瑞威资本
REALWAY CAPITAL

上海瑞威資產管理股份有限公司
Shanghai Realway Capital Assets Management Co., Ltd.

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

(Stock Code: 1835)

SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the annual report (the "**2019 Annual Report**") for the year ended 31 December 2019. Unless the context requires otherwise, capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Report.

The board (the "**Board**") of directors (the "**Directors**") of the Company wish to provide additional information in relation to the impairment loss of trade receivables for the year ended 31 December 2019.

In order to accurately reflect the financial situation of the Group, we regularly review overdue balances, and conducts impairment tests on trade receivables which show an indication of impairment at the end of each reporting period. For the year ended 31 December 2019, the Group had recognised provision for impairment loss on trade receivables in the amount of RMB19.8 million ("**Impairment**") under the expected credit loss ("**ECL**") model, of which provision for collectively impaired trade receivables amounted to RMB0.5 million and individually impaired trade receivables amounted to RMB19.3 million. The Group applies the IFRS 9 simplified approach as its policy to measure the provision for ECL. According to the policy, the Group made collectively impaired trade receivables and individually impaired trade receivables by using (i) aging analysis; and (ii) special circumstances surrounding individual receivables, including but not limited to aging and financial position of the debtor, respectively as credit risk characteristics to determine each group of receivables.

In relation to collectively impaired trade receivables, during the year ended 31 December 2019, the Group recognised impairment based on an ECL rate of 0.1% for trade receivables aging within 1 year, 5% for trade receivables aging within 1 to 2 years, 15% for trade receivables aging within 2 to 3 years, 30% for trade receivables aging within 3 to 4 years, 50% for trade receivables aging within 4 to 5 years and 100% for trade receivables aging above 5 years, which was in line with the impairment rate used in previous years. The amount based on this impairment rate was insubstantial in previous years.

In relation to individually impaired trade receivables, during the year ended 31 December 2019, the Group recognised individual impairment in early 2020 during the preparation of the year 2019 financial statement taking into account the special circumstances surrounding the receivables due from the funds investing in the Dongfang Baorui Distressed Assets Project* (東方保瑞不良資產項目) ("**Dongfang Baorui Project**") and Huaqiao Cheng Commercial Real Estate Project* (華僑城商業不動產項目) ("**Huaqiao Cheng Project**") in the second half of 2019. The Dongfang Baorui Project investment portfolio comprises a range of debt instruments which are secured by underlying assets including a commercial complex under construction, land parcels designated for commercial usage, land parcels designated for industrial usage, shops and factories, located in Jiangsu and Anhui provinces in the PRC and the underlying assets of the Huaqiao Cheng Project is a commercial shopping mall located in Shanghai in the PRC.

EVENTS AND CIRCUMSTANCES LEADING TO THE RECOGNITION OF THE IMPAIRMENT

In December 2019, the general partner of the funds managed by the Group which invested in the Dongfang Baorui Project informed the Group that the timing of realisation of the funds' distressed assets had been delayed and that there was less than 12 months of fund life under the relevant project fund investment agreement and advised our Group as fund manager to prepare for the distribution process which would commence upon termination of the funds. The Group therefore commenced internal discussions as to the distribution process and was aware that: (i) the on-going negotiations between the funds and counterparties in relation to the sale and acquisition of part of the underlying assets had ceased during the second half of 2019 and certain counterparties were only willing to continue negotiations after the legal proceedings commenced by the funds to liquidate the distress assets or obtain title to the underlying assets given as security had been completed which would take at least three years; and (ii) the funds had been affected by regulatory policies in real estate sector, financial leverage policies and the general economic downturn in the PRC since 2018, which had resulted in a low realisation rate of the funds' underlying assets and therefore a low level of distributable cash flow.

In October 2019, the Group decided to postpone its exit plan from part of the investment of the Huaqiao Cheng Project through sale or auction of underlying assets as no sale or auction had materialised after approximately one year of negotiations leading to a low realisation rate, and the investment decision-making committee of the Group considered it would be prudent to negotiate sale or auction of the underlying assets after significantly increasing rental yield. Further, the distributable cash flow of the fund was low and the Group had not collected any trade receivables from the fund for the year ending 2019.

The triggering events set out above in October and December 2019 drew the managements' attention to consider the individual ECL of the trade receivables involved in the Dongfang Baorui Project and Huaqiao Cheng Project, so the Board of the Company engaged an independent valuer during the preparation of the year 2019 financial statement to perform a valuation (the "**Valuation**") in order to determine the individual ECL provision for the trade receivables in relation to the Huaqiao Cheng Project and the Dongfang Baorui Project as at 31 December 2019. Based on the Valuation, the Group decided to recognise individual impairment in the amount of RMB15.4 million in respect of the trade receivables due from the funds investing in the Dongfang Baorui Project and RMB3.9 million in respect of the trade receivables due from the fund investing in the Huaqiao Cheng Project based on an impairment rate of 30%.

During the year ended 31 December 2019, the Group did not make individual impairment in relation to funds, other than those funds investing in the Dongfang Baorui Project and Huaqiao Cheng Project, which primarily invested in residential real estate projects or distressed assets that were less affected by the macro-economic conditions.

Having considered the above, the Board considers that the Impairment was conducted on a fair and reasonable basis as the collectively impaired trade receivables was made in line with impairment rate used in previous years and the individually impaired trade receivables were made having considered special circumstances surrounding individual receivables.

By Order of the Board
Shanghai Realway Capital Assets Management Co., Ltd.
Mr. Zhu Ping
Chairman, Chief Executive Officer and Executive Director

Shanghai, the PRC
5 October 2020

As of the date of this announcement, the Board comprises Mr. Zhu Ping, Mr. Duan Kejian and Ms. Su Yi as executive Directors; Mr. Wang Xuyang and Mr. Cheng Jun as non-executive Directors; and Ms. Yang Huifang, Mr. Shang Jian and Mr. Liu Yunsheng as independent non-executive Directors.

* *For identification purposes only*