

# Zhongrong International Trust Co., Ltd.

## 2016 Annual Report Summary

### 1. Important Notice

The Board of Directors and the directors of the company warrant that the information in this report contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information herein. This annual report summary is extracted from the full-text annual report. Customers and stakeholders who want to know about the details may refer to the full text.

The independent directors of the company warrant that the information in this report contains no false record, misleading statement or material omission, and jointly and severally accept full responsibility for the information herein.

Mr. Liu Yang, Chairman of the Board of Directors, and Mr. Lian Jinhua, Chief Financial Officer, hereby guarantee that the financial report contained here is authentic and complete.

### 2. Company Profile

#### 2.1 Brief Introduction

(1) Legal name in Chinese: 中融国际信托有限公司 (“中融信托”, “the company” below)

(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: You Yu

Liaison for the company’s disclosure affairs: Zhu Xiyan

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(8) Designated newspaper for information disclosure: *Financial News, Shanghai Securities 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 and F/12, CTS Tower, No. 338 Guanganmennei Street, Xicheng District, Beijing

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

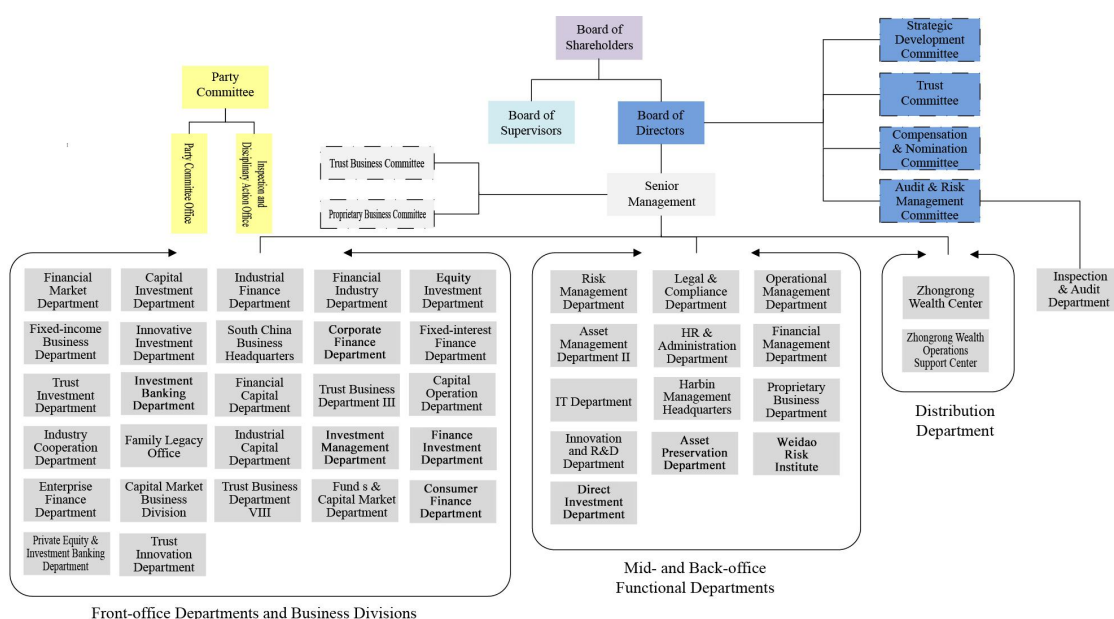
Address: Building 12, Foreign Cultural and Creative Garden, No.19 Chegongzhuang West Road, Haidian District, Beijing

(11) Law firm engaged by the company: Zhong Lun Law Firm (Shanghai)

Address: Building 10-11, Shanghai International Financial Center II, No.8 Shiji Avenue, Pudong New District, Shanghai

## 2.1 Organizational Structure

Figure 2.2 Organizational Structure of the company



## 3. Corporate Governance Structure

### 3.1 Shareholders

#### 3.1.1 Information of shareholders

As of the end of the reporting period, the company received joint contributions from four shareholders, with Jingwei Textile Machinery Company Limited as the actual controller. The shareholders contributing 10% or more are listed as follows:

Table 3.1.1 (shareholders)

Shareholder	Shareholding Proportion	Legal Representative
Jingwei Textile Machinery Company Limited	37.47%	Ye Maoxin

Zhongzhi Enterprise Group Co., Ltd.	32.99%	Liu Xiukun
Harbin Investment Group Company Limited	21.54%	Zhi Dayong

### 3.1.2 Equity holding information of the first majority shareholder

The company's first majority shareholder is Jingwei Textile Machinery Company Limited, whose majority equity holder is shown as follows:

Table 3.1.2 (the first majority shareholder)

Shareholder	Shareholding Proportion	Legal Representative
China Textile Machinery (Group) Co., Ltd.	31.13%	Liu Hong

### 3.2 Directors

Table 3.2-1 (Chairman and Deputy Chairman of the Board of Directors, the directors)

Name	Position	Gender	Age	Date of Appointment	Recommending Shareholder	Shareholding Proportion of the Recommending Shareholder (%)
Liu Yang	Chairman of the Board of Directors	Male	41	2016-3	Jingwei Textile Machinery Company Limited	37.47%
Yao Yuming	Deputy Chairman of the Board of Directors	Male	55	2010-7	Jingwei Textile Machinery Company Limited	37.47%
Zhang Xianghui	Deputy Chairman of the Board of Directors	Female	39	2015-12	Jingwei Textile Machinery Company Limited	37.47%
Zhang	Director	Male	44	2015-5	Jingwei Textile	37.47%

Dong					Machinery Company Limited	
Zhang Xianjun	Director	Male	42	2015-1	Harbin Investment Group Company Limited	21.54%

Table 3.2-1 (Continued) (Chairman and Deputy Chairman of the Board of Directors, the directors)

<b>Brief Background of the Directors</b>	
Liu Yang	Liu Yang has worked in the capacity of the company's Chairman of the Board of Directors since March 2016. Before joining the company, he worked for several other firms listed as follows: Head of Zhongzhi Hi-tech Investment Co., Ltd., Chief Financial Officer (CFO) of Shanghai Zhongzhi Jinzhi Technology Investment Co., Ltd., Vice President & CFO of Zhongzhi Enterprise Group Co., Ltd. (ZEG), CEO & CFO of ZEG, Chairman and Party Secretary of Zhongrong International Trust Co., Ltd., and Board Chairman of ZEG.
Yao Yuming	Yao Yuming has been Deputy Chairman of the Board of Directors since July 2010, and is currently working in the capacity of General Manager of Jingwei Textile Machinery Company Limited and Party Committee Member of China Hi-Tech Group Corporation. He formerly served as Assistant Manager and Director of the Financial Office of Jingwei Textile Machinery Plant, Board Chairman of China Textile Machinery (Group) Co., Ltd., Board Chairman of Inner Mongolia Rixin Securities Limited Liability Company and Executive Deputy General Manager of Jingwei Textile Machinery Company Limited.
Zhang Xianghui	Zhang Xianghui has been Deputy Chairman of the Board of Directors of the company since December 2015. She formerly worked at Industrial Bank Co., Ltd., as Deputy Director of the Interbank Business Department of Shanghai Branch, Deputy Chief of the Wealth Management Division of Funds Operation Center, Chief of the Underwriting Division of the Investment Banking Department and Deputy General Manager of the Investment Banking Department.
Zhang Dong	Zhang Dong has been working in the capacity of Director of the company since May 2015. He was formerly engineer at the Harbin Railway Administration, General Manager of the IT Department of Tianyuan Securities Brokerage Co., Ltd., Deputy 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), Chief Administrative Officer and Vice President of the company.
Zhang Xianjun	Zhang Xianjun has been acting in the capacity of Director in the company since January 2015, and is working in the capacity of Director of the Financial Asset Management Department of Harbin Investment Group Company Limited. She used to work as Chief of the Long-term Development Planning Division, Office Secretary, Deputy Office Chief, department-level Office Member and Chief of the Board Office in Harbin Investment Group Company Limited.

Table 3.2-2 (the independent directors)

Name	Company Position and	Gender	Age	Date of Appointment	Recommending shareholder	Shareholding Proportion of the
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						<b>Recommending Shareholder (%)</b>
Li Hui	General Manager of Beijing Yingdong Investment Co., Ltd.	Male	45	2010-7	-	-
Li Huajie	Managerial Partner of Beijing Yongqin Certified Public Accountants Co., Ltd.	Male	52	2015-8	-	-

Table 3.2-2 (Continued) (the independent directors)

<b>Brief Background of the Independent Directors</b>	
Li Hui	Li Hui has been serving the company as Independent Director since July 2010, and is currently working in the capacity of General Manager of Beijing Yingdong Investment Co., Ltd. He formerly worked in the capacity of 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 China Galaxy Securities, Business Director of the Investment Banking Department of Essence Securities and Executive Director of the Enterprise Financing Department of Credit Suisse Founder Securities Limited.
Li Huajie	Li Huajie has been serving the company as Independent Director since August 2015, and is currently acting in the capacity of managerial partner of Beijing Yongqin Certified Public Accountants Co., Ltd. He used to work as Financial Chief of Harbin Valve Plant, department manager of Heilongjiang Certified Public Accountants, department manager of Heilongjiang Xingye Certified Public Accountants, Deputy Chief of Reanda-Xinlong Certified Public Accountants and Deputy Chief Accountant of Beijing Yongqin Certified Public Accountants Co., Ltd.

### 3.3 Supervisors

Table 3.3 (the supervisors)

<b>Name</b>	<b>Position</b>	<b>Gender</b>	<b>Age</b>	<b>Date of Appointment</b>	<b>Recommending shareholder</b>	<b>Shareholding Proportion</b>
Zhang Lei	Chairman of the Board of Supervisors	Male	45	2016-3	Zhongzhi Enterprise Group Co., Ltd.	32.99%
Mao	Supervisor	Male	47	2010-7	Jingwei Textile Machinery	37.47%

Faqing					Company Limited	
Hou Chunlin	Supervisor	Female	41	2016-3	Supervisory Employee	-

Table 3.3 (Continued) (the supervisors)

<b>Brief Background of the Supervisors</b>	
Zhang Lei	Zhang Lei has been Chairman of the Board of Supervisors of the company since March 2016. Before joining the company, he held a variety of positions as follows: Clerk at the Taxation Office for Experiment of the New Technology Industry Development under Beijing Haidian Local Taxation Bureau, Clerk at No.9 Taxation Office and No.4 Taxation Office under Beijing Haidian National Taxation Bureau, Clerk at Tax Policy Management Department I under Beijing Haidian National Taxation Bureau, Deputy Chief/Chief of Tax Collection Management Department and Director of the General Office under Beijing Haidian National Taxation Bureau, Deputy Head And Party Leadership Group Member at No.5 Branch Directly Affiliated to Beijing Municipal Office, SAT (also known as Large Enterprise-related Tax Collection Administration Branch), Deputy Director of the Head Office under Beijing Municipal Office, SAT, and General Manager of the Finance and Taxation Management Center at Zhongzhi Enterprise Group Co., Ltd.
Mao Faqing	Mao Faqing has been serving the company as Supervisor since July 2010, and is currently Deputy General Manager and Chief Financial Officer of Jingwei Textile Machinery Company Limited. He formerly worked in the capacity of Chief of the Accounting Office and Director of the Financial Department in Jingwei Textile Machinery Company Limited.
Hou Chunlin	Hou Chunlin has worked in the capacity of General Manager of the Inspection & Audit Department of the company since March 2016. Before joining the company, she formerly worked for Deloitte Touche Tohmatsu CPA Ltd. Beijing Branch as Senior Auditor and Audit Manager, Pan-China Certified Public Accountants based in Beijing as Project Manager, Ningxia Tianhua Certified Public Accountants as Project Manager, Ningxia Changcheng Xuqi Machine Tool Casting Co., Ltd. as an Accountant.

### 3.4 Senior Management Members

Table 3.4 (the senior management members)

<b>Name</b>	<b>Position</b>	<b>Gender</b>	<b>Age</b>	<b>Date of Appointment</b>	<b>Years of Experience in the Financial Industry</b>	<b>Highest Degree</b>	<b>Major</b>
Zhang Dong	President	Male	44	2015-5	18	Bachelor's degree	Welding Techniques and Apparatus
You Yu	Executive	Male	42	2013-6	19	Master's	Financial

	Vice President					degree	Management
Hu Meng	Vice President	Male	36	2015-5	9	Bachelor's degree	Finance
Liu Weiqi	Vice President	Male	42	2010-2	14	Bachelor's degree	Russian
Jin Qinghao	Vice President	Male	47	2016-11	24	Master's degree	Business Administration
He Zhiqiang	Vice President	Male	41	2011-10	11	Master's degree	Business Administration
Geng Lei	Vice President	Male	32	2016-6	8	Bachelor's degree	Law
Lian Jinhua	Chief Financial Officer	Male	57	2010-6	8	Bachelor's degree	Accounting
Huang Wei	Chief Compliance Officer	Female	42	2010-10	19	Master's degree	Accounting

Table 3.4 (Continued) (the senior management members)

<b>Brief Background of the Senior Management Members</b>	
Zhang Dong	Zhang Dong has been working in the capacity of President of the company since May 2015. He was formerly engineer at the Harbin Railway Administration, General Manager of the IT Department of Tianyuan Securities Brokerage Co., Ltd., Deputy 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), Chief Administrative Officer and Vice President of the company.
You Yu	You Yu has been Executive Vice President of the company since June 2013. He formerly held the position of Vice Director of the Non-Bank Financial Institutions Supervision Department of the China Banking Regulatory Commission.
Hu Meng	Hu Meng has been Vice President of the company since May 2015. He was formerly senior auditor of Deloitte, and in Sinochem Finance Co., Ltd., Chief Financial Officer, Deputy General Manager of the Corporate Risk Management Department, General Manager of the Direct Investment Department and General Manager of the Funds and Capital Market Department.
Liu	Liu Weiqi has been Vice President of the company since February 2010. He was formerly Chairman of the Board of Directors of Ji'nan Faxiang Properties Company

Wei qi	Limited, Vice President of Zhongzhi Enterprise Group, Chief Accountant of Harbin Rongxing Pawnshop and Chief Financial Officer of Shanghai Zhongronghui Investment Guarantee Company.
Jin Qinghao	Jin Qinghao has been Vice President of the company since November 2016. He previously worked as Clerk of the Financial Research Office and the Division of Allocation and Coordination under the PBOC Branch in Harbin, Clerk of the Division of Allocation and Coordination under the PBOC Harbin Central Sub-branch, Clerk and Deputy Chief of the Division of General Affairs under the PBOC Harbin Financial Regulatory Office, and Deputy Director of the Office of General Affairs, Deputy Chief of the Policy and Regulation Division, Deputy Chief of the Access Control Division, and Chief of the Regulatory Division of Non-banking Financial Institutions under the CBRC Office in Heilongjiang.
He Zhiqiang	He Zhiqiang has been Vice President of the company since October 2011. He was formerly Assistant to the General Manager of the Engineering Department, Beijing Mengke Properties Company Limited, General Manager of the Financial Market Department of the company and Assistant to the President of the company.
Geng Lei	Geng Lei has been Vice President of the company since June 2016. His previously held positions include Assistant Lawyer of Lanpeng Law Firm, Legal Supervisor of the General Office under the Beijing Branch in China Life Property & Casualty Insurance Company Limited, as well as General Manager Assistant of the Legal & Compliance Department, Deputy General Manager of the Industrial Capital Department, Deputy General Manager of the Trust Business Department I, and Deputy General Manager and General Manager of the Financial Capital Department at the company.
Lian Jinhua	Liu Jianhua has been Chief Financial Officer of the company since June 2010. He was formerly Chief of the Audit Office of Jingwei Textile Machinery Plant, Chief 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 was appointed as Chief Compliance Officer of the company in October 2010. She formerly held the position of Supervisory Principal in the Supervisory Cooperation Department for Banking Innovation of the China Banking Regulatory Commission.

### 3.5 Employees

Table 3.5 (Employees)

Item		2016		2015	
		Number	Proportion	Number	Proportion
Age distribution	Under 25	76	3.92%	114	5.76%
	25—29	598	30.84%	693	35%
	30—39	1044	53.84%	958	48.38%
	Above 40	221	11.40%	215	10.86%
Educational distribution	Doctor	6	0.31%	10	0.51%
	Master	601	31.00%	643	32.47%



	Bachelor	1136	58.59%	1112	56.16%
	Associate bachelor	183	9.44%	197	9.95%
	Other	13	0.67%	18	0.91%
Position distribution	Directors, supervisors and senior management members	18	0.72%	17 (3 outsiders)	0.71%
	Proprietary business personnel	0	0	0	0
	Trust business personnel	974	50.23%	1167	58.94%
	Other personnel	951	49.05%	799	40.35%

Note: Proprietary business personnel refer to employees exclusively, or at least primarily, working for businesses related to use of proprietary funds and management of fixed assets. Trust business personnel refer to employees exclusively, or primarily, working for use of trust funds and management of trust assets. Employees working in comprehensive functions such as the HR Department, the Administrative Department or other similar departments that cannot be classified into any business department are put in the “Other personnel” group. In addition, 4 out of the 18 directors, supervisors and senior management members are excluded from the 1,939 employees on the payroll. In other words, the total headcount on all positions is 1,943, employees on the payroll + outsider directors and supervisors.

#### 4. Operations and Management

##### 4.1 Operational Targets, Guidelines and Strategic Plan

To push for greater business transitioning and to 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 transitioning its comprehensive strategic orientation from a capital provider to a comprehensive asset manager. The term “three driving forces” refers to the 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 comprehensive business optimization, significant improvement in its management, and continuous innovation.

##### 4.2 Main Business Operations

###### 4.2.1 Operational profile

In 2016, the company actively promoted the development of private equity investment, asset management and wealth management as per the established strategic transformation plan, scoring sound business effects. As of the end of 2016, the company had RMB 858,472 million of consolidated assets in management, of which, RMB 25,651 million was proprietary assets, accounting for 2.68%, RMB 682,967 million was

trust assets, accounting for 80.59% and RMB 149,854 million was assets held in trust of its subsidiaries, accounting for 17.46%. The company realized total business revenue of RMB 6,796 million. Its net assets amounted to RMB 12,810 million. Net capital achieved RMB 11,328 million with a net capital adequacy ratio of 159.01%; the net capital surplus was recorded RMB 4,204 million.

#### 4.2.2 Trust business

In 2016, the company focused on transformation and innovation, continued to adjust its business structure, and scaled down its traditional financing business. In the capital market, its efforts for business expansion focused on four aspects: firstly, private equity (PE) investments in high-quality companies; secondly, business such as private placement and M&A with listed companies; thirdly, participating in the commercial real estate investment in tier-1, tier-2 cities; and fourthly, establishing partnerships with commercial banks, asset management companies and other entities to conduct the securitization of active management assets. During the year, the company had a total of 914 existing trusts, with assets under management (AUM) of RMB 682,967 million, representing a slight increase year on year. Meanwhile, its business structure had been further optimized with a controllable risk level. The allocation of its trust assets invested as of the end of the reporting period is shown below:

Table 4.2.2 Allocation of Trust Assets Invested (in RMB 10,000)

<b>Assets invested</b>	<b>Amount</b>	<b>Proportion</b>	<b>Industry distribution</b>	<b>Amount</b>	<b>Proportion</b>
Monetary assets	1,370,640.92	2.01%	Basic industry	4,995,322.62	7.31%
Loans	15,400,637.20	22.55%	Real estate	3,715,882.56	5.44%
Investment in tradable financial assets	4,823,218.81	7.06%	Securities market	5,530,981.22	8.10%
Investment in financial assets available for sale	24,591,308.80	36.01%	Manufacturing	25,812,997.17	37.80%
Investment in financial assets held to maturity	-	-	Financial institutions	27,864,432.01	40.80%
Long-term equity investment	11,009,443.54	16.12%	Other	377,111.31	0.55%
Other	11,101,477.62	16.25%			
Total trust assets	68,296,726.89	100.00%	Total trust assets	68,296,726.89	100.00%

#### 4.2.3 Proprietary business

During the year, the company managed its proprietary funds primarily 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 primarily invested in tradable financial products and financial products available for sale.

Table 4.2.3 Allocation of Proprietary Assets Invested (in RMB 10,000)

<b>Assets invested</b>	<b>Amount</b>	<b>Proportion</b>	<b>Industry distribution</b>	<b>Amount</b>	<b>Proportion</b>
Monetary assets	1,110,018	43.27%	Basic industry		
Loans and receivables	158,590	6.18%	Real estate		
Investment in tradable financial assets	408,651	15.93%	Securities market	713,921	27.83%
Investment in financial assets available for sale	602,774	23.50%	Manufacturing		
Investment in financial assets held to maturity	0	0.00%	Financial institutions	206,033	8.03%
Long-term equity investment	210,101	8.19%	Other	1,645,171	64.14%
Other	74,991	2.92%			
Total assets	2,565,125	100.00%	Total assets	2,565,125	100.00%

### 4.3 Market Analysis

#### 4.3.1 Favorable factors

In 2016, the world economy maintained a momentum of slow recovery. In China, the main economic indicators showed signs of stabilizing and a move upward. As many key policies like the “Belt and Road” initiative, acceleration of the pace of IPOs, stratification of the New Third Board, and reformation of stated-owned enterprises advanced, more investment opportunities are emerging in the capital market. At the same time, encouraged by the Chinese government, many emerging industries are also seeing faster growth, including industries such as energy conservation and environmental protection, culture and education, artificial intelligence (AI) and high-end manufacturing, and health services. The trust industry is in a good position as an important part of the Chinese investment and financing market, to bring into full play its advantages of flexible policy, varying channels and various products. These are all helping to bring asset management to a new level of professionalism and provide the real economy and investors with a full package of comprehensive financial services. More precisely, trust companies can focus on a variety of investment methods including equity investment, private placement, M&A, and specific industry investment fund, and vigorously expand their presence in the related sectors with considerable space for growth and prospect.

### 4.3.2 Unfavorable factors

Despite the positives, the trust industry also faces certain challenges under the new normal. First, the macro economy is still under significant pressure to maintain growth, and the economic policies for “de-capacity, de-stocking, de-leveraging, cost cutting and shortcomings improvement” are likely to further expose the risks of the traditional trust financing business. Second, as more and more institutions emerge in the asset management industry, the competition will intensify remarkably. Trust companies are falling behind other financial peers including securities traders in terms of business size and operational experience in the capital market. Therefore, they need to enhance their capabilities in terms of finding suitable investments, stepping up recruitment efforts for professional teams, and improving their service quality and capacity. Third, cross-market risk management is increasingly difficult. As trust companies transform their business, more investment needs occur across different markets and industries. The emergence of financial products with complicated trading structures imposes new challenges on trust companies’ risk control capacity.

## 4.4 Internal Control

### 4.4.1 The internal control 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 compliant operations, asset safety, the authenticity and completeness of financial reports and relevant information, increased operational efficiency, and contributing to the realization of its development strategy. 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 and regulations and internal control evaluation. The internal control system has been made possible with information technology infrastructure.

The Company values the importance of internal controls. It has a culture of internal controls that places strong emphasis on senior management, involves every employee, and holds any person responsible for a violation strictly accountable. The company also takes an active part in drawing upon the advanced experience of peer companies. Publicity campaigns and educational sessions are offered on occasion to streamline internal control policies and flows. Through internal control accountability, the Company works hard to foster its culture of internal controls with a view to improving the effectiveness of its internal control efforts.

### 4.4.2 Internal control measures

The company has gradually established a scientific and sophisticated system of internal control as well as worked continuously to refine the internal control system, to improve the corporate governance system, to build up a corporate culture and to optimize the internal control environment. In addition, the company has worked continuously to improve 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.

#### 4.4.3 Information exchange and feedback

The company has rolled out new information reporting as well as information disclosure measures. Information sharing, complaint handling and other mechanisms outline the important matters requiring follow-up and reporting. These include reporting principles, the contents to be reported, the entities responsible for reporting, the reporting form, flow and frequency, and other contents. The company makes reports promptly to the Board of Shareholders, the Board of Directors, the Board of Supervisors, the senior management, and regulators. During the reporting period, the company performed procedures of reporting for file or for approval significant matters including establishment of trust schemes, changes to senior management members and others in line with supervisor requirements. In response to opinions issued by the supervisor, the company timely provided in-depth feedback to report its corrective measures and the implementation of such measures to the supervisor. Internal and external business management information, reports on innovative businesses and industry research reports were regularly collected, analyzed and shared extensively through Internet platforms, meetings etc. In terms of the construction of customer complaint channels, the company further clarified responsibilities of all departments and enhanced with professional training on customer service personnel. Through public information disclosure, the company subjected itself to public supervision, thereby enhancing information exchange and communication with its clients. Moreover, it has established reporting and complaint mechanisms with convenient channels, publicized treatment principles, fair treatment procedure and the reporter protected, so as to prevent greater loss as a result of concealment of irregular practices and untimely rectification of internal control shortcomings.

#### 4.4.4 Monitoring assessment and rectification

To supervise and evaluate its operational management and business operations more effectively, the company has established and refined its internal supervisory assessment system. Its internal audit department enhanced efforts in system building and team building. In addition, through financial audits, internal control audits and business audits a close eye has been kept on internal control risks, operational risks, compliance risks and substantial risks in trust projects. The department has played a significant role in supervision and inspection with its investigations in 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 problems by means of rectification tracking and auditing.

### 4.5 Risk management briefing

#### 4.5.1 Risk conditions

#### 4.5.1.1 Credit risk

(1) Concentrated areas of credit risk: According to statistics as of the end of 2016, enterprise financing trust assets accounted for 33.37% of all trust assets. There was no non-performing financing trust asset or non-performing loan according to the statistics of the five-tier classification of credit assets.

(2) Main principles of collateral identification: To minimize adverse impacts of price changes on the secondary source of repayment, the company selected quality securities as pledges, and set the pledge rate at a level with the financier or the pledgor adding pledge at the request of the company in the event the stock price falls below a designated level. Lands and properties at stable prices were used as mortgaged collaterals with the LTV ratio up to 50% in most cases. Secured loans in principle called for a guarantor with sound financial standing, good operating results and sufficient guarantee ability.

(3) Provisioning methods of general reserves and special reserves: According to the *Administrative Measures on Trust Companies*, the company set aside 5% of its net profit, namely being, RMB 118,235,800 as a trust compensation reserve during the reporting period, bringing the closing balance to RMB 679,745,700. As required by the *Administrative Measures for Provisioning Reserves of Financial Enterprises* ([2012] No.20, Ministry of Finance), over the year the company appropriated a total of RMB 7,545,800 for general risk reserves, with a closing balance of RMB 141,285,100.

#### 4.5.1.2 Market risk

Market risk primarily lay in the company's proprietary securities investment business, trust business and equity usufruct rights held in trust. As of the end of 2016, assets held in trust for securities investment made up 8.10% of all trust assets. For this type of business, the company, with the core principle of prudence, allocated assets in a reasonable manner, and imposed strict restrictions on projects in terms of investment scope, leverage ratio, investment limitation, requirements for decentralization, and other aspects. Additionally, it also diligently and dutifully performed its duties as a trustee through such risk management mechanisms as structured arrangements, pre-warning release, and loss stop as well as sophisticated management measures exemplified by mark-to-market. The company also tracked changes to the projects, strictly abided by the provisions of laws and regulations as well as the agreements reached in transaction documents, and made information disclosures to investors regularly as a means to ensure they were always informed.

#### 4.5.1.3 Operational risk

The company made continued efforts to comb through and regulate its business procedure and enhance its internal control in a bid to eradicate operational risk through institutional regulation. At the same time, it attached importance to developing the staff's professionalism, sense of responsibility and comprehensive quality for the purpose of eliminating operational risk caused by incompetent or irresponsible employees. There were neither losses caused by operational risk nor any major operational risk events during the year.

#### 4.5.1.4 Other risks

Other risks include legal risk, compliance risk, and reputational risk. Legal risk refers to the risk of the company suffering punishments or lawsuits due to violation of laws or regulation, breach of supervisory agreements or contractual disputes with counterparties. Compliance risk refers to the risk of the company suffering legal sanctions, regulatory punishments or major losses as a result of failure to abide by laws, rules, or norms. Reputational risk refers to the company running the risk of damaging its reputation due to a lack of reputation emergency handling capability, failure to properly handle relationship with the media and the absence of reputational risk management mechanisms. At present, the company keeps its legal risk, compliance risk and reputational risk at a low level.

## 4.5.2 Risk management

### 4.5.2.1 Credit risk management

Specific measures employed for credit risk management include: first, to improve the credit risk management policies and systems; second, to improve the credit risk limit management; third, to enhance industry studies and improve the access mechanism; fourth, to increase monitoring of credit risk for existing projects; and fifth, to take more measures to guard against risk arising from the investment business.

### 4.5.2.2 Market risk management

At the company, the Securities Management Center under the Operational Management Department was responsible for managing market risk 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 the daily mark-to-market approach implemented to ensure real-time knowledge of risk conditions. We have also engaged experienced and outstanding investment counselors to help us better identify potential risks in market changes. Scientific and highly usable warning and loss stoppage mechanisms have been put in place to keep risks under control.

### 4.5.2.3 Operational risk management

The company promptly dealt with and streamlined the disclosure process of existing projects, making the disclosure work more efficient and accurate. It also formulated and revised business management policies and operational guidelines, so that the departments of the front, middle and back offices could conduct business in a more standardized manner. Over the year, the Company reorganized its Operational Management Department. To be specific, the Project Management Center, the Operational Management Center, and the Securities Management Center were set up to further specify the division of responsibilities, thus putting key steps involving operational risk management such as project information and data management and securities project threshold management under effective control.

### 4.5.2.4 Management of other risks

(1) Legal risk: The company established the Legal Review Center under the Risk Management Department in May 2016 so as to continue reviewing legal risks in line with uniform standards throughout the course of projects.

(2) Compliance risk: The company formulated and revised many compliance policies, which contributed to the further refinement of its compliance risk management and

helped employees develop an awareness of legality and compliance. Moreover, it has provided active assistance for the regulator to ensure the execution of supervisory policies.

(3) Reputational risk: The company introduced a vertical reporting mechanism and a horizontal coordination mechanism, and effectively carried out reputational risk management. Through overall monitoring, proactive prevention and efficient response, its efforts to prevent and control reputational risk generated a synergy.

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

### 5.1 Proprietary Assets

#### 5.1.1 Audit opinions of the accounting firm

The No. 8794 [2017] audit report of Baker Tilly states: “The financial statement of Zhongrong International Trust Co., Ltd., which has been prepared in line with the *Accounting Standard for Enterprises* concerning all material matters, fairly represents the financial standing of the company as of December 31, 2016 and its operating results, cash flows and consolidated operating results and consolidated cash flows in 2016”.

#### 5.1.2 Balance sheet

### Balance sheet

Prepared by: Zhongrong International Trust Co., Ltd. December 31, 2016 Units: 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	11,100,175,309.54	7,734,154,186.97	8,439,764,548.45	7,049,197,270.65
Settlement reserves	3				
Monies due from financial institutions	4				
Financial liabilities at fair value through profit or loss	5	4,086,514,116.41	6,152,546,921.81	2,658,525,081.24	5,439,249,734.85
Financial derivative assets	6				
Bills payable	7				
Accounts receivable	8	211,359,361.10	72,867,484.49	111,418,253.88	48,275,167.63
Advances	9		3,268,431.79		
Interest receivable	10	38,653,417.99	45,007,209.28	25,800,617.60	43,119,585.83
Dividends receivable	11	55,161,595.19	20,803,274.80	55,161,595.19	20,803,274.80
Other receivables	12	580,723,657.90	236,423,826.64	71,325,557.56	60,104,751.44
Reverse buyback agreements	13	10,000,000.00	-	-	-
Inventory	14				



Assets held for sale	15				
Loans and advances to customers	16	700,000,000.00	-	-	-
Financial assets available for sale	17	6,027,738,263.73	2,272,304,724.64	479,107,813.66	299,190,710.18
Investment in financial assets held to maturity	18				
Long-term accounts receivable	19				
Long-term equity investment	20	2,101,008,100.38	1,647,720,018.19	6,020,669,051.38	3,004,282,272.06
Investment-purpose housing properties	21				
Net value of fixed assets	22	29,342,491.77	28,944,704.74	17,550,114.04	19,903,939.96
Construction in process	23				
Disposal of fixed assets	24				
Net value of intangible assets	25	37,659,773.29	32,914,011.88	32,757,142.27	29,676,079.90
Development expenses	26				
Goodwill	27				
Long-term deferred expenses	28	38,713,670.31	37,847,678.12	33,050,859.83	34,954,582.76
Deferred income tax assets	29	634,195,455.49	567,014,719.73	617,711,686.22	572,897,132.77
Other assets	30				
	31				
<b>Total assets</b>	32	25,651,245,213.10	18,851,817,193.08	18,562,842,321.32	16,621,654,502.83
Legal Representative: Liu Yang    Head of Accounting: Lian Jinhua    Responsible Person of Accounting Units: Wang Song					

**Balance sheet (Continued)**

Prepared by: Zhongrong International Trust Co., Ltd.    December 31, 2016    Units: RMB

Item	S/N	Consolidated		Parent Company	
		Year closing balance	Year opening balance	Year closing balance	Year opening balance
<b>Liabilities:</b>	33				
Short-term borrowings	34	344,422,050.00	-	-	-
Due to financial institutions	35	1,300,000,000.00	1,700,000,000.00	1,300,000,000.00	1,700,000,000.00
Financial liabilities	36				

at fair value through profit or loss					
Financial derivative liabilities	37				
Bills payable	38				
Accounts payable	39	11,983,193.75	5,863,443.50	-	-
Advances received	40	31,157,205.58	72,640,391.61	17,107,474.02	24,067,446.57
Buyback agreements	41				
Handling fees and commission payable	42				
Payroll payable	43	2,322,024,819.33	1,567,883,595.07	2,139,783,544.57	1,492,331,245.88
Taxes payable	44	649,811,872.81	498,498,749.54	554,510,062.36	451,760,798.85
Interest payable	45	15,104,452.72	9,848,205.57	3,226,666.66	6,195,555.57
Dividends payable	46	1,200,000,000.00	600,000,000.00	1,200,000,000.00	600,000,000.00
Other receivables	47	281,555,085.63	59,525,493.41	27,346,431.52	17,338,523.30
Liabilities held for sale	48				
Long-term borrowings	49				
Bonds payable	50	4,990,614,182.88	1,441,923,043.85	-	-
Long-term accounts payable	51				
Long-term payroll payable	52	510,392,911.05	1,010,911,029.88	510,392,911.05	1,010,911,029.88
Special accounts payable	53				
Expected liabilities	54				
Deferred income tax liabilities	55				
Other liabilities	56				
<b>Total liabilities</b>	57	11,657,065,773.75	6,967,093,952.43	5,752,367,090.18	5,302,604,600.05
<b>Owner's equity (or shareholders' interests)</b>	58				
Paid-in capital	59	6,000,000,000.00	6,000,000,000.00	6,000,000,000.00	6,000,000,000.00
Other equity instruments	60				
Capital reserve	61	234,521,087.48	232,131,386.16	234,337,068.07	230,706,386.16
Other comprehensive revenue	62	100,003,674.58	43,779,125.99	22,947,041.09	-132,253.73
Of which: foreign exchange difference	63	18,416,998.72	2,255,947.67	-	-
Surplus reserve	64	1,304,531,098.36	1,068,059,563.20	1,304,531,098.36	1,068,059,563.20
General risk reserve	65	821,030,868.54	695,249,335.63	821,030,868.54	695,249,335.63
Retained Profit	66	4,800,581,900.77	3,431,444,594.38	4,427,629,155.08	3,325,166,871.52
Equity attributable to owners of parent company	67	13,260,668,629.73	11,470,664,005.36	12,810,475,231.14	11,319,049,902.78

Minority interests	68	733,510,809.62	414,059,235.29	-	-
<b>Total owner's equity</b>	69	13,994,179,439.35	11,884,723,240.65	12,810,475,231.14	11,319,049,902.78
<b>Total liabilities and owner's equity</b>	70	25,651,245,213.10	18,851,817,193.08	18,562,842,321.32	16,621,654,502.83
Legal representative: Liu Yang Head of Accounting: Lian Jinhua Responsible Person of Accounting Units: Wang Song					

### 5.1.3 Profit statement

Prepared by: Zhongrong International Trust Co., Ltd. Year 2016 Units: RMB

Item	S/N	Consolidated		Parent Company	
		This year	Previous year	This year	Previous year
<b>1. Total operating revenue</b>	1	6,796,129,794.71	6,587,819,030.25	5,522,997,950.59	5,976,694,710.85
Net interest income	2	153,808,410.93	123,721,285.15	138,846,405.87	118,116,237.76
Interest income	3	203,723,549.80	216,267,396.27	188,761,544.74	210,662,348.88
Interest expenses	4	49,915,138.87	92,546,111.12	49,915,138.87	92,546,111.12
Net handling fee and commission income	5	3,958,391,779.71	4,617,699,794.68	3,774,414,525.89	4,424,055,218.55
Handling fee and commission income	6	3,958,391,779.71	4,617,699,794.68	3,774,414,525.89	4,424,055,218.55
Handling fee and commission expenses	7				
Operating revenue	8	954,041,915.46	201,771,770.58		
Investment gains/losses (Loss is represented by “-” sign)	9	533,575,306.16	792,093,532.71	480,116,920.74	576,064,868.31
Gain/loss through fair value change (Loss is represented by “-” sign)	10	16,220,745.54	-33,067,269.52		-11,181,422.03
Exchange gain/loss (Loss is represented by “-” sign)	11	474,350.27	901,142.69	474,350.27	531,601.27
Other business revenue	12	1,179,617,286.64	884,698,773.96	1,129,145,747.82	869,108,206.99
<b>2. Total operating expenditures</b>	13	3,421,169,147.62	3,310,402,691.54	2,584,787,253.30	2,936,256,026.31
Business tax and surcharges	14	118,835,852.43	324,089,716.19	101,297,686.06	303,876,966.78
Business and administrative fees	15	3,289,657,718.84	2,790,958,685.06	2,483,489,567.24	2,437,486,656.03
Asset impairment losses	16	12,624,255.60	194,892,403.50		194,892,403.50
Business costs	17	51,320.75	461,886.79		

<b>3. Operating profit</b>	18	3,374,960,647.09	3,277,416,338.71	2,938,210,697.29	3,040,438,684.54
Add: Non-operating revenue	19	158,123,401.70	98,929,053.04	126,401,051.38	88,285,203.19
Less: Non-operating expenses	20	8,418,043.23	4,771,387.38	7,168,925.14	4,587,435.61
<b>4. Total profit</b>	21	3,524,666,005.56	3,371,574,004.37	3,057,442,823.53	3,124,136,452.12
Less: Income tax expenses	22	820,653,559.99	766,166,859.82	692,727,471.90	707,018,917.33
<b>5. Net profit</b>	23	2,704,012,445.57	2,605,407,144.55	2,364,715,351.63	2,417,117,534.79
Attributable to owners of parent company	24	2,631,390,374.46	2,534,520,938.26	2,364,715,351.63	2,417,117,534.79
Minority interests	25	72,622,071.11	70,886,206.29	-	-
<b>6. Net other comprehensive revenue, post-tax</b>	26	58,570,745.29	145,336,883.73	23,079,294.82	106,095,695.81
Net comprehensive revenue attributable to the parent company, post-tax	27	56,224,548.59	149,652,458.52		
(1) Other comprehensive revenue that cannot be reclassified into gain/loss	28				
Of which: 1. Changes to net liabilities or net assets under redefined staff benefits scheme	29				
2. Entitled share of other comprehensive revenue that cannot be reclassified into gain/loss of the investment target under equity accounting	30				
(2) Other comprehensive revenue that will be reclassified into gain/loss	31	56,224,548.59	149,652,458.52	23,079,294.82	106,095,695.81
Of which: 1. Entitled share of other comprehensive revenue that will be reclassified into	32				

gain/loss of the investment target under equity accounting					
2. Financial assets available for sale at fair value through profit or loss	33	40,063,497.54	147,291,336.08	23,079,294.82	106,095,695.81
3. Gain/loss of investments held to maturity that are reclassified as financial assets available for sale	34				
4. Effective gain/loss of cash flow hedge	35				
5. Foreign exchange difference	36	16,161,051.05	2,361,122.44		
Other comprehensive revenue attributable to minority shareholders, post-tax	37	2,346,196.70	-4,315,574.79		
<b>7. Total comprehensive revenue</b>	38	2,762,583,190.86	2,750,744,028.28	2,387,794,646.45	2,523,213,230.60
Attributable to owners of the company	39	2,687,614,923.05	2,684,173,396.78	2,387,794,646.45	2,523,213,230.60
* Attributable to minority shareholders	40	74,968,267.81	66,570,631.50		
Legal representative: Liu Yang    Head of Accounting: Lian Jinhua    Responsible Person of Accounting Units: Wang Song					

## 5.2 Trust assets

### 5.2.1 Summary of assets and liabilities under trust projects

Table 5.2.1 (Units: RMB 10,000)

Item	December 31, 2016	December 31, 2015
Trust assets:		
Cash and cash equivalents	1,370,640.92	1,790,906.66
Tradable financial assets	4,823,218.81	6,449,452.64
Reverse buyback agreements	326,061.08	578,194.18
Accounts receivable	1,258,396.79	938,067.99
Loans extended	15,400,637.20	15,340,269.24

Financial assets available for sale	24,591,308.80	17,807,904.67
Long-term equity investment	11,009,443.54	10,209,462.27
Long-term deferred expenses	14,384.61	10,916.76
Other assets	9,502,635.14	13,866,680.49
Total trust assets	68,296,726.89	66,991,854.90
Trust liabilities:		
Trustee compensation payable	2,309.66	4,852.86
Trustee fee payable	7,176.15	9,009.11
Beneficiary benefits payable	500,751.13	383,325.56
Sales service fee payable	773.72	1,376.86
Other payables	1,012,021.19	969,273.87
Other liabilities	701,913.76	-
Total trust liabilities	2,224,945.61	1,367,838.27
Trust usufruct:		
Paid-in trust	65,464,127.76	62,383,798.62
Capital reserve	646,404.76	2,266,626.49
Retained profit	-38,751.24	973,591.52
Total trust usufructs	66,071,781.28	65,624,016.63
Total sum of trust liabilities and trust usufructs	68,296,726.89	66,991,854.90

### 5.2.2 Summary of profits and profit distribution of trust projects

Table 5.2.2 (Units: RMB 10,000)

Item	2016	2015
Operating revenue	4,141,495.73	7,067,050.46
Interest income	1,580,719.49	2,106,861.54
Returns on investment	2,740,067.91	5,160,312.74
Gain through fair value change	-203,010.89	-217,230.99
Other revenues	23,719.22	17,107.17
Expenditure	708,943.77	1,257,124.80
Trustee compensation	312,425.09	356,064.14

Trustee fee	27,727.68	34,613.77
Investment management fee	41,030.26	118,201.43
Sales service fee	168,117.07	285,333.80
Transaction fee	15,029.54	221,865.04
Other fees	144,614.13	241,046.61
Net trust profit	3,432,551.96	5,809,925.66
Other comprehensive revenues	648,868.45	2,074,994.34
Comprehensive revenue	4,081,420.41	7,884,920.00
Add: Retained Trust profit at the year opening	973,591.52	731,707.43
Trust profit available for distribution	5,202,042.15	7,643,934.98
Less: Trust profit distributed during the year	5,240,793.39	6,670,343.46
Retained trust profit at the year closing	-38,751.24	973,591.52

## 6. Annotations to Accounting Statements

### 6.1 Bases of accounting statement preparation and accounting policy.

This consolidated financial statement has been prepared with the assumptions 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 likewise been drafted in compliance with key accounting policies and accounting valuation practices stated as follows.

### 6.2 Explanation on contingencies

None.

### 6.3 Explanation on transfer and sale of important assets

None.

### 6.4 Details of important items in accounting statements

#### 6.4.1 Operation of proprietary assets

6.4.1.1 Year opening balance and year closing balance of credit risk assets by the five-tier credit risk classification

Table 6.4.1.1 (Units: RMB 10,000)

Five-tier credit risk classification	Pass	Special mention	Substandard	Doubtful	Loss	Total credit risk assets	Total non-performing assets	NPL ratio (%)
Year opening balance	811,252					811,252		
Year closing balance	1,268,607					1,268,607		

Note: Total non-performing assets = substandard + doubtful + loss

6.4.1.2 Year opening balance, provision during the year, write-back during the year, write-off during the year and year closing balance of each kind of assets

Table 6.4.1.2 (Units: RMB 10,000)

	Year opening balance	Provision	Write-back	Write-off	Year closing balance
Allowances for impairment loss on loans	0	0	0	0	0
General reserve	0	0	0	0	0
Special reserve	0	0	0	0	0
Allowances for impairment loss on other assets	0	0	0	0	0
Allowances for impairment loss on financial assets available for sale	19,489	0	0	0	19,489
Allowances for impairment loss on investments held to maturity	0	0	0	0	0
Allowances for impairment loss on long-term equity investments	0	0	0	0	0
Bad debt reserve	47	1,262	0	0	1,309

6.4.1.3 Year opening balance and year closing balance of investments in proprietary stocks, funds, bonds, and equities.



Table 6.4.1.3 (Units: RMB 10,000)

	Proprietary stocks	Funds	Bonds	Long-term equity investment
Year opening balance	19,699.37	635,181.33	-	164,772.00
Year closing balance	61,653.38	652,267.67	-	210,100.81

6.4.1.4 Top 5 enterprises with proprietary long-term equity investments, proportion in the total equities of the investment target, their major operating activities and returns on investment

Table 6.4.1.4 (Units: RMB 10,000)

Name	Proportion in all equities of the investment target	Major business activities	Gain/loss on investment
China Trust Protection Fund Co., Ltd.	13.04%	Fund management services	11,224.04
Harbin Rural Commercial Bank Co., Ltd.	9.90%	Banking	4,210.45
China Trust Registration Co., Ltd.	3.33%	Trust registration	-
Zhongrong-Enterprise No.3 Asset Management Plan	15.46%	Fund management services	18.12
Shenzhen Huarong Equity Investment Fund Management Co., Ltd.	49.00%	Fund management services	230.57

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

6.4.1.5 Top 5 enterprises with proprietary loans, proportion in total loans and repayments

There were no outstanding loans as of the end of the year.

6.4.1.6 Year opening balance and year-closing balance of the off-balance-statement business by agency business, guarantee business and others

Table 6.4.1.6

Off-balance-sheet business	Year opening balance	Year closing balance
Guarantee business	0	0
Agency business (on a commission basis)	0	0
Other	0	0
Total	0	0

Note: Agency business includes historical business on a commission basis that should have been regulated but were not regulated due to objective reasons, including entrusted loans and entrusted investments.

#### 6.4.1.7 Annual income composition

Table 6.4.1.7 (Units: RMB 10,000)

Income composition	Amount	Percentage
Handling fee and commission income	395,839	56.92%
Of which: Trust fee income	376,429	54.13%
Investment banking income		0.00%
Net interest income	15,381	2.21%
Other business revenue	117,962	16.96%
Of which: Those recorded into trust business income	105,251	15.13%
Operating revenue	95,404	13.72%
Returns on investment	54,980	7.91%
Of which: returns on equity investment	16,694	2.40%
Gain through fair value change	1,622	0.23%
Return on other investments	36,664	5.27%
Exchange gain/loss	47	0.01%
Non-operating revenue	15,812	2.27%
Total income	695,425	100.00%

Note: Handling fee and commission income, interest income, other business revenue, returns on investment and non-operating revenue are tier-1 items on the balance sheet, among which, handling fee and commission income, interest income and non-operating revenue are cumulative incomes actually realized during the year without according expenses deducted. Total reporting year trust business income includes trust business income confirmed in the form of handling fee and commission income, trust business income confirmed in the form of performance-related pay and others confirmed in other ways.

#### 6.4.2 Disclosure of trust asset management

##### 6.4.2.1 Year opening balance and year closing balance of trust assets

Table 6.4.2.1 (Units: RMB 10,000)

Trust assets	Year opening balance	Year closing balance
Collective	38,869,737.39	45,436,914.85
Single	19,282,920.60	17,355,405.09
Property right	8,839,196.91	5,504,406.95
Total	66,991,854.90	68,296,726.89

##### 6.4.2.1.1 Year opening balance and year closing balance of trust assets in active management

Table 6.4.2.1.1 (Units: RMB 10,000)

Trust assets in active management	Year opening balance	Year closing balance
Securities investment	3,777,089.67	2,869,016.79
Equity investment	5,732,412.56	5,285,076.17
Other investments	18,162,880.24	24,391,601.58
Financing	13,013,276.44	15,191,561.86
Affairs management	5,164,720.82	468,960.23
Total	45,850,379.73	48,206,216.63

#### 6.4.2.1.2 Year opening balance and year closing balance of trust assets in passive management

Table 6.4.2.1.2 (Units: RMB 10,000)

Trust assets in passive management	Year opening balance	Year closing balance
Securities investment	3,500,476.51	2,661,964.43
Equity investment	1,198,087.34	1,282,293.43
Other investments	4,749,672.80	3,505,594.96
Financing	8,018,762.42	7,601,736.38
Affairs management	3,674,476.09	5,038,921.06
Total	21,141,475.17	20,090,510.26

#### 6.4.2.2 Trust projects completed and settled during the year

##### 6.4.2.2.1 Trust projects settled during the year

Table 6.4.2.2.1

Trust projects completed and settled	Number	Total amount (in RMB 10,000)	Weighted average actual annualized RoR
Collective	323	8,223,142.08	5.77%
Single	181	6,414,748.79	7.83%
Asset management	380	5,197,871.93	8.36%

Note: Weighted average actual annualized RoR = (actual annualized RoR of Trust Project 1 × total assets under Trust Project 1 + actual annualized RoR of Trust Project 2 × total assets under Trust Project 2 ... actual annualized RoR of Trust Project n × total assets under Trust Project n) / (total assets under Trust Project 1 + total assets under Trust Project 2 + ... total assets under Trust Project n) × 100%

##### 6.4.2.2.2 Trust projects in active management completed and settled during the year

Table 6.4.2.2.2

Trust projects completed and settled	Number	Total amount (in RMB 10,000)	Trust revenue	Weighted average actual annualized RoR
--------------------------------------	--------	------------------------------	---------------	--

			ratio	
Securities investment	179	711,123.92	0.75%	1.14%
Equity investment	23	1,505,896.84	2.85%	10.53%
Other investments	27	555,025.60	0.99%	-1.29%
Financing	94	4,874,071.82	3.77%	9.65%
Affairs management	330	2,204,311.01	1.44%	10.29%

#### 6.4.2.2.3 Trust projects in passive management completed and settled during the year

Table 6.4.2.2.3

Trust projects completed and settled	Number	Total amount (in RMB 10,000)	Trust revenue ratio	Weighted average actual annualized RoR
Securities investment	4	39,882.84	0.18%	14.74%
Equity investment	11	701,350.00	0.52%	9.94%
Other investments	42	1,093,819.47	0.89%	10.00%
Financing	124	5,156,720.38	0.45%	7.63%
Affairs management	50	2,993,560.92	0.15%	6.98%

#### 6.4.2.3 Newly added trust projects during the year

Table 6.4.2.3

New trust projects	Number	Total amount (in RMB 10,000)
Collective	114	10,732,271.56
Single	81	5,917,542.29
Asset management	17	3,201,110.64
Total new projects	212	19,850,924.49
Of which: those in active management	144	13,658,618.33
Those in passive management	68	6,192,306.16

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

With an adjusted business strategy, the company has increased efforts in developing innovative products and building an R&D team. It has also closely followed the market so as to tap into potential opportunities for innovative products. Focusing on designing new products with innovative models, controllable risks and high investor recognition, the company has elevated product innovation to a new strategic height and entrenched the brand in the wealth management field.

#### 6.4.2.5 The company's performance of trustee duties and losses on trust assets for reasons on the company's side

None.

## 6.5 Disclosure of Relations with Related Parties and Transactions Therewith

### 6.5.1 Quantity of related parties, total amount of related-party transactions and pricing policy for related-party transactions

Table 6.5.1 (Units: RMB 10,000)

	Number of related parties	Amount of related-party transactions	Pricing policy
Total	12	1,836,651.89	All of the company's related-party transactions in 2016 were concluded on general trade terms and priced in a market-oriented manner.

### 6.5.2 Basic information of related parties

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

Table 6.5.2

Nature of relationship	Name of related party	Legal representative	Registered address	Registered capital	Main businesses
Merged subsidiary	Zhongrong Fund Management Co., Ltd.	Wang Yao	Room 201, Building A, No.1 Qianwan No.1 Road, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	RMB 750 million	Fundraising, fund distribution, asset management for specific customers, asset management and other businesses allowed by the CSRC
Jointly-operated enterprise	China Trust Protection Fund Co., Ltd.	Xu Zhichao	201 Floor 2, Building No.1, No.9 Naoshikou Avenue, Xicheng District,	RMB 11.5 billion	Management of trust protection fund and other business activities approved by

			Beijing		relevant authorities
Merged subsidiary	Zhongrong Wealthin Asset Management Co., Ltd.	Gao Yuan	Room 368, Building 302, No. 211 Fute North Road, China (Shanghai) Pilot Free Trade Zone	RMB 100 million	Asset management, investment management, investment consulting, and asset management consulting
Merged subsidiary	Zhongrong Guofu Investment Management Co., Ltd.	Zhang Dong	Room 201, Building A, No. 1 Qianwan Road 1, Qianhai Shenzhen-Hong Kong Cooperation Zone, Shenzhen	RMB100 million	Asset management, investment management, and investment consulting
Merged subsidiary	Beijing Zhongrong Dingxin Investment Management Co., Ltd.	Zhang Dong	Room 268, Building 2, No.3 Xijing Road, Shijingshan Badachu Hi-tech Park, Beijing	RMB1,500 million	Project investment, asset management, investment consulting, and corporate management consulting

### 6.5.3 Matters related to major transactions between the company and related parties

#### 6.5.3.1 Proprietary property and related-party transactions

Table 6.5.3.1 (Units: RMB 10,000)

Proprietary property and related-party transactions				
	Year opening balance	Debits incurred	Credits incurred	Year closing balance

Loans				
Investments	608,461	131,317	370,493	369,285
Leasing		310		
Guarantees				
Accounts receivable				
Other	170,000	280,765	235,000	124,235
Total	778,461	412,393	605,493	493,520

### 6.5.3.2 Trust property and related-party transactions

Table 6.5.3.2 (Units: RMB 10,000)

Trust property and related-party transactions				
	Year opening balance	Debits incurred	Credits incurred	Year closing balance
Loans	4,870.00	-	-	4,870.00
Investments	-	156,058.50	-	156,058.50
Leasing	-	-	-	-
Guarantees	-	-	-	-
Accounts receivable	-	-	-	-
Other	-	515.33	-	515.33
Total	4,870.00	156,573.83	-	161,443.83

### 6.5.3.3 Mutual trading between proprietary property and trust property

Table 6.5.3.3 (Units: RMB 10,000)

Mutual trading between proprietary property and trust property			
	Year opening balance	Amount incurred during the period	Year closing balance
Total	0	235,000.00	235,000.00

### 6.5.3.4 Mutual trading between trust projects

Table 6.5.3.4 (Units: RMB 10,000)

Mutual trading between trust asset and trust property			
	Year opening balance	Amount incurred during the period	Year closing balance
Total	51,617.21	660,071.17	711,688.38

6.5.4 Related party defaulted repayment to the company and advances that have been or are to be made by the company to provide guarantee for related parties

None.

## 6.6 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 2016, the company realized total profit of RMB 3,524.67 million and net profit of RMB 2,704.01 million, with the appropriated surplus reserve of RMB 236.47 million, trust compensation reserve of RMB 118.24 million and general risk reserve of RMB 7.55 million.

### 7.2 Main Financial Indicators

Table 7.2

Indicator	Value
ROE	21.08%
Net profit per capita	RMB 1,401,000

Notes: ROE = net profit/average balance of owner's equity ×100%

Net profit per capita = net profit / yearly average headcount

Average value is calculated by employing the moving average method on year opening balance and closing balances of the four quarters.

The calculation formula is:  $a(\text{average}) = (a_0/2 + a_1 + a_2 + a_3 + a_4/2) / 4$

### 7.3 Other Matters with Significant Impacts on the company's Financial Standing and Operating Results

The fourth interim shareholder meeting in 2016 approved the capital contribution of RMB 100 million to found China Trust Registration Co., Ltd., which accounted for 3.33% of its total shares.

## 8. Disclosure of Special Matters

### 8.1 Changes to Top 5 Shareholders in the Reporting Period and Reasons for Such Changes

None.

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

#### 8.2.1 Changes to director appointments and reasons for such changes



One director 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
Fan Tao	Chairman of the Board of Directors	2016-3	Board succession, approved at the first interim shareholder meeting in 2016

### 8.2.2 Changes to supervisor appointments and reasons for such changes

Two supervisors left their positions during the reporting period. Details are as follows:

Table 8.2.2

Table of Supervisors Who Have Left Office			
Name	Previous position	Time of departure	Reason and internal resolution
Gao Xingshan	Chairman of the Board of Supervisors	2016-3	Board succession, approved at the first interim shareholder meeting in 2016
Liu Ligang	Supervisor	2016-3	Board succession, approved at the first interim shareholder meeting in 2016

### 8.2.3 Changes to senior management appointments and reasons for such changes

One senior management member left office during the reporting period with details as follows:

Table 8.2.3

Table of Senior Management Members Who Left Office			
Name	Previous position	Time of departure	Reason and internal resolution
Zhan Weihong	Vice President	2016-8	Work changes, approved at the 8 <sup>th</sup> Meeting of the 5 <sup>th</sup> Board of Directors

### 8.3 Matters Related to Changes in Registered Capital

None.

#### 8.4 Major Lawsuits Involving the company

None.

#### 8.5 Punishments Imposed on the company and its Directors, Supervisors or Senior Management Members

None.

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

CBRC Heilongjiang Branch imposed a special field inspection on the company that was aimed at looking back on the progress made in the “Two Strengthens and Two Curbs” initiative in October 2016. According to the inspection findings, the authority put forward regulatory requirements for the company to improve its business decision-making and related party transaction reviews. To act on these regulatory opinions, the company arranged for relevant departments to study and develop corrective plans, revised relevant management policies, and improved related decision-making procedures, while also optimized business compliance controls. All these efforts have helped the Company strengthen its risk management system building efforts, thereby laying a solid foundation for sustained and robust business growth.

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

During the reporting period, the company publicized interim reports on major events on the *Financial Times* and the *Securities Daily*. There were a total of one announcement publicized during the year with details as follows:

Table 8.7 (Key interim disclosures)

Date of Disclosure	Announcement	Disclosure contents	Disclosure media
2016-4-15	Announcement of Changing the Board Chairman Zhongrong International Trust Co., Ltd.	As approved at the 1 <sup>st</sup> Meeting of the Fifth Board of Directors in 2016, Mr. Liu Yang has been selected as Chairman of the Board of Directors. At the same time, the company has gone through relevant industrial and commercial registration procedures for the change and its legal representative has been changed to Mr. Liu Yang according to its <i>Articles of Association</i> . The company hereby undertakes that the information in this announcement does not carry any false record, misleading statements or material omissions, and hereby guarantees the authenticity, accuracy and completeness of the content hereof.	Shanghai Securities News

## 8.8 Important Information that the CBRC and its Provincial Branch Deemed Necessary to Disclose to Customers and Other Stakeholders

The company has received wide recognition from the media and all walks of life within the reporting period, with honorary titles received as follows:

- (1) “Outstanding Bonds Issuer” granted by China Government Securities Depository Trust & Clearing Co., Ltd.
- (2) “Special Prize for Settlement Members of Fund Management Companies and Trust Companies” granted by Inter-bank Market Clearing House Co., Ltd.
- (3) “Excellent Trust Companies in Wealth Management” granted by *The Economic Observer*
- (4) “Exemplary Trust Companies of the Year” granted by *Securities Times*
- (5) “Award of Excellence in Risk Control Capacity” granted by *National Business Daily*
- (6) “Best Wealth Management and Trust Company of the Year” granted by fchinese.com

## 9. Opinions of the Board of Supervisors

The Board of Supervisors holds that the company’s financial figures truly, objectively and accurately reflect its financing standing and business results.