk, operational risk, compliance risk and substantial risks in trust projects through a

series of financial audits, internal control audits and business audits. The department has played a significant role in supervision and inspection with its investigation of possible loopholes and weaknesses in the Company's operation and management. In this regard, the department has issued recommendations for management, pointed out problems discovered in audits, and supervised the rectification of such issues by means of rectification tracking & auditing.

In line with the *Basic Standards for Enterprise Internal Control* and its auxiliary guides, and with reference to the *Trust Company Management Measures*, the *Guidelines for Internal Control of Commercial Banks* and other rules and regulations, the internal audit department has completed its assessment of the Company's internal controls in terms of the reasonableness and effectiveness of mechanisms in place, pushed for the refinement of the internal control system and enhanced its operational management and risk prevention abilities throughout the year.

## **4.5 Risk Management**

### **4.5.1 Risk management situation**

#### **4.5.1.1 Major risks**

Major risks that the Company possibly faces in operation include credit risk, market risk, operational risk, legal risk, compliance risk and reputational risk.

#### **4.5.1.2 Risk management rules and procedures**

In the past year, the Company has optimized and adjusted its risk management organizational structure. In addition, for the purposes of increasing review efficiency and facilitating the Company's business transformation, the Company has also split up the original Legal Affairs Department, with the function of legal document review incorporated into the duties of the Risk Management Department while the function of legal and compliance was incorporated into the Compliance Management Department. Further, the Compliance Management Department has been renamed the Legal & Compliance Department. Meanwhile, adjustments have been made to risk management policies, with various business standards and operational principles revised and refined according to changes to the broader economic situation, supervisory policies and market demands. During the reporting period, the Company has continued to perfect its current risk management system, added and revised a total of 23 measures and operational procedures for risk management at the business level, re-organized business approval procedures, and patched existing procedural loopholes.

#### **4.5.1.3 Risk management organizational structure and division of duties**

The Company has established a sound risk management system. On the management level, the Company has set up a Trust Business Committee and a Proprietary Business Committee. The Trust Business Committee and the Proprietary Business Committee are responsible for the collective review and approval of key investment and financing projects in the trust and proprietary business and the prudent analysis and assessment of project risks, emphasizing the role of in-process collective inspection.

In its risk management business line, the Company has set up six functional departments: the Risk Management Department, the Legal & Compliance Department, the Operation Management Department, the Asset Management Department II, the Asset

Management Department III and the Inspection & Audit Department. The Company's risk management personnel have been trained in areas including finance, accounting, law and management, with the majority holding a master's degree and above. As the front-end risk management unit for trust projects, the Risk Management Department is responsible for comprehensive risk review and assessment at the initial stage of founding a trust project, as well as the formulation of policies, rules and operational procedures concerning risk management. The Department is also responsible for legal review, legal risk prevention and project document review with regard to trust business-related projects. The Legal & Compliance Department, which specializes in the management of legal, compliance and reputation risks, takes charge of legal, compliance, reputation risk management. The Department works with the regulators, and provides institutional legal and operational compliance guarantees for all business activities, and safeguards the Company's brand image. The Operation Management Department is responsible for follow-on risk management with regard to the Company's trust projects. Its chief duties include management and risk identification with existing projects, including the review and approval of all project-related matters, regular risk testing, the performance of stress tests and adjustment of monitoring measures, etc. The work of the Asset Management Department II is focused on follow-on risk management with regard to real estate projects. The Department dispatches site supervisors to follow up on project progress, and to monitor and control for project risks. The Asset Management Department III is responsible for the performance of due diligence, in-process supervision and the *post hoc* management of securities projects. The comparatively autonomous Inspection & Audit Department is responsible for audits and inspections of business targets, internal controls and accounting management. Risk management positions in other supporting administrative departments are accountable for specific front-line risk management affairs duties, including risk investigation on specific projects, the analysis of existing project problems, the formulation of solutions and reporting. Moreover, these personnel are required by the Company to submit project management reports for projects under their administration.

## **4.5.2 Risk conditions**

### **4.5.2.1 Credit risks**

Credit risk, the main risk that the Company's existing trust projects are faced with, means the risk incurred to the Company's business operation if its counterparty cannot or is reluctant to perform a contract obligation on schedule. The Company strengthened credit risk management in strict compliance with regulatory policy and guidelines, adjusted and improved various financing business policies in time, continuously furthered system building, gradually shrank scale of financing business, tightened business process standards, and strengthened post-financing management and risk monitoring and analysis.

In its management of credit risk in its investment business, the Company has followed internal policies and procedures in terms of investment credit assessment. As a result, it has selected counterparties with higher credit ratings and set risk limits on its investment portfolios from multiple dimensions in order to better control credit risk. In addition, it has worked to ensure the safety and risk controllability of collaterals according to the customer's specific situation.

(1) Areas vulnerable to credit risk: According to the statistics as at the end of 2014, the Company's financing trust assets accounted for 38.72% of total trust assets, and there was no non-performing financing trust asset or non-performing loan based on the five-tier credit asset classification criteria.

(2) Main principles for collateral recognition: Minimize the adverse impact of price change on the second repayment source, and select high-quality securities as pledge and land and property with stable prices as mortgage, generally at a pledge or mortgage rate of 50%. In case of a guaranteed loan, the guarantor must have good financial status and operating results, shall be rated according to banks' credit rating assessment standards, and in principle shall have a credit rating of A or above.

(3) Methods for making general reserves and specific reserves: According to the *Measures for the Administration of Trust Companies*, trust compensation reserve is set aside at 5% of net profit. In the reporting period, the Company set aside trust compensation reserve of RMB12,065.41, with a balance of RMB440 million at the end of the period. According to the *Administrative Measures for Reserve Fund Provisions of Financial Enterprises* ([2012] No. 20) of the Ministry of Finance, general risk reserve is set aside at 1.5% of risk assets. The Company set aside general risk reserve of RMB99.16 million in the reporting period.

#### **4.5.2.2 Market risks**

Market risk means the probability that the price fluctuation of financial products or other products in the open market causes losses to the Company's own property or trust property. The Company's market risk primarily involves proprietary business and trust business relating to securities investment, and trust business relating to the right to income from equity of listed companies.

As of the end of 2014, assets held in trust for securities investments made up 12.96% of all trust assets. For this type of business, the Company, with the principle of prudence at the core, has allocated assets in a reasonable manner as well as diligently and dutifully performed its duties as a trustee through structured trust arrangements and sophisticated management measures, with the security of the beneficiary's funds always at top priority.

#### **4.5.2.3 Operational risk**

The operational risk faced by the Company primarily results from unsound or dysfunctional corporate governance mechanism or internal process and system; due diligence information errors, post-lending inspection deficiencies and untimely information disclosure caused by the miscarriage or lack of sense of responsibility of relevant personnel; business interruption incurred by the functional defect of information system of the Company; the Company's failure to fully and timely conduct due diligence, continuous monitoring and information disclosure, failure to make response timely, reasonably or reasonably; the Company's failure to perform the duty of due diligence or present valid evidence to prove that it has performed such duty.

Operational risk widely exists in all the business activities of the Company, and the effect of monitoring of such risk is not only restricted by objective conditions but also affected by the subjective factors of employees. While regulating various business processes and strengthening internal control, the Company also improved the quality and sense of responsibility of employees, so as to avoid the misoperation resulted from

insufficient sense of responsibility. As at the end of the reporting period, the Company did not incur any loss incurred by operational risk, nor did it occur to any substantial operational risk event.

#### **4.5.2.4 Other risks**

Other risks primarily include legal risk, compliance risk and reputational risk. Legal risk means the risk that the Company is penalized or sued in the event of violating legal provisions or regulatory agreements or having contract disputes with counterparty. Compliance risk is defined as the risk that the Company is subject to legal sanction, regulatory punishment or material losses as a result of its failure to comply with laws and regulations. Reputational risk means the risk that the Company's reputation is damaged as a result of its lack of reputation emergency response capability or its inability to properly deal with relationship with the media or to establish the reputational risk management mechanism. Currently, the Company's legal risk, compliance risk and reputational risk all remained low.

### **4.5.3 Risk management**

#### **4.5.3.1 Credit risk management**

The detailed measures for credit risk management are set out below: first, the Company has improved credit risk management system. It implements a standardized management process that covers customer due diligence, rating and credit extension, credit assessment, risk capital measurement, risk review and approval, fund transfer and post-financing monitoring, and involves different products such as real estate trust, equity income right trust, credit asset assignment and trust loans. For the purpose of improving project review efficiency and capability, the Company launched the independent approver system, and set up an independent review group composed of senior industrial experts who are engaged by the Company, to perform independent project reviews. The Company adjusted the member structure of the Trust Business Committee, improved its operational procedures and enhanced the project review and decision efficiency. Second, the Company endeavors to improve credit risk limit management and monitoring. In order to mitigate the financial influence of the deterioration of a single corporate credit on the Company, and reduce concentration risk, the Company formulated strict limit management system for single corporate credit in its financing business, and strictly implemented the list system and limit management, particularly for the financing demands of industries of high energy consumption, high pollution and high resource consumption, industries with excess capacity, real estate and government financing vehicles, and guided business departments to focus on the key construction fields and emerging industries of the country, in keeping with its strategic transformation and business adjustment. Third, the Company has improved industrial research and access mechanism. In line with the country's macro-control policy and industrial policy orientation, the Company studied the industrial development trend, market opportunities and risk characteristics, and formulated internal industrial investment and financing policies. It took full advantage of various means such as customer classification, list system management and industrial limits, and strictly examined the access qualifications of industries and customers to prevent industrial risks. Fourth, The Company seeks to improve the management of investment business

guarantee measures. With a view to guaranteeing investment safety, the Company performed credit assessment of investment according to internal policies and processes, selected the counterparties with high credit qualifications, set risk limits for investment portfolios from several perspectives, reinforce guarantee measures based on the conditions of trust business, and ensured collaterals are safe and controllable.

#### **4.5.3.2 The management of market risks**

With respect to risk management in its securities investment trust business, the Company has set up the Asset Management Department III for the specialized management of market risks in the securities business. In day-to-day risk management, the principles of portfolio investment and risk spreading have been strictly followed, with clear investment scope and portfolios and daily market monitoring implemented to ensure real-time knowledge of risk conditions. We have also engaged investment counselors with deep experience and excellent performance to help us better identify potential risks in market changes. Scientific and highly usable warning and stop-loss mechanisms have been put in place to ensure risk is always under control. In addition, market risk management is backed up by strong hardware and software infrastructure. We work together with 77 securities companies, 16 futures companies and 154 investment advisors, and own 140 special business lines. We have also set up advanced IT-based operational systems and risk control systems such as the Hang Seng Asset Management System, the Hang Seng Futures Asset Management System, the Hang Seng NTSS System, the Mecrt Asset Management System, the Mecrt Umbrella-shaped Asset Management System, the Mecrt Joint Risk Control System and the Hang Seng Valuation System. Emphasis is placed on one-to-one product tracking and monitoring via the warning and stop-loss lines for timely risk control.

In terms of risk management with regard to equity usufruct rights held in trust, trust loans backed by open market securities, and limited (i.e., non-public) share issues, the key risks lie in unfavorable changes to prices of pledged securities or investment target, which in turn would adversely influence the reliability of the second repayment source of trust schemes. When running these businesses, we will pay special attention to the reduction of the impact of unfavorable price changes. This may be achieved through the following methods: first, the selection of quality securities as pledge or investment target; second, establishing reasonable pledge ratios or investing in target securities with a high margin of safety; third, keeping daily track on the market based on sound securities principles in order to keep abreast of risk conditions in real time; fourth, the establishment of scientific and feasible warning and stop-loss mechanisms; fifth, the refinement of project monitoring methods in a normalized, institution-based and all-round manner in terms of project establishment, monitoring and financial guarantees to ensure that risk remains under control.

#### **4.5.3.3 The management of operational risks**

The Company built the operational risk management system according to the requirements of the *Guidance to the Operational Risk Management of Commercial Banks*, and set up the Operation Management Department to be specially responsible for operational risk management based on the principles of intensive management and resources sharing. Key management measures are as follows: First, the Company further

improved operational risk management system. As required by business development, the Company, on the basis of sorting rules and procedures, supplemented a number of institutional documents under the current institutional framework, including 30 business and risk management measures like the *Administrative Measures for Advance Risk Warning of Projects in Existence*, the *Administrative Measures for Five-Tier Classification of Trust Assets*, the *Operational Procedures of Investments and Financing for Infrastructure* and the *Administrative Measures for Identifying Risk Tier of Project*. Second, the Company successively launched project and accounting management systems. Launch of information system greatly improved the Company's identification of major risks in project operation and capital use monitoring, early warning and response capability, and gradually formed the risk management process of real time monitoring, directed early warning and quantitative control. Third, the Company continuously improved the operation efficiency and effect of the "system of three lines of defense" by solidifying internal control foundation and improving internal control measures. As the frontline departments for profit generation, front-office departments act as the first line of defense for operational risk management, and shall assume the responsibility for operational risk management while undertaking business development tasks. As the second line of defense for operational risk management, risk management departments shall make overall arrangements for the building of internal control system, and guide, inspect, supervise and assess the operational risk management of front-office departments. Inspection & Audit Department performs the responsibility of the third line of defense, and is responsible for performing systematic audits and inspections of major risks and the effectiveness of internal control system based on work priorities.

#### **4.5.3.4 The management of other risks**

##### (1) Legal risks

First, to meet the needs of the Company's business transformation and to boost the efficiency of business approval, the Company divided the functions of the original Legal Affairs Department into two parts. As a result, the functions of legal risk review and legal document review were incorporated into the job scope of the Risk Management Department, with legal review staff joining independent reviewer teams. All other functions were incorporated into the Compliance Management Department to form the new Legal & Compliance Department. Legal review staffs from the independent reviewer teams are involved in project due diligence, the design of transaction structures, business negotiation, the handling of pledges or mortgages, the early identification of project legal risks, advance project analysis for the minimization of legal risk, and increasing the efficiency of review and the quality of legal risk control through function optimization. The legal affairs functions of the integrated Legal & Compliance Department mainly include: the development and refining of the Company's rules and procedures with regard to legal affairs management, the study of industrial laws and regulations, the provision of legal recommendations with regard to major operational decision-making, the handling of legal disputes, etc. The functional re-organization has greatly optimized the Company's legal risk control system for the trust business and other existing businesses.

In addition, the Company has paid particular attention to legal institutional building. In 2014, it released institutional documents such as the *Contract Management Measures* and the *External Lawyer Management Measures* to provide legal basis for the regulated



operation of contract review, lawyer management and other legal affairs.

Finally, with the changing external economic environment, the Company has also focused on the mitigation of potential project risks and has actively handled potential disputes – including customer complaints – to ensure the stable operation of all projects and to avoid occurrence of legal or reputation risk events that might affect the Company.

## (2) Compliance risks

The Company has drawn on the best compliance practices of the banking, securities, insurance and trust industries to actively advance the building of its compliance management system in accordance with the *Guidelines for Compliance Risk Management of Commercial Banks*. Over the year, it has issued several compliance management rules including the *Management Rules for Related Party Transactions*, the *Case Prevention and Control System* and the *Notice on Matters Relating to Adjustment to Trust Scheme Supervision Report*. All these documents have contributed to the further refinement of the Company's compliance risk management. The Company has also stepped up on staff training and has put in place clear requirements for employees to conduct businesses in a legal and compliant manner. Moreover, it has provided active assistance to the regulator to ensure supervisory policies are in place.

## (3) Reputational risk.

The Company improved the reputational risk management mechanism, and structured an overall reputational risk management framework. Specific measures mainly include: establishing full-time public opinions management post; strengthening public opinions monitoring, judgment and crisis response, and promoting the significant event reporting mechanism; actively maintaining relationship with media; appropriately strengthening the width and depth of positive publicity; and expanding the Company's brand influence relying on media platform. In 2014, reputational risk management was improved to a certain degree.

## **5. Accounting Comparisons between Current Year and Previous Year**

### **5.1 Proprietary Assets**

#### **5.1.1 Full text of audit opinions of the accounting firm**

(Excerpted from the auditor's report (T.Z.Y.Z. [2015] No. 3816)

Shareholders of Zhongrong International Trust Co., Ltd.,

We have audited the accompanying financial statements of Zhongrong International Trust Co., Ltd. (the "Company"), which comprise the balance sheet and the consolidated balance sheet dated 31 December 2014, the income statement and the consolidated income statement, the statement of changes in equity and the consolidated statement of changes in equity and the cash flow statement and the consolidated cash flow statement for the year then ended and notes to these financial statements.

#### **I. Responsibility of the management to financial statements**

Preparing and fairly presenting financial statements are the responsibility of the Management of the Company, which includes: (1) preparing and fairly presenting the financial statements in accordance with the Accounting Standards for Business Enterprises; and (2) designing, implementing and maintaining necessary internal control

to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

## II. Responsibility of CPAs

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Auditing Standards for Certified Public Accountants of China. Those standards require that we comply with the code of professional ethics for Chinese CPAs and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certificated public accountants' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the CPAs have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## III. Opinion

In our opinion, the financial statements referred to above are prepared, in all material respects, according to the Accounting Standards for Business Enterprises, and present fairly the financial status and the consolidated financial status of the Company as of 31 December 2014, and its operating results and cash flows and consolidated operating results and consolidated cash flows for the year then ended.

Beijing, China

9 February 2015

Certified Public Accountant of China: Wang Qingfeng

Certified Public Accountant of China: Chi Wenzhou

### 5.1.2 Balance sheet

#### Consolidated Balance Sheet

Prepared by: Zhongrong International Trust Co., Ltd.

December 31, 2014

Unit: RMB

Item	S/N	Consolidated		Parent Company	
		Year closing balance	Year opening balance	Year closing balance	Year opening balance
<b>Assets:</b>	1				
Cash and cash equivalents	2	4,111,623,631.75	8,431,528,471.74	3,910,303,456.26	8,102,684,486.03

Settlement reserves	3				
Monies due from financial institutions	4				
Financial assets at fair value through profit or loss	5	6,039,319,045.43	239,097,846.44	5,175,923,422.67	239,097,846.44
Bills receivable	6				
Accounts receivable	7	10,986,783.16	436,252.30		
Advances	8	399,000.00			
Premium receivable	9				
Reinsurance accounts receivable	10				
Reinsurance contract reserves receivable	11				
Interest receivable	12	67,466.67	64,114.99		
Dividends receivable	13				
Reverse buyback agreements	14				
Inventory	15				
Assets held for sale	16				
Entrusted loans and advances to customers	17				
Financial assets available for sale	18	604,920,674.97	406,442,393.41	410,738,604.97	403,462,393.41
Investment in financial assets held to maturity	19				
Long-term accounts receivable	20				
Long-term equity investment	21	53,160,938.66	45,454,624.37	1,198,636,696.63	291,535,530.24
Investment-purpose housing properties	22				
Fixed assets	23	28,096,291.45	33,900,861.94	22,078,429.58	27,422,115.04
Construction in process	24				
Construction materials	25				
Disposal of fixed assets	26				
Productive biological assets	27				
Oil and gas	28				
Intangible assets	29	27,122,543.07	25,374,571.55	24,072,772.39	20,357,927.63
Development expenses	30				
Goodwill	31				
Deferred income tax assets	32	505,899,511.55	447,010,225.56	507,606,171.75	447,010,225.56
Other assets	33	818,716,242.32	58,197,129.96	807,906,733.30	51,438,930.97

Incl.: Other receivables	34	55,440,288.91	37,473,699.52	46,417,105.51	33,721,418.35
Long-term deferred expenses	35	13,275,953.41	20,723,430.44	11,489,627.79	17,717,512.62
Other current assets	36				
Other non-current assets	37	750,000,000.00		750,000,000.00	
<b>Total assets</b>	<b>38</b>	<b>12,200,312,129.03</b>	<b>9,687,506,492.26</b>	<b>12,057,266,287.55</b>	<b>9,583,009,455.32</b>
Legal representative: Liu Yang		Accounting Chief: Lian Inhua		Responsible Person of Accounting Unit: Dai Baoxiang	

### Consolidated Balance Sheet (Cont'd)

Prepared by Zhongrong International Trust Co., Ltd. December 31, 2014 Unit: RMB

Item	S/ N	Consolidated		Parent Company	
		Year closing balance	Year opening balance	Year closing balance	Year opening balance
<b>Liabilities and owner's equity:</b>	39				
Short-term borrowings	40				
Borrowing from central bank	41				
Deposits and inter-bank deposits taken	42				
Due to financial institutions	43				
Financial liabilities at fair value through profit or loss	44				
Bills payable	45				
Accounts payable	46	4,697,730.94	316,466.21		
Advances received	47	20,330,945.75	23,921,136.53	18,741,075.77	23,886,172.03
Buyback agreements	48				
Handling fees and commission payable	49				
Payroll payable	50	1,061,349,763.20	941,574,670.92	1,042,673,313.58	928,780,097.75
Taxes payable	51	412,749,497.54	460,371,082.11	407,997,586.22	459,065,960.81
Interest payable	52				
Dividends payable	53				
Reinsurance accounts payable	54				
Insurance contract reserves	55				
Sums received from acting securities dealing	56				
Sums received from the acting underwriting of securities	57				
Liabilities held for sale	58				



Operating revenue	8	20,398,347.16			
Investment gain/loss (Loss is represented by “-” sign)	9	210,674,836.17	-36,589,452.81	205,879,708.35	-36,568,546.94
Gain/loss through fair value change (Loss is represented by “-” sign)	10	118,727,136.67	-10,108,433.46	113,102,565.85	-10,108,433.46
Exchange gain/loss (Loss is represented by “-” sign)	11	1,294,069.16	-2,074,191.54	45,377.30	-372,253.07
Other business revenue	12	305,057,051.74	64,095,504.74	276,540,332.83	64,095,504.74
<b>2. Total operating expenditures</b>	<b>13</b>	<b>2,318,130,111.14</b>	<b>2,191,126,688.50</b>	<b>2,218,313,242.74</b>	<b>2,113,971,187.86</b>
Business tax & surcharges	14	273,459,535.74	262,216,891.70	268,983,040.64	262,136,933.84
Business & administrative fees	15	2,044,670,575.40	1,928,909,796.80	1,949,330,202.10	1,851,834,254.02
Asset impairment losses	16				
Other business costs	17	-	-		
<b>3. Operating profit</b>	<b>18</b>	<b>3,213,361,599.69</b>	<b>2,706,989,032.61</b>	<b>3,191,164,793.71</b>	<b>2,781,581,121.02</b>
Add: Non-operating revenue	19	3,534,897.86	3,549,149.49	3,381,006.62	2,787,149.49
Less: Non-operating expenses	20	1,214,996.88	2,128,016.11	1,162,247.08	2,128,016.11
<b>4. Total profit</b>	<b>21</b>	<b>3,215,681,500.67</b>	<b>2,708,410,165.99</b>	<b>3,193,383,553.25</b>	<b>2,782,240,254.40</b>
Less: Income tax expenses	22	782,887,562.97	690,805,385.91	780,301,630.07	690,724,109.34
<b>5. Net profit</b>	<b>23</b>	<b>2,432,793,937.70</b>	<b>2,017,604,780.08</b>	<b>2,413,081,923.18</b>	<b>2,091,516,145.06</b>
Attributable to owners of parent company	24	2,430,038,423.58	2,049,313,451.13	2,413,081,923.18	2,091,516,145.06
Minority interests	25	2,755,514.12	-31,708,671.05	-	-
<b>6. Net other comprehensive revenue, post-tax</b>	<b>26</b>	<b>27,106,581.40</b>	<b>-112,511,893.09</b>	<b>26,310,203.67</b>	<b>-112,511,893.09</b>
(1) Other comprehensive revenue that cannot be reclassified into gain/loss	27				
(2) Other comprehensive revenue that will be reclassified into gain/loss	28	27,106,581.40	-112,511,893.09	26,310,203.67	-112,511,893.09
Incl.: Financial assets available for sale at fair value through profit or loss	29	27,211,756.17	-112,511,893.09	26,310,203.67	-112,511,893.09
<b>7. Total comprehensive revenue</b>	<b>30</b>	<b>2,459,900,519.10</b>	<b>1,905,092,886.99</b>	<b>2,439,392,126.85</b>	<b>1,979,004,251.97</b>
Attributable to owners of the company	31	2,456,703,244.26	1,936,801,558.04	2,439,392,126.85	1,979,004,251.97
Attributable to minority shareholders	32	3,197,274.84	-31,708,671.05	-	-
Legal representative: Liu Yang	Accounting Chief: Lian Jinhua		Responsible Person of		
Accounting Unit: Dai Baoxiang					

### 5.1.4 Changes in Owner's Equity

Prepared by: Zhongrong International Trust Co., Ltd.

Year 2014

Unit: RMB

Item	S/ N	Statement year									Previous year							
		Owner's equity attributable to owners of parent company								Minority interests	Total owner's equity	Owner's equity attributable to owners of parent company						
		Paid-up capital (or share capital)	Capital reserves	Other comprehensive revenue	Surplus reserves	General risk reserves	Retained Profit	Subtotal	Paid-up capital (or share capital)			Capital reserves	Other comprehensive revenue	Surplus reserves	General risk reserves	Retained Profit	Subtotal	
I. Previous year's closing balance	1	1,600,000,000.00	1,406,237,248.16	-132,538,153.21	585,039,617.41	334,587,179.94	3,736,867,334.02	7,530,193,226.32	115,291,328.95	7,645,484,555.27	1,475,000,000.00	531,237,248.16	-20,026,260.12	375,888,002.91	204,799,168.53	2,276,493,508.80	4,843,300,000.00	
II. Year opening balance	4	1,600,000,000.00	1,406,237,248.16	-132,538,153.21	585,039,617.41	334,587,179.94	3,736,867,334.02	7,530,193,226.32	115,291,328.95	7,645,484,555.27	1,475,000,000.00	531,237,248.16	-20,026,260.12	375,888,002.91	204,799,168.53	2,276,493,508.80	4,843,300,000.00	
III. Changes in the year (Decrease is represented by "-" sign)	5	4,400,000,000.00	-1,173,700,000.00	26,664,820.68	241,308,192.31	219,814,459.12	-1,557,384,227.85	2,156,703,244.26	3,197,274.84	2,159,900,519.10	125,000,000.00	875,000,000.00	-112,511,893.09	209,151,614.50	129,788,011.41	1,460,373,825.22	2,686,800,000.00	
i. Net profit	6						2,430,038,423.58	2,430,038,423.58	2,755,514.12	2,432,793,937.70	-			-		2,049,313,451.13	2,049,313,451.13	
ii. Other comprehensive revenue	7		-	26,664,820.68				26,664,820.68	441,760.72	27,106,581.40	-	-	-112,511,893.09				-112,511,893.09	
Comprehensive revenue subtotal	8	-	-	26,664,820.68	-	-	2,430,038,423.58	2,456,703,244.26	3,197,274.84	2,459,900,519.10	-	-	-112,511,893.09	-	-	2,049,313,451.13	1,936,800,000.00	





Distribution to owners (or shareholders)																		
VI. Internal carry-over of owner's equity	26	4,400,000,000.00	-1,173,700,000.00	-	-	-	-3,226,300,000.00	-	-	-	-	-	-	-	-	-	-	-
1. Conversion of capital reserve to capital (or share capital)	27	1,173,700,000.00	-1,173,700,000.00					-		-		-						-
2. Conversion of surplus reserve to capital (or share)	28							-		-		-						-

capital)																		
3. Surplus reserve to make up for losses	29							-		-	-							
4. Others	30	3,226,300,000.00					-3,226,300,000.00	-		-	-	-						
IV. Year closing balance	31	6,000,000,000.00	232,537,248.16	-105,873,332.53	826,347,809.72	554,401,639.06	2,179,483,106.17	9,686,896,470.58	118,488,603.79	9,805,385,074.37	1,600,000,000.00	1,406,237,248.16	-132,538,153.21	585,039,617.41	334,587,179.94	3,736,867,334.02	7,530,1	

## 5.2 Trust assets

### 5.2.1 Summary balance sheet of trust items

Table 5.2.1 (in RMB10,000)

Item	31 December 2014	31 December 2013
<b>Trust assets:</b>		
Cash and cash equivalents	1,717,442.50	976,633.98
Financial assets held for trading	8,511,629.89	3,143,788.81
Financial assets held under resale agreements	426,970.54	494,172.99
Accounts receivable	559,207.57	370,752.94
Loans granted	19,723,511.12	16,030,399.93
Financial assets available for sale	11,795,507.75	5,321,088.95
Long-term equity investment	11,179,384.71	8,148,028.69
Long-term deferred expenses	7,191.10	5,664.09
Other assets	17,138,427.87	13,362,960.01
Total trust assets	71,059,273.05	47,853,490.39
<b>Trust liabilities:</b>		
Remuneration payable to trustee	49,258.22	43,043.88
Custodian fees payable	36,814.66	9,917.16
Gains payable to the beneficiary	356,959.72	132,396.43
Sales service fee payable	3,258.61	24.00
Other payables	535,359.26	172,068.66

Other liabilities	-	39.27
Total trust liabilities	981,650.47	357,489.40
<b>Trust equity:</b>		
Trust paid in capital	66,662,287.14	45,496,660.72
Capital reserve	2,683,628.01	1,988,999.56
Retained Profit	731,707.43	10,340.71
Total trust equity	70,077,622.58	47,496,000.99
Total trust liabilities and equity	71,059,273.05	47,853,490.39

### 5.2.2 Summary profit and profit distribution statement of trust items

Table 5.2.2 (in RMB10,000)

Item	2014	2013
Operating income	5,760,492.59	3,686,527.67
Interest income	1,936,800.01	1,224,283.79
Investment income	3,424,250.66	2,459,535.07
Gain through fair value change	388,761.45	-4,269.43
Other income	10,680.47	6,978.24
Expenses	991,143.72	791,352.13
Trustee remuneration	377,896.83	327,089.32
Custody fee	86,608.36	55,342.01
Investment management fee	20,960.39	11,045.74
Sales service fee	148,351.94	1,543.87
Trading fee	72,451.62	39,530.62
Other expenses	284,874.58	356,800.57

Net trust profit	4,769,348.87	2,895,175.54
Other comprehensive revenue	2,555,216.67	1,844,216.47
Comprehensive revenue	7,324,565.54	4,739,392.01
Add: Retained trust profit at the beginning of period	10,340.71	-240,468.07
Distributable trust profit	4,926,258.01	2,654,707.47
Less: Trust profit distributed in this period	4,194,550.58	2,644,366.76
Retained trust profit at the end of period	731,707.43	10,340.71

## 6. Annotations to Financial Statements

### 6.1 Whether conditions of accounting statement preparation have failed to meet basic accounting requirements

#### 6.1.1 Items where financial statements have failed to meet basic accounting requirements

During the reporting period, there have been no instances during the preparation of the accounting statement where basic accounting requirements have not been met.

#### 6.1.2 Basic information of subsidiaries included into consolidated statements

S/N	Name	Scope of business	Registered locality	Registered capital (in10,000)	Actual investment amount (in 10,000)	Proportion of equity share capital held by parent company	Consolidation period
1	Beijing Zhongrong Dingxin Investment Management Co., Ltd.	Equity investment and asset management	Beijing	100,000	100,000	100%	2014
2	Shanghai Longshan Investment Management Co., Ltd.	Equity investment and asset management	Shanghai	2, 000	2, 000	100%	2014.8
3	Zhongrong International Holdings Co.,	Capital management	British Virgin Is.	USD257.82	USD257.82	100%	2014.11

	Ltd.						
4	Zhongrong International Capital Management Co., Ltd.	Capital management	Hong Kong	HKD1,916.26	HKD1,916.26	100%	2014.11
5	Shanghai Ruiyang Investment Management Co., Ltd.	Equity investment and asset management	Shanghai			100%	2014.12
6	Shenzhen Zhongrong Baochen Asset Management Co., Ltd.	Equity investment and asset management	Shenzhen	1,000	1,000	100%	2014.12
7	Zhongrong Changhe Capital Investment Management Co., Ltd.	Equity investment and asset management	Shanghai	2,000	2,000	100%	2014.10
8	Beijing Zhongrong Huizhi Human Resources Co., Ltd.	Human resources	Beijing	1,000	1,000	100%	2014.12
9	Zhongrong Fund Management Co., Ltd.	Fund management	Beijing	30,000	30,000	51%	2014
10	Zhongrong (Beijing) Asset Management Co., Ltd.	Capital management	Beijing	5,000	5,000	51%	2014

## 6.2 Key Accounting Policies and Statement on Accounting Valuation

This consolidated financial statement has been prepared with the assumption of the Company's continued operations, based on transactions that have actually taken place and in accordance with the *Accounting Standard for Enterprises* issued by the Ministry of Finance on February 15, 2006 and the eight specific standards and one basic standard released by the Ministry of Finance in 2014. The statement has also been crafted in line with the key accounting policies and accounting valuation practice stated as follows.

### 6.2.1 Scope and methods of appropriating allowances for impairment loss on assets

#### 1. Impairment loss on financial assets

Excluding financial assets at fair value through gain/loss, the Company examines the face value of other financial assets on each balance sheet date. In case of any objective evidence showing any impairment loss on financial assets, allowances are then made.

Examples of such objective evidence include the following:

- 1) Evidence that show that the issuer or the debtor is suffering from severe financial difficulty;
- 2) Evidence that the debtor is in violation of contract clause(s), such as defaulting on repayment or if the debtor has made overdue repayment of interest or principal;
- 3) Evidence that the Company has made a concession to the debtor with financial difficulty out of economic or legal considerations;
- 4) Evidence that the debtor is at high risk of business closure or is going through kinds of other financial reorganization;
- 5) Evidence that financial assets cannot be traded on an active market due to serious financial difficulty of the issuer;
- 6) If, it is impossible to determine whether cash flow of a certain asset in a financial asset portfolio has decreased, but it is found after an overall assessment based on publicly available data that the expected the future cash flow of this financial asset portfolio has indeed reduced since initial recognition and such reduction is measurable, including:
  - i. Information that the solvency situation of the debtor of the financial asset portfolio is gradually deteriorating;
  - ii. Information that the country or region where the debtor is located has special conditions that might lead to failure to repay the financial asset portfolio;
  - iii. Information that major adverse changes have occurred to the technical, market, economic or legal environment where the debtor runs business, changes which may cause the investor of the equity instrument to be unable to recover his/her investment;
  - iv. Information that the fair value of the equity instrument investment has suffered severe or non-temporary decrease; or
  - v. Other objective evidence indicating impairment loss on financial assets.

The Company conducts a separate impairment loss test on a single high-value financial asset; as for a single financial asset with a lower value, an impairment loss test may be arranged separately, or may be included into a financial asset portfolio with similar credit risk features for the purposes of the impairment loss test. Financial assets on which no impairment loss has been found in a separate test (including separate financial assets, high-value or otherwise) are then required to be included into a financial asset portfolio with similar credit risk features for another impairment loss test. Financial assets on which impairment loss has been confirmed in a separate test would not be included into a financial asset portfolio with similar credit risk features for another impairment loss test.

(1) Impairment loss on investments, loans and receivables held to maturity

The face value of a financial asset measured by cost or amortized cost is written down to the current value of expected future cash flow. The write-down amount is then recognized as impairment loss and be recorded into gain/loss for the period. If there is objective evidence showing that the value of such financial asset with confirmed

impairment loss has recovered and such recovery is related to matters happening after the occurrence of the impairment loss, the original confirmed impairment loss shall be reversed, and the face value of the financial asset after such reversal shall not exceed its amortized cost on the day of reversal on the assumption that no allowance has been made for such impairment loss.

## (2) Impairment loss on financial assets available for sale

When the fair value of a financial asset available for sale has decreased to the extent that impairment loss has been incurred on such a financial asset, the cumulative loss caused by the decrease in fair value and included in the calculation of capital reserves shall be reversed and shown as gain/loss for the period. Such reversed cumulative loss shall be the value remaining after deducting principal recovery, and amortization, current fair value and impairment loss from the asset's initial cost.

If there is objective evidence showing that the value of such a financial asset with confirmed impairment loss has recovered and such recovery is related to matters happening after the occurrence of the impairment loss, the original confirmed impairment loss shall be reversed; the reversed impairment loss on equity instrument investment available for sale shall be considered to be part of equity owned, and the reserved impairment loss on debt instrument available sale shall be shown as gain/loss for the period.

No impairment loss shall be reversed on equity instrument investment for which there is no quotation on the active market and for which the fair value cannot be reliably measured, or on derivative financial assets linked to such equity instrument(s) and settled in terms of such equity instrument(s).

## 2. Impairment loss on other assets

The Company is required to examine for signs of possible impairment loss on long-term equity investment, fixed assets, construction in progress, investment-purpose housing properties, intangible assets with fixed life of service and other long-term assets on each balance sheet date.

If there is any sign for impairment loss on such assets, the Company shall then estimate the amount recoverable. If the estimation of recoverable amount is based on a single asset, and such estimation is challenging, estimation may then be made on the asset portfolio where the single asset belongs to. If the recoverable amount of the asset is lower than its face value, allowances for impairment loss shall be made in the amount of the difference and be incorporated into gain/loss for the period.

The recoverable amount is the net amount of the asset's fair value minus disposal expenses, or the current value of the asset's expected future cash flow, whichever is greater. The fair value of the asset shall be determined by the price as set forth in the sale contract for a fair transaction. In the event that there is no sale contract but there is an active market for the asset, the fair value shall be determined by the buyer's bid. If there is neither a sales contract nor an active market in place, the fair value of the asset being valued shall be determined according to the best information obtainable. Disposal expenses include legal fees, taxes and moving expenses related to disposal of the asset as well as direct expenses incurred as a consequence of bringing the asset to a marketable state.



The above impairment loss, once recognized, may not be reversed.

## **6.2.2 Scope and standards for four-category classification of financial assets**

Financial assets traded in the regular way are recognized and derecognized according to the trade date accounting. Financial assets are classified upon initial recognition as financial assets designated at fair value through profit or loss, held-to-maturity investments, loans receivables and available-for-sale financial assets. Financial assets are measured at fair value upon initial recognition. Transaction costs relating to financial assets designated at fair value through profit or loss are directly recognized in profit or loss. Transaction costs relating to other financial assets are included in initially recognized amounts.

### **6.2.2.1 Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include held-for-trading financial assets and financial assets designated at fair value through profit or loss.

Held-for-trading assets are financial assets that are: a) acquired for the purpose of sale or repurchase in a short term; b) part of an identifiable portfolio of financial instruments under centralized management and for which there is any objective evidence of management in short-term profit taking conducted by the Company recently; c) derivative financial instruments, with the exception of the designated derivative instruments as effective hedging instruments, the derivative instruments defined as financial guarantee contracts, the equity instruments linked to, and settled through delivery of the equity instruments that do not have a quoted price in an active market whose fair value cannot be measured reliably.

### **6.2.2.2 Held-to-maturity investments**

Held-to-maturity investments refer to non-derivative financial assets that have a fixed maturity and fixed or determinable payments, the Company has the positive intention and ability to hold to maturity.

### **6.2.2.3 Loans and receivables**

Loans and receivables are the non-derivative financial assets that do not have a quoted price in an active market whose recoverable amount is fixed or determinable. The Company classifies the financial assets of loans, receivables into loans and advances, accounts receivable, interest recoverable, dividends recoverable and other receivables.

### **6.2.2.4 Available-for-sale financial assets**

Available-for-sale financial assets include available-for-sale non-derivative financial assets designated upon initial recognition, the financial assets other than financial assets designated at fair value through profit or loss, loans and receivables which held-to-maturity financial assets.

## **6.2.3 Accounting for held-for-trading financial assets**

Financial assets designated at fair value through profit or loss upon initial recognition are the financial assets meeting any of the following conditions: a) the designation can eliminate or obviously decrease the inconsistencies of relevant gains or losses in recognition or measurement incurred by the different measurement bases of such financial assets; b) the written formal documents on the Company's risk management or investment strategy state that the financial asset or liability portfolio containing such

financial assets is managed, assessed and reported to the key management personnel on the basis of fair value.

Financial assets designated at fair value through profit or loss is measured subsequently at fair value. Gains or losses on changes in fair value, the dividends and income interest relating to such financial assets are recorded in profit or loss.

#### **6.2.4 Accounting for available-for-sale financial assets**

Available-for-sale financial assets are measured subsequently at fair value. Except for the impairment losses and exchange differences of foreign currency monetary financial assets pertaining to the amortized cost which are recorded in profit or loss, the gains or losses on changes in fair value are directly recorded in owner's equity and shall be transferred to profit or loss when such financial assets are derecognized.

The interest accrued during the holding period of the available-for-sale financial assets and the cash dividends distributed by the investees are booked into the investment return.

#### **6.2.5 Accounting for held-to-maturity investments**

After initial measurement, held-to-maturity investments are carried subsequently at amortized cost using the effective interest method. Gains or losses are recorded in profit or loss when such assets are derecognized, impaired or amortized.

The actual interest rate method refers to the method by which the post-amortization costs and the interest incomes or interest expenses of different installments are calculated in light of the actual interest rates of the financial assets or financial liabilities (including a set of financial assets or financial liabilities). The actual interest rate refers to the interest rate adopted to cash the future cash flow of a financial asset or financial liability within the predicted term of existence or within a shorter applicable term into the current carrying amount of the financial asset or financial liability.

When the actual interest rate is calculated, the future cash flow (without consideration of future credit loss) shall be predicted on the basis of taking into account all the contractual provisions concerning the financial asset or financial liability, as well as various charges, trading expenses, premiums or reduced values, etc., which are paid or collected by the parties to a financial asset or financial liability contract and which form a part of the actual interest rate.

#### **6.2.6 Accounting methods for equity investment**

##### **1. Determination of investment costs**

(1) Where companies controlled by the same entity have been merged, should the merging party offer consideration in the form of cash payment, transfer of non-cash assets, assumption of debts or issuance of equity securities, the initial investment cost shall be taken as the face value of the share of owner's equity of the merged party stated on the combined financial statement of the final controller on the day of merger. Capital reserves (capital premium or share capital premium) are to be adjusted per the difference between initial investment cost of long-term equity investment and face value of merger consideration paid or total face value of stocks issued. Retained gains shall be adjusted in the event that capital reserves are insufficient for write-down.

In the event of merger in stages of companies controlled by the same entity, the initial investment cost shall be taken as the face value of the entitled share of owner's equity of the merged party at the shareholding proportion on the day of merger. Capital reserves (capital premium or share capital premium) are to be adjusted per the difference between the initial investment cost and the face value of the original long-term equity investment plus fair value of consideration paid for additional shares on the day of merger. Retained gains shall be adjusted in the event that capital reserves are insufficient for write-down.

(2) Where companies owned by different entities have been merged, the initial investment cost shall be taken as the fair value of merger consideration paid on the day of purchase.

(3) With the exception of enterprise mergers, the initial investment cost shall be taken to be the actual purchase price paid in case of payment by cash; in the event that the purchase was paid for through the issuance of equity securities, the initial investment cost shall be taken as the fair value of the equity securities issued; if purchase has been effected by capital input from investors, the initial investment price shall be taken the value as agreed upon in the investment contract or agreement (except when the value as agreed upon in the contract or agreement is not fair market value).

## 2. Subsequent measurement and determination of gain/loss

As for long-term equity investment that allows the Company to keep control of investment target, the cost accounting method shall be adopted in the Company's certain financial statements; for long-term equity investment that allows the Company to keep joint control or exert major influences [over the entity it has invested in], the equity accounting method shall be adopted.

When the cost accounting method is employed, the long-term equity investment shall be priced at its initial investment cost. Entitled cash dividends or profits to be distributed by the investment target, except for cash dividends or profits announced but not distributed included in the price or consideration actually paid upon investment, shall be recognized as investment gain/loss for the period. Further, considerations shall be made whether the long-term investment has been impaired according to policies governing asset impairment loss.

When the equity accounting method is employed, the part of the initial investment cost of a long-term equity investment in excess of the entitled share of fair value of net identifiable assets upon investment shall be included into the initial investment cost of such a long-term equity investment. The part of the initial investment cost of a long-term equity investment short of the entitled share of fair value of net identifiable assets upon investment shall be included into gain/loss for the period, and the cost of such long-term equity investment shall be adjusted at the same time.

When the equity accounting method is employed, after the long-term equity investment has been made, the share of net gain/loss of the investment target that should be obtained or shared shall be recognized as gain/loss on such investment and the face value of such long-term equity investment shall be adjusted. In accordance with the Company's accounting policy, when determining the entitled share of the investment target's net gain/loss, the net profit of the investment target shall be adjusted and identified based on the fair value of all identifiable assets of the investment target upon

investment minus the part attributable to the investor per its shareholding proportion of profit/loss on internal transactions between the investor and co-operated enterprises or joint ventures (however, loss on internal transactions recognized as asset impairment loss shall be calculated per the full amount) during the accounting period. The face value of the long-term equity investment shall be reduced by the share of profits or cash dividends that the investment target has announced for distribution. Net loss incurred from the investment target identified by the Company shall be limited to a full write-off of the face value of long-term equity investment and other long-term equity of other net essential investments in the investment target, except when the Company is being held accountable for additional losses. In the event of changes to owner's equity other than profit/loss of the investment target, the face value of the long-term equity investment shall be adjusted and recorded into owner's equity.

### 3. Basis for the determination of "control of, and major influence over, the investment target"

The term "control" refers to ownership rights over the investment target, the possession of access participation in activities related to the investment target for returns, and the possession of rights over the investment target so as to influence the quantum of returns. The term "major influence" refers to the investor's power of participation in decision-making concerning financial and operational policies of the investment target, but without the right to control or jointly control with other parties the establishment of such policies.

### 4. Disposal of long-term equity investment

(1) In case of disposal of long-term equity investment which doesn't lead to loss of control over the investment target:

When part of long-term equity investment in the subsidiary has been disposed of with no loss of control over the subsidiary, the difference between the disposal price and the corresponding face value of the investment disposed of shall be recognized as gain/loss on this investment for the period.

(2) In the event of a loss of control over the subsidiary due to the disposal of equity investment or other reasons:

If control over the subsidiary has been lost due to a partial disposal of equity investment or other reasons, for the equities disposed of, the face value of the corresponding long-term equity investment sold shall be carried over while the difference between the sales price and the face value of the disposed long-term equity investment shall be identified as gain/loss on investment. Meanwhile, for residual equities, the face value shall be regarded as long-term equity investment or other relevant financial assets. If the Company is still able to exert joint control or major influence on the subsidiary by virtue of its remaining equities owned, accounting shall be performed according to the relevant provisions on the conversion of cost accounting into equities.

### 5. Impairment loss testing method and provisioning method

For investments in subsidiaries, co-operated enterprises or joint ventures, should there be objective evidence of impairment loss on the balance sheet date allowances for impairment loss shall be set aside in the amount of the difference between the face value

and the recoverable amount.

## 6. Impairment loss testing method and provisioning method

For investments in subsidiaries, co-operated enterprises or joint ventures, should there be objective evidence of impairment loss on the balance sheet date allowances for impairment loss shall be set aside in the amount of the difference between the face value and the recoverable amount.

### 6.2.7 Valuation and depreciation methods for fixed assets

#### 1. Conditions for determination and valuation and depreciation methods for fixed assets

The term “fixed asset” refers to a tangible asset that has been in service for over one accounting year and which is held for goods production, service rendering, leasing or operations management.

Fixed assets are recorded into the book at the actual cost at which they have been obtained, and depreciation is calculated using the composite life method starting from the month after said fixed assets reach the usable state.

#### 2. Depreciation methods for various categories of fixed assets

The expected life of service, expected net salvage ratio and annual depreciation ratio for various fixed assets categories are as follows:

Table 6.2.7

Fixed asset category	Expected life of service	Expected net salvage ratio (%)	Annual depreciation ratio (%)
Housing properties and buildings	20 years	3	4.85
Transportation equipment	5 years	3	19.4
Electric appliances	3-5 years	3	19.4-32.3
Electronic computers	3-5 years	3	19.4-32.3
Others	3-5 years	3	19.4-32.3

The term “expected net residual value” refers to the expected amount that the Company may obtain from the current disposal of a fixed asset after deducting the expected disposal expenses at the expiration of its expected service life.

Subsequent expenses on a fixed asset are recorded in the cost of fixed assets and the part of book value substituted is derecognized, if the economic benefits relating to the fixed asset are likely to flow into the Company and its cost is measurable reliably. The other subsequent expenses are recorded in profit or loss upon occurrence. Decoration expenses on fixed assets shall be capitalized when capitalization conditions are met.

Fixed assets acquired through financial leasing are depreciated using the same method as for proprietary fixed assets. There is a reasonable ground to believe that the ownership of a leased asset is obtainable upon the expiration of lease, the leased asset should be depreciated over its service life; where is a non-reasonable ground to believe that the ownership of a leased asset is obtainable upon the expiration of lease, the leased asset should be depreciated over the shorter of the lease term and its service life.

The Company regularly reviews the service life, estimated net residual value, depreciation method of fixed assets and changes its accounting estimates in case the service life, estimated net residual value or depreciation method of fixed assets change.

The proceeds from sale and transfer of fixed assets or disposal of scrapped or damaged fixed assets should be stated in current profit or loss after deducting their book value and related taxes and fees.

### **6.2.8 Accounting for investment property**

None

### **6.2.9 Valuation and amortization policies for intangible assets**

1. The term “intangible asset” refers to identifiable non-currency assets in non-physical form owned or controlled by the Company. The value of intangible assets is measured at initial cost. If the Company may reap possible economic benefits from expenditures related to intangible assets, such expenditures, which can be reliably measured, shall be recognized as costs of intangible assets. Other expenditures of intangible items shall be calculated as part of profit/loss upon incurrence.

2. The original value of intangible assets with limited life of service shall be amortized evenly in each period using the straight-line method within the expected life of service beginning from the time such assets are made available for use. The Company shall regularly check the life of service and amortization methods for intangible assets, and changes, if any, shall be treated as changes to accounting estimation.

3. If there are signs indicating impairment loss on intangible assets with fixed life of service on the balance sheet date, allowances for impairment loss shall be made in the value of the difference between the face value and the recoverable amount. As for intangible assets with uncertain life of service or those in unusable state, the performance of an impairment test is required every year no matter if there are signs of impairment loss or not.

4. Expenses incurred during the research period of an internal R&D project shall be recorded into profit/loss for the current period. Expenses incurred during the research period of an internal R&D project, when meeting all of the following conditions, shall be identified as intangible assets: (1) when it is technically feasible for the completion of said intangible asset(s) in order to make them usable or saleable; (2) when there is the intention of completing and using, or selling, of said intangible asset(s); (3) when economic benefits may be reaped from said intangible asset(s), or when it can be proven that there is a market for goods produced using such intangible assets or for such intangible assets; as for intangible assets for internal use, when their serviceability can be proven; (4) when there are sufficient technical, financial and other resources to support the completion of R&D for said intangible asset(s) which can then be used or

sold; (5) when expenses attributable to said intangible asset(s) incurred during the research period may be reliably measured.

#### **6.2.10 Accounting methods for long-term receivables**

None

#### **6.2.11 Amortization policy for long-term deferred expenses**

Accounting for the Company's long-term deferred expenses shall utilize amounts actually incurred with amortization evenly spread across the yield period of the project.

#### **6.2.12 Preparation method for consolidated financial statements**

The parent company shall include all subsidiaries under its control for the purpose of its consolidated financial statements. Consolidated financial statements, based on that of the parent company and its subsidiaries as well as other relevant materials, are prepared by the parent company in accordance with the *Accounting Standard for Enterprises No.33: Consolidated Financial Statements*, after its long-term equity investments in the subsidiaries have been adjusted by the equity accounting method.

#### **6.2.13 Principles and methods of income calculation**

##### 1. Net interest income

Net interest income shall be determined at the real interest rate applicable at the time of the utilization of the Company's monies by other parties.

##### 2. Net handling fee & commission income

Net handling fee and commission income is mainly comprised of trust handling fees and consultancy fees. "Trust handling fees" are payments to the trustee for trust project it has undertaken with appropriation methods and standards set forth in the trust contract. "Consultancy fees" are to be booked upon completion of consultation services.

#### **6.2.14 Accounting treatment for income tax**

The Company's income tax is subject to accounting treatment using the balance sheet approach.

Deferred tax liability is identified as the future income tax payable and calculated according to taxable temporary differences; deferred tax asset arising from deductible temporary differences is identified to the extent of taxable income amount that may be obtained to offset the deductible temporary differences. As for identified deferred income tax assets, when it is expected that it may not be possible to obtain sufficient taxable income to offset deferred income tax asset in the future, the face value of deferred income tax asset shall be written down. When it is highly possible to obtain sufficient taxable income, the written-down amount shall be reversed.

#### **6.2.15 Principles and methods for recognition of trust remuneration**

The Company's trustee business is primarily the trust property management.

Trust property management means the Company (as the trustee) manages the trust property delivered by the trustor according to the trust contract. The Company manages and accounts for its proprietary property and trust property separately in compliance

with the Trust Law of the People's Republic of China and the Accounting Method for Trust Business. Trust project under management of the Company means the basic unit that the trustee separately or collectively manages, operates or disposes of trust property. Each trust project is an independent accounting entity to independently account for property management, operation and disposal. Each trust project accounts prepares financial statements separately. Their assets, liabilities and profits or losses are not included in the Company's financial statements.

### **6.2.16 Changes to accounting policy**

The Company holds an investment of RMB28,673,400.00 (a shareholding proportion of 2.01%) in Jianghai Securities Co., Ltd. and an investment of RMB980,000.00 (a shareholding proportion of 0.35%) in Wuxi Guochuang Cultural Investment Company (limited partnership). These two investments give the Company neither control or joint control of, nor major influence over, the investment targets. There is no price quotation available on the active market and the fair value of such equity investments cannot be reliably measured. The Company has begun to implement the eight specific standards and one basic standard including the *Long-term Equity Investment* issued by the Ministry of Commerce on July 1, 2014. Due to changes to accounting policy, the Bank has made retroactive adjustments according to the *Long-term Equity Investment* within the reporting period, converting a total of RMB29,653,400.00 invested in Jianghai Securities Co., Ltd. and Wuxi Guochuang Cultural Investment Company that used to be identified as equity investments into financial assets available for sale in accounting. Post-adjustment, financial assets available for sale have increased by RMB29,653,400.00, while the value of long-term equity investments have been reduced by RMB29,653,400.00.

According to the standards as set forth in the revised *Accounting Standard for Enterprises No. 9-Employee Compensation*, employee compensation unpaid for over one year as of the beginning of the reporting period shall be reclassified into long-term payable employee compensation. Post-adjustment, the value of payable employee compensation as at the beginning of the reporting period has decreased by RMB585,675,181.32, and the value of long-term payable employee compensation as at the beginning of the reporting period has increased by RMB585,675,181.32.

### **6.3 Contingent events**

During the reporting period, the Company had no related events to be explained.

### **6.4 Explanations about important asset transfers and sales**

During the reporting period, the Company did not engage in any material asset transfer or disposal.

### **6.5 Details of Important Items in Financial Statements**

#### **6.5.1 The operation of proprietary assets**

##### **6.5.1.1 Beginning balance and ending balance of credit risk assets disclosed according to the five-tier classification results of credit risk**

Table 6.5.1.1 (in RMB10,000)



Credit risk assets classified by five-tier criteria	Performing	Special mention	Sub-standard	Doubtful	Loss	Total credit risk assets	Total NPLs	NPL ratio (%)
Beginning balance	846,950					846,950		
Ending balance	417,852					417,852		

Note: Total NPLs = Substandard + doubtful + loss

### 6.5.1.2 Beginning balance, allowance, write-back, write-off and ending balance of allowance for impairment losses on various assets

Table 6.5.1.2 ( in RMB 10,000)

	Beginning balance	Provisioning during the period	Write-back during the period	Write-off during the period	Ending balance
Allowance for impairment losses on loans					
General reserve					
Specific reserve					
Allowance for impairment losses on other assets					
Allowance for impairment losses on available-for-sale financial assets					
Allowance for impairment losses on held-to-maturity investment					
Allowance for impairment losses on long-term equity investment					
Allowance for bad debts	47				47

### 6.5.1.3 Beginning balance and ending balance of proprietary stock investment, fund investment, bond investment, equity investment and other investments

Table 6.5.1.3 ( in RMB 10,000)

	Proprietary stocks	Funds	Bonds	Long-term equity investment
Beginning balance	53,955		3,044	7,511
Ending balance	51,617	581,954	8,312	8,281

**6.5.1.4 Name of the top 5 enterprises with proprietary long-term equity investments, proportion in the total equities of the investment targets, their key business activities and investment returns**

Table 6.5.1.4 (RMB10,000)

Name	Proportion in all equities of the investment target	Key business activities	Gain/loss on investment
Xin Hu Wealth Investment Management Co., Ltd.	23.08%	Investment and asset management	2,937
Shenzhen Huarong Equity Investment Fund Management Co., Ltd.	49%	Fund	4
Shanghai Rong Ou Equity Investment Fund Management Co., Ltd.	40.00%	Investment and asset management	59
Shenzhen Ruiyuan Baoxing Fund Management Co., Ltd.	49.00%	Investment and asset management	0
Lasa Rongzheng Investment Management & Consultation Co., Ltd.	49.00%	Investment and asset management	0

Note: Gain/loss on investment is the amount identified as gain/loss on equity investment and recorded into the annual profit statement disclosed according to the *Accounting Standard for Enterprises*.

**6.5.1.5 Top five enterprises in terms of proprietary loans, proportion in total loans and repayment**

The Company had no loan balance at the end of the period.

**6.5.1.6 Beginning balance and ending balance of off-balance sheet business (Disclosure by agency business, guarantee business and other off-balance sheet business)**

Table 6.5.1.6

Off-balance sheet business	Beginning balance	Ending balance
Guarantee business	0	0

Agency business (commission business)	0	0
Others	0	0
Total	0	0

Note: Agency business mainly reflects the commission business left from the past which must be standardized but has not been standardized for objective reasons, including entrusted loans and entrusted investments.

### 6.5.1.7 Income structure of the Company in 2014

Table 6.5.1.7 (in RMB 10,000)

Income structure	Amount	Percentage
Fee and commission income	444,697	80.64%
Of which: Trust fee income	439,032	79.61%
Investment banking income		
Interest income	42,837	7.77%
Other operating income	30,506	5.53%
Of which: Part included in trust business income		
Investment income	32,940	5.97%
Of which: Return on equity investment	3,001	0.54%
Income from changes in fair value	11,873	2.15%
Other investment income	18,067	3.28%
Foreign exchange gain/ loss	129	0.02%
Non-operating income	354	0.07%
Total income	551,463	100%

Note: Fee and commission income, interest income, other operating income, investment income and non-operating income shall be level-1 accounts in the income statement, of which fee and commission income, interest income and non-operating income are the accumulative realized income in the year without deducting corresponding expenses. The total amount of trust business income in

the reporting period is broken down into trust business income recognized as fees and commissions, trust business income recognized by performance remuneration and trust business income recognized by other means.

## 6.5.2 Disclosure of trust asset management

### 6.5.2.1 Beginning balance and ending balance of trust assets

Table 6.5.2.1 (in RMB 10,000)

Trust assets	Beginning balance	Ending balance
Collective	20,402,146.56	37,103,376.37
Single	19,111,560.67	22,771,831.32
Property right	8,339,783.16	11,184,065.36
Total	47,853,490.39	71,059,273.05

#### 6.5.2.1.1 Beginning balance and ending balance of the positively managed trust assets

Table 6.5.2.1.1 (in RMB 10,000)

Positively managed trust assets	Beginning balance	Ending balance
Securities investment	3,381,792.23	7,095,983.24
Equity investment	5,138,430.62	6,478,640.42
Other investments	6,668,023.81	10,235,320.40
Financing	16,318,060.52	11,843,618.47
Service management products	8,180,909.36	5,725,152.97
Total	39,687,216.54	41,378,715.49

#### 6.5.2.1.2 Beginning balance and ending balance of the passively managed trust assets

Table 6.5.2.1.2 (in RMB 10,000)

Passively managed trust assets	Beginning balance	Ending balance
Securities investment	184,920.08	2,111,585.87

Equity investment	785,000.20	2,287,901.00
Other investments	716,280.05	4,148,091.79
Financing	6,321,199.72	15,674,066.51
Service management products	158,873.80	5,458,912.40
Total	8,166,273.85	29,680,557.56

### 6.5.2.2 Number of trust projects liquidated in 2014, total amount of paid-up trust and weighted average actual annualized yield

#### 6.5.2.2.1 Number of collective and single capital trust projects and property management trust projects liquidated in 2014, total amount of paid-up trust and weighted average actual annualized yield

Table 6.5.2.2.1

Trust projects liquidated	Number of projects	Total amount (in RMB10,000)	Weighted average actual annualized yield
Collective	134	3,066,797.58	8.09%
Single	260	5,986,698.00	6.81%
Property management	225	4,291,981.34	8.29%

Note: Weighted average actual annualized yield = (Actual annualized yield of trust project 1 × total assets of trust project 1 + actual annualized yield of trust project 2 × total assets of trust project 2 + ... actual annualized yield of trust project n × total assets of trust project n) / (Total assets of trust project 1 + Total assets of trust project 2 + ... Total assets of trust project n) × 100%

#### 6.5.2.2.2 Number of positively managed trust projects liquidated in 2014, total amount of paid-up trust and weighted average actual annualized yield

Table 6.5.2.2.2

Trust projects liquidated	Number of projects	Total amount (in RMB10,000)	Rate of return on trust	Weighted average actual annualized yield
Securities investment	51	507,625.30	1.37%	0.24%
Equity investment	15	706,169.98	3.16%	7.54%
Other investments	30	839,091.00	1.15%	6.96%
Financing	196	4,879,710.80	1.98%	8.24%

Service management products	221	4,179,689.54	1.87%	8.34%
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#### 6.5.2.2.3 Number of passively managed trust projects liquidated in 2014, total amount of paid-up trust and weighted average actual annualized yield

Table 6.5.2.2.3

Trust projects liquidated	Number of projects	Total amount (in RMB10,000)	Rate of return on trust	Weighted average actual annualized yield
Securities investment	2	172.99	0.24%	1.30%
Equity investment	-	-	-	-
Other investments	3	148,000.00	0.32%	10.74%
Financing	97	1,972,725.51	0.31%	7.13%
Service management products	4	112,291.80	0.16%	6.93%

#### 6.5.2.3 Number of increased collective, single and property management trust projects in 2014 and total amount of paid-up trust

Table 6.5.2.3

Number of increased trust projects	Number of projects	Total amount (in RMB10,000)
Collective	342	12,885,302.84
Single	273	8,035,509.21
Property management	427	8,210,537.76
Increase	<b>1,042</b>	<b>29,131,349.81</b>
Of which: Positively managed	727	15,614,267.53
Passively managed	315	13,517,082.27

#### 6.5.2.4 Achievements in trust business innovation and featured business

The Company actively adjusted its operating strategy, strengthened development of

innovative products and building of R&D group, closely followed the market trend, and fully exploited the potential opportunities in new product innovation. With mode innovation, risk control and investor satisfaction as the foundation for product design, the Company has promoted the product innovation to a new strategic level, and established its brand advantages in wealth management.

#### **6.5.2.5 The Company's performance of trustee obligations and trust asset losses incurred by its fault**

In the reporting period, the Company strictly performed the trustee obligations and did not incur any trust asset losses due to its fault.

#### **6.5.2.6 Set-aside, use and management of trust compensation reserve**

According to Article 49 of the *Measures for the Administration of Trust Companies*, trust compensation reserve shall be set aside at 5% of net profit, until the Company's accumulative trust compensation reserve exceeds 20% of its registered capital. The reserve is primarily used to make up for the losses incurred to trust property by improper management or operation. The Company set aside trust compensation reserve of RMB12,065.41 in the reporting period, with a balance of RMB44,065.41 at the end of the period. In the reporting period, the Company did not incur any loss to trust asset due to its fault, nor did it use the trust compensation reserve.

### **6.6 Disclosure of Relationships with Related Parties and Related-Party Transactions**

#### **6.6.1 Number of related parties, total number of related-party transactions and pricing policy for related-party transactions**

Table 6.6.1 (inRMB10,000)

	No. of related parties	No. of related party transactions	Pricing policy
Total	4	846,172.11	All of the Company's related party transactions in 2014 have been concluded at general trade terms and priced at market levels.

#### **6.6.2 Basic information of related parties**

Information of related parties involved in related-party transactions during the reporting period is listed as follows:

Nature of relationship	Name of related party	Legal representative	Registered address	Registered capital	Main businesses
The third largest shareholder	Harbin Investment Group Company Limited	Zhi Dayong	No.172 Hanshui Road, Nangang District, Harbin	RMB500 million	Provision of consultation services for investments in fixed assets, infrastructure, energy, heating supply, high-tech

					industries and resources development as well as investment information; the organization of thermoelectricity development projects, heating projects and infrastructure, land consolidation and equity investment operations
Merged subsidiary	Beijing Zhongrong Dingxin Investment Management Co., Ltd.	Zhang Dong	No. 3 Xijing Road, Badachu High-tech Park, Shijingshan District, Beijing	RMB100 million	Provision of services for project investment and asset management, investment consultation and enterprise management consultation
Merged subsidiary	Zhongrong Fund Management Co., Ltd.	Gui Songlei	Floor 3 Building No.3, No.20 Yong'an Road, Shilong Economic Development Zone, Mentougou District, Beijing	RMB300 million	Fundraising, fund distribution, asset management for specific customers, asset management and other businesses allowed by the CSRC
Merged subsidiary	Zhongrong (Beijing) Asset Management Co., Ltd.	Gui Songlei	Floor 1 Building No.3, No.20 Yong'an Road, Shilong Economic Development Zone, Mentougou District, Beijing	RMB50 million	Asset management for specific customers and other businesses allowed by the CSRC

### 6.6.3 Matters related to major transactions between the Company and related parties

#### 6.6.3.1 Individual property and related-party transactions

Table 6.6.3.1 (in RMB10,000)

Individual property and related-party transactions				
	Year opening balance	Debits incurred	Credit incurred	Year closing balance



Loans				
Investments	0	650,000.00	155,000.00	495,000.00
Leasing				
Guarantees				
Accounts receivable				
Others				
Total	0	650,000.00	155,000.00	495,000.00

### 6.6.3.2 Trust property and related-party transactions

Table 6.6.3.2 (in RMB10,000)

Trust property and related party transactions				
	Opening balance	Debits incurred	Credit incurred	Closing balance
Loans				
Investments	0	125,000.00	125,000.00	0
Leasing				
Guarantees				
Accounts receivable				
Others				
Total	0	125,000.00	125,000.00	0

### 6.6.3.3 Mutual trading between individual properties and trust properties

Table 6.6.3.3

Mutual trading between individual properties and trust properties			
	Year opening balance	Amount incurred during the period	Year closing balance
Total	0	0	0

### 6.6.3.4 Mutual trading between trust projects

Table 6.6.3.4 (in RMB10,000)

Mutual trading between trust asset and trust property			
	Year opening balance	Amount incurred during the period	Year closing balance
Total	0	40530.00	40530.00

### 6.6.4 Particulars about related parties' failure to repay the Company on schedule and the existing and potential advances that the Company provides guarantee for

## its related parties

In the reporting period, the Company had no overdue payment from its related parties, and there was no existing or potential advance for which the Company provides guarantee to its related parties.

## 6.7 Accounting Disclosures

The Company follows the *Accounting Standard for Enterprises* issued by the Ministry of Financial of the People's Republic of China on February 15, 2006, as well as eight specific standards and one basic set of standards released by the Ministry of Finance in 2014.

## 7. Statement of Financial Standing

### 7.1 Profit realization and distribution

In 2014, the Company generated a gross profit of RMB3,215.68 million, with a net profit of RMB2,432.79 million. In the year, the Company set aside surplus reserve of RMB241.31 million, trust compensation reserve of RMB120.65 million and general risk reserve of RMB99.16 million.

### 7.2 Major financial indicators

Table 7.2

Indicator	Indicator value
Return on capital	28.38%
Rate of return on trust	0.8%
Net profit per capita	RMB1,365,700

Note: Return on capital = Net profit/average balance of owner's equity ×100%

Rate of return on trust = Trust business income/average balance of paid-up trust ×100%

Net profit per capita = Net profit/average annual headcount

Average is calculated by the moving arithmetic average of the balance at the year beginning and the balance at end of each quarter.

Formula: a (average) =  $(a_0/2+a_1+a_2+a_3+a_4/2)/4$

### 7.3 Other Matters with Significant Impact on the Company's Financial Standing and Operational Results

The 2013 General Shareholders' Meeting approved the conversion of RMB4.4 billion, comprising capital reserves RMB1,173.7 million and retained profit of RMB3,226.3 million, into registered capital, with the shareholding proportions of all shareholders retained. Post-conversion, the Company's registered capital now totals RMB6 billion. This capital replenishment was approved by the CBRC Heilongjiang Branch on June 10, 2014, and the formalities of registered capital change and revision to the Articles of Association were completed on June 13, 2014.

The fourth interim shareholders' meeting in 2014 approved the proposed injection of

RMB1.5 billion into China Trustee Guarantee Fund Co., Ltd. and the seconding of one director to the Company's Board. As of December 15, 2014, the Company has completed 50% of the fund injection.

## 8. Disclosure of Special Matters

### 8.1 Changes in top five shareholders in the reporting period and the reasons

No shareholder of the Company changed in the reporting period.

### 8.2 Changes to Director, Supervisor and Senior Management Appointments, and Reasons for Such Changes

#### 8.2.1 Changes to Director appointments

A total of two Directors left office during the reporting period, with details as follows:

Table 8.2.1

Table of Directors Who Have Left Office			
Name	Previous position	Time of departure	Reason and internal resolution
Wang Bao'an	Director	2014-2	Work changes; approved at the second interim shareholders' meeting in 2013
He Xiaobo	Director	2014-11	Work changes; approved at the fourth interim shareholders' meeting in 2014

#### 8.2.2 Changes in supervisors and reasons

No supervisor of the Company changed in the reporting period.

#### 8.2.3 Changes to Senior Management appointments, and reasons for such changes

One member of the Senior Management left office during the reporting period, with details as follows:

Table 8.2.3

Table of Members of Senior Management Member Who Have Left Office			
Name	Previous position	Time of departure	Reason and internal resolution
Wu Qiaofeng	Vice President	2014-8	Work changes; approved at the Seventh Meeting of the Fourth Board of Directors

### 8.3 Matters Related to the Change in Registered Capital

At the 2013 General Shareholders' Meeting, the proposal to convert RMB4.4 billion, comprising capital reserves of RMB1,173.7 million and retained profit of RMB3,226.3 million, into registered capital was approved. Post-conversion, the Company's registered

capital reached RMB6 billion with the shareholding proportion of each shareholder unchanged. This capital replenishment was approved by the CBRC Heilongjiang Branch on June 10, 2014, and the formalities of registering capital change and revisions to the Articles of Association were completed on June 13, 2014.

#### **8.4 Major lawsuits**

The Company was not involved in any major lawsuits in the reporting period.

#### **8.5 Penalties on the Company, directors, supervisors and senior management members of the Company**

In the reporting period, the Company and its directors, supervisors and senior management members observed laws and did not violate laws or regulations, nor were they penalized by the regulators.

#### **8.6 Opinions on Rectification Proposed by the CBRC and its Delegated Unit Following Inspections on the Company, and Rectifications Made by the Company**

In July and August 2014, an inspection team from the CBRC Heilongjiang Branch conducted a special inspection on redemption risk and compliance of the Company's maturing trust business. The team also made field visits to certain government credit projects. The CBRC expressed its opinion that the Company should further enhance its risk control ability. Thus, the Company reinforced its back-office management and risk tracking capabilities through the enhancement of its asset management and operation management units while realizing the specialized control of assets in high-risk industries through the introduction and optimization of the independent approver system. A line-based specialized risk management system was also set up to further keep clearing and delivery risks under control. In addition, guarantee measures such as access control for various regions and transaction partners and collateral requirements have yielded positive results in credit projects jointly undertaken with various governments. Further, the CBRC outlined the following requirements for the Company's trust business: first, the Company should strengthen its project review and legal document management processes; second, information disclosure should be improved; third, the Company's marketing of trust products should be strictly regulated; fourth, the management of marketing and project expenses should be reinforced; and fifth, risk management of governmental credit projects should be enhanced.

In response to the above regulatory opinions, the Company took the following actions:

First, projects have been managed and run in strict accordance with project approval procedures, and the beneficiary's benefits are maximized when trust documents are prepared on the basis of compliance with laws and regulations. The Company requires the strict implementation of rules of procedures for all projects as well as stringent project access controls. To improve the efficiency of legal document review, the Company split up the original Legal Affairs Department, incorporating the legal risk review function into the independent reviewer teams of the Risk Management Department which are responsible for business negotiation, scheme design and legal due diligence for trust businesses, the delivery of legal review opinions on the trust business, the legal review of documents, and participating in the identification of commercial risk and legal risk of projects at an earlier stage for early analysis and risk control.

Second, information disclosure rules and procedures have been improved with emphasis on the disclosure of major matters that may have an impact on the beneficiary's rights and interests. The Company has also put in place specific rules and procedures for the promotion of trust schemes, with explicit provisions that the benefits, risks and principle of risk undertaking with regard to participation in trust scheme should be adequately disclosed through detailed and standards-compliant information disclosures. Meanwhile, the Company has also mandated the strengthening of training and management for promotions staff, with these staff now required to fully explain and disclose the structure, nature and risks of the trust scheme to investors during the process of product promotion. With regard to trust scheme management, the trust manager is required to conduct regular checks on the project and to prepare quarterly trust project management reports and statements on use of trust funds and yields in line with the relevant laws and regulations as part of regular disclosure to beneficiaries. Information disclosure for trust projects is supervised by the Operation Management Department.

Third, the Company has mandated that the marketing of trust products should be further regulated to avoid compliance risk. To this end, the Company has conducted an internal investigation on possible irregularities in the marketing of trust products. First, all cooperation with third-party wealth managers has been terminated. The Company now requires all business departments to either market products by means of direct distribution by the Company or via contracted financial institutions as banks and securities companies. It is now forbidden to directly or indirectly market trust schemes through non-financial institutions through consultation, advisory and intermediary businesses. Any personnel found to be violation shall be punished according to the *Measures for Employee Rewards and Punishments*. Second, irregular marketing behaviors have been eradicated. The Company has released the *Notice on Further Regulating Promotion of Trust Schemes* and its *Supplementary Notice*, requiring all business departments and employees to adhere to the practice of private placement when marketing trust products, with no product information allowed to be sent to non-targeted customers via the Internet, SMS, broadcasting, television, newspapers and advertising flyers. All departments and employees are now required to notify all partners to cease open promotion of the Company's trust schemes. As for online promotion information of our trust schemes, content originator(s) has/have been required to delete all such information.

Fourth, a special audit has been launched on intermediary payments so as to prevent any infringement on the interests of beneficiaries or of the Company's. Expenditures have been strictly examined for each step when an expense is involved. It is forbidden to pay any third party in the form of accounting advisory fee so as to prevent the illegal delivery of benefits. To prevent case risk, the Company has launched audits on expenditures related to trust schemes in the form of consultancy fees, issuance fees, accounting advisory fees, intermediary fees and others, with an emphasis on payment to third parties and non-financial institutions for trust schemes. In conjunction with queries made for the enterprise credit system, and field visits and retrieval of files from the industrial and commercial authorities, the Company has held interviews with 41 trust managers to learn more about the basic conditions of trust schemes and cooperation with non-financial institutions, with the aim of determining if there has been any under-the-table agreement, delivery or receipt of benefits by trust managers. The interview results have indicated that there are neither under-the-table agreements with

non-financial institutions nor delivery or receipt of benefits by trust managers interviewed.

Fifth, a risk investigation was arranged for governmental credit projects to ensure the safety and soundness of assets. To gain accurate knowledge of risk conditions of governmental credit projects, departmental heads of the Company paid field visits to certain governmental credit projects to look into operational conditions and the credit status of the counterparty, local economic development, local government's liabilities for each trust scheme. Special risk investigations and stress tests have been arranged for existing governmental credit projects to screen for risks. The results of stress tests and risk investigations show that the Company's existing governmental credit trust schemes are running stably with low risk of default. Based on the debt scale and solvency of the respective local governments, it was clear that most of the Company's investments are in low-risk areas, with a small percentage in middle-risk areas and none in high-risk areas. In overall, risks have been deemed controllable.

### 8.7 Brief Contents, Disclosure Date and Disclosure Media for Interim Reports on Major Events during the Year

During the reporting period, the Company publicized interim reports on major events in the *Financial Times* and *Securities Daily*. There were in total two pieces of announcements publicized during the year, with details as follows:

Table 8.7 (Key interim disclosures)

Date of Disclosure	Announcement	Disclosure contents	Disclosure media
April 11, 2014	Abstract of <i>2013 Annual Report of Zhongrong International Trust Co., Ltd.</i>	Abstract of the <i>2013 Annual Report of Zhongrong International Trust Co., Ltd.</i>	<i>Financial Times</i>
June 19, 2014	Announcement on the Replenishment of Registered Capital and the Revision of Articles of Association by Zhongrong International Trust Co., Ltd.	In line with the resolution adopted at the 2013 General Shareholders' Meeting of Zhongrong International Trust Co., Ltd. and upon receipt of the CBRC Heilongjiang Branch's <i>Approval of the Replenishment of Registered Capital and Revision to the Articles of Association by Zhongrong International Trust Co., Ltd.</i> (H.Y.J.F. [2014] No.148), the Company's registered capital was increased from RMB1.6 billion to RMB6 billion while amendments were made to the relevant clauses in the <i>Articles of Association of Zhongrong International Trust Co., Ltd.</i> . All changes were formally filed with the industrial and commercial authorities on June 13, 2014.	<i>Securities Daily</i>

### 8.8 Other important information that CBRC and its province-level dispatched

**office consider necessary for customers and interested parties to understand**

In the reporting period, the Company did not have other important events that CBRC and its province-level dispatched office consider necessary for customers and interested parties to understand.