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中國華融
CHINA HUARONG

中國華融資產管理股份有限公司

China Huarong Asset Management Co., Ltd.

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

(Stock Code: 2799)

2020 Interim Results Announcement

The board of directors (the "**Board**") of China Huarong Asset Management Co., Ltd. (the "**Company**") is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended June 30, 2020. The Audit Committee of the Board has reviewed the interim results. This results announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the preliminary announcements of interim results. The printed version of the 2020 interim report of the Company will be published and delivered to the holders of the H Shares of the Company and will be available for viewing on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.chamc.com.cn) in September 2020.

Contents

1 Definitions

In this results announcement, unless the context otherwise requires, the following expressions have the following meanings:

AMC(s)	the four asset management companies approved for establishment by the State Council, namely the Company, China Great Wall Asset Management Co., Ltd., China Orient Asset Management Co., Ltd. and China Cinda Asset Management Co., Ltd.
Articles of Association	the articles of association of China Huarong Asset Management Co., Ltd. as amended from time to time
Board or Board of Directors	the board of Directors of the Company
Board of Supervisors	the board of Supervisors of the Company
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
China or PRC	the People's Republic of China, for the purpose of this results announcement, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
Company	China Huarong Asset Management Co., Ltd.
COVID-19	Coronavirus Disease 2019
Debt-to-equity swap(s) or DES	the practice of converting indebtedness owed by the obligors to equity
DES Assets	(1) the equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large state-owned enterprises according to national policy prior to its restructuring; (2) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages it purchased; (3) additional investments by the Company in the aforementioned enterprises; (4) equities the Company received in satisfaction of debt through distressed debt asset management; (5) the small amount of equity the Company received as part of its share capital when it was established in 1999; and (6) assets formed by the Company through conducting market-oriented DES business
DES Companies	the companies and enterprises whose distressed indebtedness held by the AMCs were swapped for equity

Director(s)	director(s) of the Company
Domestic Share(s)	ordinary Shares in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
Group or our Group or China Huarong	China Huarong Asset Management Co., Ltd. and its subsidiaries
H Share(s)	ordinary Shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Hong Kong Stock Exchange
HK$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huarong Consumer Finance	Huarong Consumer Finance Co., Ltd.
Huarong Financial Leasing	China Huarong Financial Leasing Co., Ltd.
Huarong Futures	Huarong Futures Co., Ltd.
Huarong International	China Huarong International Holdings Limited
Huarong Industrial	Huarong Industrial Investment & Management Co., Ltd. (renamed on January 17, 2020; formally known as "Huarong Real Estate Co., Ltd.")
Huarong Rongde	Huarong Rongde Asset Management Co., Ltd.
Huarong Securities	Huarong Securities Co., Ltd.
Huarong Trust	Huarong International Trust Co., Ltd.
Huarong Xiangjiang Bank	Huarong Xiangjiang Bank Corporation Limited
IFRS(s)	the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

MOF	the Ministry of Finance of the PRC (中華人民共和國財政部)
non-performing loan(s) or NPL(s)	loan(s) classified as substandard, doubtful and loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
PRC GAAP	generally accepted accounting principles in the PRC
Prospectus	the prospectus for the Company's listing in Hong Kong dated October 16, 2015
Relevant Persons	has the meaning as defined in the Prospectus
Reporting Period	the six months ended June 30, 2020
RMB or Renminbi	Renminbi, the lawful currency of the PRC
ROAA	return on average assets
ROAE	return on average equity attributable to equity holders
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
Share(s)	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, including H Shares and Domestic Shares
Shareholder(s)	holder(s) of the Share(s)
State Council	the State Council of the PRC (中華人民共和國國務院)
Supervisor(s)	supervisor(s) of the Company
U.S. or United States	the United States of America

2 Corporate Information

Official Chinese name	中國華融資產管理股份有限公司
Chinese abbreviation	中國華融
Official English name	China Huarong Asset Management Co., Ltd.
English abbreviation	China Huarong
Legal representative	Wang Zhanfeng
Authorized representatives	Li Xin, Xu Yongli
Secretary to the Board	Xu Yongli (The qualification is to be approved by the CBIRC)
Joint company secretaries	Xu Yongli, Ngai Wai Fung
Registered address	No. 8 Financial Street, Xicheng District, Beijing, China
Postal code of place of registration	100033
Website	www.chamc.com.cn
Principal place of business in Hong Kong	40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong
Website of Hong Kong Stock Exchange for publishing the H Shares interim report	www.hkexnews.hk
Place for maintaining interim reports available for inspection	Board office of the Company
Place of listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	China Huarong
Stock code	2799
H Share registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Registration number of financial license	J0001H111000001

Social Credit Code	911100007109255774
Legal advisor as to PRC Law and place of business	Haiwen & Partners 20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing, China
Legal advisor as to Hong Kong law and place of business	Clifford Chance 27th Floor, Jardine House, One Connaught Place, Hong Kong
International accounting firm and office address	Ernst & Young 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong
Domestic accounting firm and office address	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Changan Ave., Dongcheng District, Beijing, China

3 Financial Summary

The financial information contained in this results announcement was prepared in accordance with IFRSs. Unless otherwise specified, it is consolidated financial information of the Group and presented in RMB.

	For the six months ended June 30,	
	2020	2019
	(unaudited)	(unaudited)
	(in millions of RMB)	
Income from distressed debt assets	**16,774.3**	15,624.4
Fair value changes on distressed debt assets	**4,295.6**	4,851.0
Fair value changes on other financial assets and liabilities	**565.8**	9,320.3
Interest income	**18,412.2**	19,392.8
Finance lease income	**2,046.5**	3,400.3
Gains/(losses) from derecognition of financial assets measured at amortized cost	**274.2**	(53.8)
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income ("**FVTOCI**")	**83.8**	(4.3)
Commission and fee income	**1,125.7**	1,292.8
Net gains on disposals of subsidiaries, associates and joint ventures	**111.4**	109.0
Dividend income	**603.2**	890.0
Other income and other net gains or losses	**1,395.1**	1,987.7
Total income	**45,687.8**	56,810.2
Interest expenses	**(27,992.3)**	(30,280.2)
Commission and fee expenses	**(1,172.7)**	(913.2)
Operating expenses	**(5,611.0)**	(5,845.9)
Impairment losses under expected credit loss ("**ECL**") model	**(6,079.7)**	(12,544.3)
Impairment losses on other assets	**(198.9)**	(581.7)
Total expenses	**(41,054.6)**	(50,165.3)
Change in net assets attributable to other holders of consolidated structured entities	**(810.5)**	(666.3)
Share of results of associates and joint ventures	**64.2**	731.8
Profit before tax	**3,886.9**	6,710.4
Income tax expense	**(3,094.8)**	(3,898.2)
Profit for the period	**792.1**	2,812.2
Profit attributable to:		
Equity holders of the Company	**209.9**	2,519.2
Holders of perpetual capital instruments	**401.1**	485.3
Non-controlling interests	**181.1**	(192.3)

	As at June 30, 2020 (unaudited)	As at December 31, 2019 (audited)
	(in millions of RMB, except for percentages)	
Assets		
Cash and balances with central bank	**22,461.0**	30,774.7
Deposits with financial institutions	**133,607.8**	149,462.0
Placements with financial institutions	**6,070.7**	2,709.9
Financial assets at fair value through profit or loss ("**FVTPL**")	**376,215.9**	367,669.9
Financial assets held under resale agreements	**18,970.4**	22,525.9
Loans and advances to customers	**222,167.5**	211,265.1
Finance lease receivables	**54,983.4**	68,040.3
Debt instruments at FVTOCI	**95,356.0**	103,739.3
Equity instruments at FVTOCI	**3,385.5**	3,583.7
Inventories	**22,237.6**	19,147.4
Debt instruments at amortized cost	**692,000.8**	642,086.0
Interests in associates and joint ventures	**25,404.8**	28,078.9
Investment properties	**5,763.5**	5,910.9
Property and equipment	**12,925.6**	12,325.0
Right-of-use assets	**3,187.4**	3,569.6
Deferred tax assets	**10,393.4**	12,193.8
Goodwill	**851.6**	18.1
Other assets	**25,531.5**	21,911.9
Total assets	**1,731,514.4**	1,705,012.4
Liabilities		
Borrowings from central bank	**10,232.7**	3,641.7
Deposits from financial institutions	**2,086.0**	10,276.7
Placements from financial institutions	**2,713.0**	2,253.6
Financial assets sold under repurchase agreements	**20,431.2**	15,665.4
Borrowings	**766,080.8**	761,506.4
Financial liabilities at FVTPL	**4,211.4**	3,223.9
Due to customers	**262,961.5**	226,814.7
Tax payable	**680.0**	2,887.4
Contract liabilities	**734.4**	575.1
Lease liabilities	**1,736.7**	1,983.3
Deferred tax liabilities	**486.9**	478.5
Bonds and notes issued	**338,857.9**	367,345.6
Other liabilities	**152,274.6**	144,883.6
Total liabilities	**1,563,487.1**	1,541,535.9

	As at June 30, 2020 (unaudited)	As at December 31, 2019 (audited)
	(in millions of RMB, except for percentages)	
Equity		
Share capital	**39,070.2**	39,070.2
Capital reserve	**17,961.5**	18,405.0
Surplus reserve	**8,564.2**	8,564.2
General reserve	**17,823.8**	16,681.3
Other reserves	**1,921.5**	1,806.9
Retained earnings	**35,128.3**	36,731.2
Equity attributable to equity holders of the Company	**120,469.5**	121,258.8
Perpetual capital instruments	**23,746.1**	18,430.6
Non-controlling interests	**23,811.7**	23,787.1
Total equity	**168,027.3**	163,476.5
Total equity and liabilities	**1,731,514.4**	1,705,012.4
Financial ratios		
Liability to total asset ratio[1]	**90.3%**	90.4%

	For the six months ended June 30, 2020 (unaudited)	2019 (unaudited)
Annualized ROAE[2]	**0.3%**	4.1%
Annualized ROAA[3]	**0.1%**	0.3%
Basic earnings per share[4] (RMB)	**0.01**	0.06
Diluted earnings per share[5] (RMB)	**N/A**	N/A

(1) Represents the ratio of total liabilities to total assets at the end of the period.
(2) Represents the percentage of annualized net profit attributable to equity holders of the Company for the period in the average balance of equity attributable to equity holders of the Company as at the beginning and the end of the period.
(3) Represents the percentage of annualized net profit for the period (including profit attributable to holders of perpetual capital instruments and non-controlling interests) in the average balance of total assets as at the beginning and the end of the period.
(4) Represents the net profit attributable to equity holders of the Company during the period divided by the weighted average number of the outstanding shares.
(5) Represents the earnings per share based on the basic earnings per share adjusted according to the dilutive potential ordinary shares.

4 Management Discussion and Analysis

4.1 Economic, Financial and Regulatory Environment

At the beginning of 2020, the International Monetary Fund (IMF) continuously lowered its global economic growth forecast due to the wide spread of the COVID-19 epidemic across the world, projecting a probable global recession this year. Each country's economy is facing great uncertainty.

In the first half of 2020, facing the severe ordeal brought by the COVID-19 epidemic and the complex and changeable domestic and foreign environment, China stepped up its macro policy response, and the whole country coordinated various work such as the promotion of epidemic prevention and control and economic and social development. The economy recovered stably and resumption of work and production improved month by month. In the first half of 2020, China's economy declined first and then increased. In the second quarter, economic growth turned from negative to positive. According to the preliminary calculation of National Bureau of Statistics of China, in 2020, China's GDP dropped by 6.8% year-on-year in the first quarter and rose by 3.2% year-on-year in the second quarter. The economy maintained strong resilience.

In the first half of 2020, while continuing deepening the reform and opening up of the financial sector, the financial industry closely followed the requirements of "ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations" and "ensuring security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments" and fully supported the recovery and development of the economy and society. The counter-cyclical adjustment of monetary policy was intensified by the People's Bank of China to innovate monetary policy tools for targeted support. CBIRC refined and promoted various financial rescue policies, reduced the financing costs of enterprises, actively guided credit resources towards micro, small and medium-sized enterprises and key areas such as manufacturing and other facilities, so as to provide strong guarantee for their resumption of work and production and normal operation. Against this backdrop, AMCs focused on core businesses of distressed assets. Besides, they made full use of the rescue financial function, optimized resource allocation, and achieved value enhancement through a variety of integrated operation methods such as reorganization and disposal and combination of the method of "online + offline". Consequently, they effectively supported the resumption of work and production of enterprises while revitalizing existing assets.

In the first half of 2020, facing the impact of the COVID-19 epidemic, financial regulatory authorities issued several policies and measures to pay more attention to guiding high-quality development of financial institutions and prevention and mitigation of financial risks. First, the CBIRC issued the Guiding Opinions of the China Banking and Insurance Regulatory Commission on Promoting the High-quality Development of Banking and Insurance Industries, proposing the overall guiding principle that "AMCs should strengthen their core businesses of distressed assets, and reasonably expand investment banking businesses related to corporate restructuring, such as merger and reorganization, bankruptcy reorganization, mezzanine investment, bridge financing and phased shareholding", as well as defining the direction of the Company's core business and high-quality development. Second, four ministries and commissions, including the People's Bank of China, issued the Rules for Determining Standardized Debt Assets, clarifying the boundary, identification standards and regulatory arrangements of standardized debt assets and non-standardized debt assets, and further standardizing business development requirements. Third, in response to the rebound of non-performing loans caused by the impact of the epidemic, the CBIRC required the preparation for dealing with the possible rebound of non-performing loans, including further strengthening asset classification, and strictly distinguishing the enterprises in difficulties due to impact of the epidemic from those with inherent higher operating risk, and continuing strengthening the disposal of distressed assets, broadening the disposal channels of distressed assets, and gradually promoting relevant batch disposal pilots. The release of a series of regulatory policies will further guide the Company to focus on main responsibilities and core business, give full play to the function of resolving risks in financial and real enterprises, and continuously improve the quality and efficiency of serving the real economy.

4.2 Analysis of Financial Statements

4.2.1 Operating Results of the Group

In the first half of 2020, facing the sudden impact of the COVID-19 epidemic and the challenges of complex and volatile business environment, the Group adhered to the underlying principle of making progress while maintaining stability, and maintained prudent on the whole and progressive as to the core business, further focused on the main responsibilities and core business and continuously strengthened the acquisition of distressed assets, constantly optimized business structure, and improved innovation capabilities in the core business, made full use of the rescue financial function and achieved positive results. (1) The Group's core business, the business of distressed assets, remained stable, income from distressed debt assets amounted to RMB16,774.3 million, with a year-on-year growth of 7.4%; (2) Licensing financial subsidiaries grew steadily, the profit before tax of the financial services segment amounted to RMB3,649.4 million, with a year-on-year increase of 22.8%; and (3) Fair value changes on other financial assets and liabilities decreased by 93.9% year-on-year and interest income from debt instruments other than distressed debt assets decreased by 23.3% year-on-year due to the impact of COVID-19 epidemic and continuously downsizing the scale of non-core and non-dominant businesses and underperformance of the capital market in the first half of 2020 as compared with the same period of last year.

Due to the above reasons, in the first half of 2020, the Group recorded a total income of RMB45,687.8 million, representing a decrease of 19.6% as compared with the same period of last year, a net profit of RMB792.1 million, representing a decrease of 71.8% as compared with the same period of last year, and a net profit attributable to equity holders of the Company of RMB209.9 million, representing a decrease of 91.7% as compared with the same period of last year.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Income from distressed debt assets	**16,774.3**	15,624.4	1,149.9	7.4%
Fair value changes on distressed debt assets	**4,295.6**	4,851.0	(555.4)	(11.4%)
Fair value changes on other financial assets and liabilities	**565.8**	9,320.3	(8,754.5)	(93.9%)
Interest income	**18,412.2**	19,392.8	(980.6)	(5.1%)
Finance lease income	**2,046.5**	3,400.3	(1,353.8)	(39.8%)
Gains/(losses) from derecognition of financial assets measured at amortized cost	**274.2**	(53.8)	328.0	(609.7%)
Gains/(losses) from derecognition of debt instruments at FVTOCI	**83.8**	(4.3)	88.1	(2,048.8%)
Commission and fee income	**1,125.7**	1,292.8	(167.1)	(12.9%)
Net gains on disposals of subsidiaries, associates and joint ventures	**111.4**	109.0	2.4	2.2%
Dividend income	**603.2**	890.0	(286.8)	(32.2%)
Other income and other net gains or losses	**1,395.1**	1,987.7	(592.6)	(29.8%)
Total income	**45,687.8**	56,810.2	(11,122.4)	(19.6%)
Interest expenses	**(27,992.3)**	(30,280.2)	2,287.9	(7.6%)
Commission and fee expenses	**(1,172.7)**	(913.2)	(259.5)	28.4%
Operating expenses	**(5,611.0)**	(5,845.9)	234.9	(4.0%)
Impairment losses under ECL model	**(6,079.7)**	(12,544.3)	6,464.6	(51.5%)
Impairment losses on other assets	**(198.9)**	(581.7)	382.8	(65.8%)
Total expenses	**(41,054.6)**	(50,165.3)	9,110.7	(18.2%)
Change in net assets attributable to other holders of consolidated structured entities	**(810.5)**	(666.3)	(144.2)	21.6%
Share of results of associates and joint ventures	**64.2**	731.8	(667.6)	(91.2%)
Profit before tax	**3,886.9**	6,710.4	(2,823.5)	(42.1%)
Income tax expense	**(3,094.8)**	(3,898.2)	803.4	(20.6%)
Profit for the period	**792.1**	2,812.2	(2,020.1)	(71.8%)
Profit attributable to:				
Equity holders of the Company	**209.9**	2,519.2	(2,309.3)	(91.7%)
Holders of perpetual capital instruments	**401.1**	485.3	(84.2)	(17.4%)
Non-controlling interests	**181.1**	(192.3)	373.4	(194.2%)

4.2.1.1 Total income

The table below sets forth the components of total income of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Income from distressed debt assets	**16,774.3**	15,624.4	1,149.9	7.4%
Fair value changes on distressed debt assets	**4,295.6**	4,851.0	(555.4)	(11.4%)
Fair value changes on other financial assets and liabilities	**565.8**	9,320.3	(8,754.5)	(93.9%)
Interest income	**18,412.2**	19,392.8	(980.6)	(5.1%)
Finance lease income	**2,046.5**	3,400.3	(1,353.8)	(39.8%)
Gains/(losses) from derecognition of financial assets at amortized cost	**274.2**	(53.8)	328.0	(609.7%)
Gains/(losses) from derecognition of debt instruments at FVTOCI	**83.8**	(4.3)	88.1	(2,048.8%)
Commission and fee income	**1,125.7**	1,292.8	(167.1)	(12.9%)
Net gains on disposals of subsidiaries, associates and joint ventures	**111.4**	109.0	2.4	2.2%
Dividend income	**603.2**	890.0	(286.8)	(32.2%)
Other income and other net gains or losses	**1,395.1**	1,987.7	(592.6)	(29.8%)
Total income	**45,687.8**	56,810.2	(11,122.4)	(19.6%)

In the first half of 2020, total income of the Group decreased by 19.6% from RMB56,810.2 million in the first half of 2019 to RMB45,687.8 million in the first half of 2020. In particular, the income from distressed debt assets (acquisition-and-restructuring model) continuously increased, interest income remained stable overall with a slight decrease, and the fair value changes on other financial assets and liabilities decreased largely.

4.2.1.1.1 Income from distressed debt assets

Income from distressed debt assets derives from the Group's core business, namely acquisition-and-restructuring business. In the first half of 2020, in a complex and volatile business environment, especially under the severe test of the COVID-19 epidemic, the Group continued to forge the core business to be strong and precise, accelerated the transformation and innovation of core business, and adjusted and optimized business structure, resulting in the continuous increase in the income from distressed debt assets, which increased by RMB1,149.9 million from RMB15,624.4 million in the first half of 2019 to RMB16,774.3 million in the first half of 2020, representing an increase of 7.4%.

4.2.1.1.2 Fair value changes on distressed debt assets

Fair value changes on distressed debt assets derive from the Group's core business, namely acquisition-and-disposal business, including the realized net income from disposal of acquisition-and-disposal distressed debt assets and the unrealized fair value changes on such assets. Any interest income arising from such assets is also included in the fair value changes. In the first half of 2020, with the core business of distressed assets as its continuous focus, the Group optimized the resource allocation around the core business, strengthened the acquisition of distressed assets, resulting in a significant increase in the scale of the acquisition-and-disposal distressed debt assets; however, the disposal of acquisition-and-disposal distressed debt assets has slowed down due to the impact of COVID-19 epidemic, resulting in a decrease in the fair value changes on distressed debt assets of the Group by 11.4% from RMB4,851.0 million in the first half of 2019 to RMB4,295.6 million in the first half of 2020.

4.2.1.1.3 Fair value changes on other financial assets and liabilities

The table below sets forth the components of fair value changes on other financial assets and liabilities of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Listed and unlisted shares and funds	**1,484.2**	4,544.5	(3,060.3)	(67.3%)
Debt instruments	**1,063.5**	1,557.4	(493.9)	(31.7%)
Derivatives and structured products	**(131.3)**	1,026.3	(1,157.6)	(112.8%)
Other investments and financial liabilities	**(1,850.6)**	2,192.1	(4,042.7)	(184.4%)
Total	**565.8**	9,320.3	(8,754.5)	(93.9%)

Fair value changes on other financial assets and liabilities derive from the Group's financial assets and financial liabilities at FVTPL other than the acquisition-and-disposal business. The fair value changes comprise both realized gains or losses from disposal and liquidation of other financial assets and liabilities and unrealized fair value changes on such assets and liabilities. Any interest income arising from such assets is also included in fair value changes. In the first half of 2020, due to underperformance of the capital market as compared with the same period of last year, fair value changes on other financial assets and liabilities of the Group decreased largely by RMB8,754.5 million from RMB9,320.3 million in the first half of 2019 to RMB565.8 million in the first half of 2020.

4.2.1.1.4 Interest income

The table below sets forth the components of the interest income of the Group for the periods indicated.

	For the six months ended June 30,			
				Change in
	2020	2019	Change	percentage
	(in millions of RMB, except for percentages)			
Debt instruments at amortized cost other than distressed debt assets	**6,972.1**	8,868.3	(1,896.2)	(21.4%)
Debt instruments at FVTOCI other than distressed debt assets	**873.5**	1,355.7	(482.2)	(35.6%)
Loans and advances to customers				
Corporate loans and advances	**4,260.1**	4,202.7	57.4	1.4%
Personal loans and advances	**2,978.6**	2,513.4	465.2	18.5%
Loans to margin clients	**186.2**	413.6	(227.4)	(55.0%)
Receivables arising from sales and leaseback arrangements	**1,430.8**	197.7	1,233.1	623.7%
Deposits with financial institutions	**1,198.7**	885.3	313.4	35.4%
Financial assets held under resale agreements	**294.7**	614.3	(319.6)	(52.0%)
Balances with central bank	**181.1**	209.3	(28.2)	(13.5%)
Placements with financial institutions	**36.4**	132.5	(96.1)	(72.5%)
Total	**18,412.2**	19,392.8	(980.6)	(5.1%)

Interest income derives from the Group's debt investments at amortized cost and at FVTOCI, other than the acquisition-and-restructuring businesses. In the first half of 2020, affected by the operational strategy of continuous decrease in the scale of non-core and non-dominant businesses, the Group's interest income decreased by 5.1% from RMB19,392.8 million in the first half of 2019 to RMB18,412.2 million in the first half of 2020, in particular, the Group's total interest income from debt instruments at amortized cost other than distressed debt assets and debt instruments at FVTOCI other than distressed debt assets decreased by 23.3% from RMB10,224.0 million in the first half of 2019 to RMB7,845.6 million in the first half of 2020.

The banking business of the Group developed steadily, and the income scale increased continuously. Interest income from loans and advances to customers increased by 4.1% from RMB7,129.7 million in the first half of 2019 to RMB7,424.9 million in the first half of 2020.

4.2.1.1.5 Finance lease income

The finance lease income mainly derives from Huarong Financial Leasing. The finance lease income decreased by 39.8% from RMB3,400.3 million in the first half of 2019 to RMB2,046.5 million in the first half of 2020. The decrease was mainly due to the application of IFRS 16 by the Group on January 1, 2019. The income from sale and leaseback business which entered into before the implementation of this standard was accounted for this item, while according to IFRS 9, the sale and leaseback business entered into thereafter is recognized as financing arrangement and its income is included in interest income with an involved amount of RMB1,430.8 million (the first half of 2019: RMB197.7 million). The finance lease income and interest income of receivables arising from sales and leaseback arrangements aggregated to RMB3,598.0 million and RMB3,477.3 million for the first half of 2019 and the first half of 2020 respectively, which basically maintained stable.

4.2.1.1.6 Commission and fee income

The table below sets forth the components of the commission and fee income of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Securities and futures brokerage business	**416.3**	434.3	(18.0)	(4.1%)
Banking and consumer finance business	**364.4**	214.1	150.3	70.2%
Trust business	**231.4**	209.0	22.4	10.7%
Asset management business	**102.8**	410.9	(308.1)	(75.0%)
Fund management business	**10.8**	24.5	(13.7)	(55.9%)
Total	**1,125.7**	1,292.8	(167.1)	(12.9%)

Commission and fee income decreased by 12.9% from RMB1,292.8 million in the first half of 2019 to RMB1,125.7 million in the first half of 2020, mainly due to the decrease in commission and fee income from the asset management business of the Group.

4.2.1.1.7 Other income and other net gains or losses

The table below sets forth the components of other income and other net gains or losses of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Rental income	**524.4**	534.9	(10.5)	(2.0%)
Net gains on exchange differences	**262.3**	67.2	195.1	290.3%
Revenue from properties development	**194.2**	552.9	(358.7)	(64.9%)
Government grants	**24.3**	31.0	(6.7)	(21.6%)
Revenue from construction services	**—**	300.8	(300.8)	(100.0%)
Others	**389.9**	500.9	(111.0)	(22.2%)
Total	**1,395.1**	1,987.7	(592.6)	(29.8%)

Other income and other net gains or losses decreased by 29.8% from RMB1,987.7 million in the first half of 2019 to RMB1,395.1 million in the first half of 2020, mainly due to the decrease of the relevant revenue from properties development and revenue from construction services of the Group for the period.

4.2.1.2 Total expenses

Total expenses of the Group decreased by 18.2% from RMB50,165.3 million in the first half of 2019 to RMB41,054.6 million in the first half of 2020, mainly due to the decrease in interest expenses and impairment losses on assets.

The table below sets forth the components of the total expenses of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interest expenses	**(27,992.3)**	(30,280.2)	2,287.9	(7.6%)
Commission and fee expenses	**(1,172.7)**	(913.2)	(259.5)	28.4%
Operating expenses	**(5,611.0)**	(5,845.9)	234.9	(4.0%)
Impairment losses under ECL model	**(6,079.7)**	(12,544.3)	6,464.6	(51.5%)
Impairment losses on other assets	**(198.9)**	(581.7)	382.8	(65.8%)
Total expenses	**(41,054.6)**	(50,165.3)	9,110.7	(18.2%)

4.2.1.2.1 Interest expenses

The table below sets forth the major components of the interest expenses of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Borrowings	**(17,385.0)**	(19,650.0)	2,265.0	(11.5%)
Bonds and notes issued	**(7,149.2)**	(7,619.8)	470.6	(6.2%)
Due to customers	**(2,824.8)**	(2,245.8)	(579.0)	25.8%
Financial assets sold under repurchase agreements	**(263.4)**	(374.4)	111.0	(29.6%)
Deposits from financial institutions	**(163.8)**	(221.4)	57.6	(26.0%)
Borrowings from central bank	**(66.8)**	(28.4)	(38.4)	135.2%
Lease liabilities	**(34.9)**	(36.2)	1.3	(3.6%)
Placements from financial institutions	**(6.9)**	(11.9)	5.0	(42.0%)
Other liabilities	**(97.5)**	(92.3)	(5.2)	5.6%
Total	**(27,992.3)**	(30,280.2)	2,287.9	(7.6%)

In the first half of 2020, interest expenses decreased by 7.6% from RMB30,280.2 million in the first half of 2019 to RMB27,992.3 million in the first half of 2020.

The interest expenses of borrowings decreased by 11.5% from RMB19,650.0 million in the first half of 2019 to RMB17,385.0 million in the first half of 2020, mainly due to the decrease in interest rate of bank borrowings, and interest expenses of bonds and notes issued decreased by 6.2% from RMB7,619.8 million in the first half of 2019 to RMB7,149.2 million in the first half of 2020, mainly due to the decrease in the scale of bonds issued.

4.2.1.2.2 Operating expenses

The table below sets forth the components of the operating expenses of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Employee benefits	**(2,381.5)**	(2,354.0)	(27.5)	1.2%
Turnover tax and surcharges	**(319.5)**	(396.9)	77.4	(19.5%)
Others	**(2,910.0)**	(3,095.0)	185.0	(6.0%)
Including:				
Depreciation of property and equipment	**(463.2)**	(406.9)	(56.3)	13.8%
Depreciation of right-of-use assets	**(364.0)**	(303.3)	(60.7)	20.0%
Amortization	**(153.1)**	(136.4)	(16.7)	12.2%
Cost of properties development	**(109.9)**	(285.9)	176.0	(61.6%)
Depreciation of investment properties	**(105.3)**	(148.3)	43.0	(29.0%)
Management fee for leases	**(94.7)**	(68.9)	(25.8)	37.4%
Rental for short-term leases	**(94.3)**	(120.6)	26.3	(21.8%)
Total	**(5,611.0)**	(5,845.9)	234.9	(4.0%)

Operating expenses decreased by 4.0% from RMB5,845.9 million in the first half of 2019 to RMB5,611.0 million in the first half of 2020.

4.2.1.2.3 Impairment losses under ECL model

The table below sets forth the major components of impairment losses under ECL model of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Debt instruments at amortized cost	**(3,385.2)**	(8,134.9)	4,749.7	(58.4%)
Loans and advances to customers	**(1,789.4)**	(2,518.2)	728.8	(28.9%)
Debt instruments at FVTOCI	**(573.5)**	(870.8)	297.3	(34.1%)
Financial lease receivables	**(247.0)**	(242.7)	(4.3)	1.8%
Financial assets held under resale agreements	**233.8**	(668.2)	902.0	(135.0%)
Other financial assets	**(318.4)**	(109.5)	(208.9)	190.8%
Total	**(6,079.7)**	(12,544.3)	6,464.6	(51.5%)

The impairment losses under ECL model decreased by 51.5% from RMB12,544.3 million in the first half of 2019 to RMB6,079.7 million in the first half of 2020. In the first half of 2020, the Group accrued the impairment losses according to the ECL model of IFRS 9. Meanwhile, the Group continued to promote the downsizing and risk resolution and stepped up its efforts in the project recovery and risk dissolution, resulting in reversal of larger amounts of impairment provisions. Affected by the above two factors jointly, the impairment losses under ECL model of the Group in the first half of 2020 significantly decreased.

4.2.1.2.4 Impairment losses on other assets

The table below sets forth the components of impairment losses on other assets of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interests in associates and joint ventures	**(189.3)**	(552.8)	363.5	(65.8%)
Others	**(9.6)**	(28.9)	19.3	(66.8%)
Total	**(198.9)**	(581.7)	382.8	(65.8%)

Impairment losses on other assets decreased by 65.8% from RMB581.7 million in the first half of 2019 to RMB198.9 million in the first half of 2020.

4.2.1.3 Income tax expense

The table below sets forth the components of income tax expense of the Group for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Current income tax				
PRC enterprise income tax	**(1,274.5)**	(3,153.6)	1,879.1	(59.6%)
Hong Kong profits tax	**(57.3)**	0.5	(57.8)	(11,560.0%)
Deferred income tax	**(1,763.0)**	(745.1)	(1,017.9)	136.6%
Total	**(3,094.8)**	(3,898.2)	803.4	(20.6%)

Income tax expense decreased by 20.6% from RMB3,898.2 million in the first half of 2019 to RMB3,094.8 million in the first half of 2020. On the one hand, the profit before tax for the current period decreased year-on-year, and on the other hand, certain loss-making subsidiaries failed to recognize deferred income tax assets arising from deductible losses and deductible temporary differences.

4.2.1.4 Segment results

Each business segment of the Group is subject to different risks and returns. The Group reports financial results in three segments:

(1) distressed asset management segment: mainly includes distressed debt asset management business of the Company, policy-based DES asset management business based on commercial buy-out of the Company, distressed asset management business, distressed asset-based special situations investment business and distressed asset-based property development business conducted by our subsidiaries as well as market-oriented DES business of the Group.

(2) financial services segment: mainly includes securities and futures business, financial leasing business, banking services business and consumer finance business.

(3) asset management and investment segment: mainly includes trust business, private equity funds business, international business and other businesses.

The table below sets forth the total income of each of the Group's segments for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**28,015.3**	34,543.5	(6,528.2)	(18.9%)
Financial services segment	**16,597.9**	17,130.4	(532.5)	(3.1%)
Asset management and investment segment	**4,539.4**	7,698.3	(3,158.9)	(41.0%)
Inter-segment elimination	**(3,464.8)**	(2,562.0)	(902.8)	35.2%
Total	**45,687.8**	56,810.2	(11,122.4)	(19.6%)

The table below sets forth the profit before tax of each of the Group's segments for the periods indicated.

	For the six months ended June 30,			
	2020	2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**7,593.0**	9,197.1	(1,604.1)	(17.4%)
Financial services segment	**3,649.4**	2,970.9	678.5	22.8%
Asset management and investment segment	**(5,626.6)**	(5,188.0)	(438.6)	8.5%
Inter-segment elimination	**(1,728.9)**	(269.6)	(1,459.3)	541.3%
Total	**3,886.9**	6,710.4	(2,823.5)	(42.1%)

The table below sets forth the total assets for each of the Group's segments as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**841,316.1**	852,849.8	(11,533.7)	(1.4%)
Financial services segment	**600,223.5**	573,775.8	26,447.7	4.6%
Asset management and investment segment	**405,241.8**	347,989.1	57,252.7	16.5%
Inter-segment elimination	**(125,660.4)**	(81,796.1)	(43,864.3)	53.6%
Total	**1,721,121.0**	1,692,818.6	28,302.4	1.7%

The table below sets forth the annualized pre-tax return on average net assets ("**Annualized Pre-tax ROAE**") for each of the Group's segments for the periods indicated. The annualized Pre-tax ROAE of each segment is calculated based on annualized profit before tax divided by the average balances of net assets at the beginning and the end of the period.

	For the six months ended June 30, 2020	2019
Distressed asset management segment	**13.7%**	16.6%
Financial services segment	**13.6%**	12.2%
Asset management and investment segment	**(204.2%)**	(123.0%)

The distressed asset management business is the core business of the Group and a main source of income and profit of the Group. The total income from the distressed asset management segment of the Group decreased by 18.9% from RMB34,543.5 million in the first half of 2019 to RMB28,015.3 million in the first half of 2020; the profit before tax decreased by 17.4% from RMB9,197.1 million in the first half of 2019 to RMB7,593.0 million in the first half of 2020; and the total assets decreased by 1.4% from RMB852,849.8 million on December 31, 2019 to RMB841,316.1 million on June 30, 2020. The Group continued to downsize and resolve risks, cancel and merge the non-financial subsidiaries, as a result, the income and profit before tax of the distressed asset management business decreased.

The financial services business as an important part of the Group's business, plays an important role in overall business collaboration. The total income from the financial services segment of the Group decreased by 3.1% from RMB17,130.4 million in the first half of 2019 to RMB16,597.9 million in the first half of 2020; the profit before tax increased by 22.8% from RMB2,970.9 million in the first half of 2019 to RMB3,649.4 million in the first half of 2020; and the total assets increased by 4.6% from RMB573,775.8 million on December 31, 2019 to RMB600,223.5 million on June 30, 2020.

The asset management and investment business is supplement and extension of the business of the Group. The total income from asset management and investment segment of the Group decreased by 41.0% from RMB7,698.3 million in the first half of 2019 to RMB4,539.4 million in the first half of 2020; the loss before tax increased by 8.5% from RMB5,188.0 million in the first half of 2019 to RMB5,626.6 million in the first half of 2020; and the total assets increased by 16.5% from RMB347,989.1 million on December 31, 2019 to RMB405,241.8 million on June 30, 2020.

4.2.2 Financial positions of the Group

In the first half of 2020, the Group's assets, liabilities and equities were basically flat as compared with the end of 2019. As at December 31, 2019 and June 30, 2020, the total assets of the Group amounted to RMB1,705,012.4 million and RMB1,731,514.4 million, respectively, representing an increase of 1.6%; total liabilities amounted to RMB1,541,535.9 million and RMB1,563,487.1 million, respectively, representing an increase of 1.4%; total equity amounted to RMB163,476.5 million and RMB168,027.3 million, respectively, representing an increase of 2.8%.

The table below sets forth the major items of consolidated statement of financial position of the Group as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in Percentage
	(in millions of RMB, except for percentages)			
Cash and balances with central bank	**22,461.0**	30,774.7	(8,313.7)	(27.0%)
Deposits with financial institutions	**133,607.8**	149,462.0	(15,854.2)	(10.6%)
Placements with financial institutions	**6,070.7**	2,709.9	3,360.8	124.0%
Financial assets at FVTPL	**376,215.9**	367,669.9	8,546.0	2.3%
Financial assets held under resale agreements	**18,970.4**	22,525.9	(3,555.5)	(15.8%)
Loans and advances to customers	**222,167.5**	211,265.1	10,902.4	5.2%
Financial lease receivables	**54,983.4**	68,040.3	(13,056.9)	(19.2%)
Debt instruments at FVTOCI	**95,356.0**	103,739.3	(8,383.3)	(8.1%)
Equity instruments at FVTOCI	**3,385.5**	3,583.7	(198.2)	(5.5%)
Inventories	**22,237.6**	19,147.4	3,090.2	16.1%
Debt instruments at amortized cost	**692,000.8**	642,086.0	49,914.8	7.8%
Interests in associates and joint ventures	**25,404.8**	28,078.9	(2,674.1)	(9.5%)
Investment properties	**5,763.5**	5,910.9	(147.4)	(2.5%)
Property and equipment	**12,925.6**	12,325.0	600.6	4.9%
Right-of-use assets	**3,187.4**	3,569.6	(382.2)	(10.7%)
Deferred tax assets	**10,393.4**	12,193.8	(1,800.4)	(14.8%)
Goodwill	**851.6**	18.1	833.5	4,605.0%
Other assets	**25,531.5**	21,911.9	3,619.6	16.5%
Total assets	**1,731,514.4**	1,705,012.4	26,502.0	1.6%

	As at June 30, 2020	As at December 31, 2019	Change	Change in Percentage
	(in millions of RMB, except for percentages)			
Borrowings from central bank	**10,232.7**	3,641.7	6,591.0	181.0%
Deposits from financial institutions	**2,086.0**	10,276.7	(8,190.7)	(79.7%)
Placements from financial institutions	**2,713.0**	2,253.6	459.4	20.4%
Financial assets sold under repurchase agreements	**20,431.2**	15,665.4	4,765.8	30.4%
Borrowings	**766,080.8**	761,506.4	4,574.4	0.6%
Financial liabilities at FVTPL	**4,211.4**	3,223.9	987.5	30.6%
Due to customers	**262,961.5**	226,814.7	36,146.8	15.9%
Tax payable	**680.0**	2,887.4	(2,207.4)	(76.4%)
Contract liabilities	**734.4**	575.1	159.3	27.7%
Lease liabilities	**1,736.7**	1,983.3	(246.6)	(12.4%)
Deferred tax liabilities	**486.9**	478.5	8.4	1.8%
Bonds and notes issued	**338,857.9**	367,345.6	(28,487.7)	(7.8%)
Other liabilities	**152,274.6**	144,883.6	7,391.0	5.1%
Total liabilities	**1,563,487.1**	1,541,535.9	21,951.2	1.4%
Share capital	**39,070.2**	39,070.2	—	—
Capital reserve	**17,961.5**	18,405.0	(443.5)	(2.4%)
Surplus reserve	**8,564.2**	8,564.2	—	—
General reserve	**17,823.8**	16,681.3	1,142.5	6.8%
Other reserves	**1,921.5**	1,806.9	114.6	6.3%
Retained earnings	**35,128.3**	36,731.2	(1,602.9)	(4.4%)
Equity attributable to equity holders of the Company	**120,469.5**	121,258.8	(789.3)	(0.7%)
Perpetual capital instruments	**23,746.1**	18,430.6	5,315.5	28.8%
Non-controlling interests	**23,811.7**	23,787.1	24.6	0.1%
Total equity	**168,027.3**	163,476.5	4,550.8	2.8%
Total equity and liabilities	**1,731,514.4**	1,705,012.4	26,502.0	1.6%

4.2.2.1 Assets

As at December 31, 2019 and June 30, 2020, the total assets of the Group amounted to RMB1,705,012.4 million and RMB1,731,514.4 million, respectively. On June 30, 2020, the Group's major assets consist of: (i) deposits with financial institutions; (ii) financial assets at FVTPL; (iii) loans and advances to customers; (iv) finance lease receivables; (v) debt instruments at FVTOCI; and (vi) debt instruments at amortized cost.

4.2.2.1.1 Deposits with financial institutions

As at December 31, 2019 and June 30, 2020, the Group's deposits with financial institutions amounted to RMB149,462.0 million and RMB133,607.8 million, respectively, representing a decrease of 10.6%.

4.2.2.1.2 Financial assets at FVTPL

The Group's financial assets that fail to meet the classification standards to be classified as debt instruments at amortized cost or at FVTOCI, or equity instruments at FVTOCI shall be classified as financial assets at FVTPL.

The table below sets forth the major components of the Group's financial assets at FVTPL as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets	**184,959.2**	173,071.7	11,887.5	6.9%
Funds	**44,065.9**	48,251.6	(4,185.7)	(8.7%)
Trust products	**16,073.8**	27,920.8	(11,847.0)	(42.4%)
Equity instruments				
— Listed	**32,836.1**	26,892.5	5,943.6	22.1%
— Unlisted	**28,104.1**	33,553.0	(5,448.9)	(16.2%)
Debt securities				
— Corporate bonds	**13,544.0**	8,114.7	5,429.3	66.9%
— Financial institution bonds	**1,031.8**	586.9	444.9	75.8%
— Government bonds	**821.7**	1,760.1	(938.4)	(53.3%)
— Public sector and quasi-government bonds	**487.1**	1,966.1	(1,479.0)	(75.2%)
Wealth management products	**15,045.6**	14,690.4	355.2	2.4%
Convertible bonds	**8,811.4**	9,686.6	(875.2)	(9.0%)
Asset management plans	**16,926.0**	6,790.9	10,135.1	149.2%
Derivatives and structured products	**5,838.2**	8,466.9	(2,628.7)	(31.0%)
Other debt assets	**2,872.6**	3,149.5	(276.9)	(8.8%)
Negotiable certificates of deposit	**4,156.2**	2,131.9	2,024.3	95.0%
Entrusted loans	**635.3**	597.1	38.2	6.4%
Asset-backed securities	**6.9**	39.2	(32.3)	(82.4%)
Total	**376,215.9**	367,669.9	8,546.0	2.3%

As at December 31, 2019 and June 30, 2020, the financial assets at FVTPL of the Group amounted to RMB367,669.9 million and RMB376,215.9 million, respectively, representing an increase of 2.3%.

Distressed debt assets at FVTPL are the distressed debt assets in the Group's acquisition-and disposal business. In the first half of 2020, with the core business of distressed assets as its continuous focus, the Group optimized the resource allocation around the core business, strengthened the acquisition of distressed assets, resulting in a steady growth in the asset scale of acquisition-and-disposal business. As at December 31, 2019 and June 30, 2020, the acquisition-and-disposal distressed debt assets of the Group amounted to RMB173,071.7 million and RMB184,959.2 million, respectively, representing an increase of 6.9%.

4.2.2.1.3 Loans and advances to customers

The table below sets forth the major components of loans and advances to customers of the Group as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Loans and advances to customers measured at amortized cost				
Corporate loans and advances	**126,064.9**	116,712.7	9,352.2	8.0%
Personal loans and advances				
— Personal consumption loans	**38,579.0**	31,028.2	7,550.8	24.3%
— Mortgages	**28,239.0**	24,430.0	3,809.0	15.6%
— Loans for business operations	**19,020.4**	18,504.2	516.2	2.8%
— Others	**2,402.5**	2,546.3	(143.8)	(5.6%)
Subtotal	**88,240.9**	76,508.7	11,732.2	15.3%
Loans to margin clients	**4,222.2**	6,142.8	(1,920.6)	(31.3%)
Gross loans and advances to customers measured at amortized cost	**218,528.0**	199,364.2	19,163.8	9.6%

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Less: Allowance for ECL				
— 12-month ECL	**(2,008.9)**	(1,941.3)	(67.6)	3.5%
— Lifetime ECL	**(4,838.0)**	(4,912.5)	74.5	(1.5%)
Subtotal	**(6,846.9)**	(6,853.8)	6.9	(0.1%)
Net loans and advances to customers measured at amortized cost	**211,681.1**	192,510.4	19,170.7	10.0%
Loans and advances to customers at FVTOCI				
— Discounted bills	**10,486.4**	18,754.7	(8,268.3)	(44.1%)
Net loans and advances to customers	**222,167.5**	211,265.1	10,902.4	5.2%

Loans and advances to customers mainly derive from Huarong Xiangjiang Bank. As at December 31, 2019 and June 30, 2020, the loans and advances to customers of the Group amounted to RMB211,265.1 million and RMB222,167.5 million, respectively, representing an increase of 5.2%.

As at December 31, 2019 and June 30, 2020, based on the ECL model, the allowances for impairment for loans and advances to customers at amortized cost were RMB6,853.8 million and RMB6,846.9 million, respectively, representing a decrease of 0.1%.

4.2.2.1.4 Finance lease receivables

The table below sets forth the major components of finance lease receivables of the Group as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Minimum finance lease receivables				
Within 1 year (inclusive)	**26,022.3**	22,314.9	3,707.4	16.6%
1 year to 5 years (inclusive)	**35,368.6**	50,773.9	(15,405.3)	(30.3%)
Over 5 years	**3,585.6**	6,810.2	(3,224.6)	(47.3%)
Gross amount of finance lease receivables	**64,976.5**	79,899.0	(14,922.5)	(18.7%)
Less: Unearned finance income	**(7,227.2)**	(9,051.8)	1,824.6	(20.2%)
Net amount of finance lease receivables	**57,749.3**	70,847.2	(13,097.9)	(18.5%)
Less: Allowance for ECL				
— 12-month ECL	**(446.3)**	(490.5)	44.2	(9.0%)
— Lifetime ECL	**(2,319.6)**	(2,316.4)	(3.2)	0.1%
Subtotal	**(2,765.9)**	(2,806.9)	41.0	(1.5%)
Carrying amount of finance lease receivables	**54,983.4**	68,040.3	(13,056.9)	(19.2%)
Present value of minimum finance lease receivables:				
Within 1 year (inclusive)	**23,092.6**	19,791.9	3,300.7	16.7%
1 year to 5 years (inclusive)	**31,470.8**	45,020.8	(13,550.0)	(30.1%)
Over 5 years	**3,185.9**	6,034.5	(2,848.6)	(47.2%)
Total	**57,749.3**	70,847.2	(13,097.9)	(18.5%)

Finance lease receivables mainly derive from Huarong Financial Leasing. As at December 31, 2019 and June 30, 2020, the Group's net amount of finance lease receivables amounted to RMB70,847.2 million and RMB57,749.3 million, respectively, representing a decrease of 18.5%. The decrease was mainly due to the application of IFRS 16 by the Group on January 1, 2019. The sale and leaseback business entered into before the implementation of this standard was accounted for this item, while according to IFRS 9, the sale and leaseback business entered into thereafter is recognized as financing arrangement and included in debt instruments at amortized cost with an involved amount of RMB52,566.7 million (December 31, 2019: RMB41,567.6 million). As at December 31, 2019 and June 30, 2020, financial lease receivables and receivables arising from sales and leaseback arrangements in debt instruments at amortized cost aggregated to RMB112,414.8 million and RMB110,316.0 million, respectively, which basically maintained stable.

As at December 31, 2019 and June 30, 2020, the Group's allowances for impairment for finance lease receivables based on the ECL model were RMB2,806.9 million and RMB2,765.9 million, respectively, representing a decrease of 1.5%.

4.2.2.1.5 Debt instruments at FVTOCI

Debt instruments at FVTOCI are debt instruments held by the Group that meet the following conditions: (1) the debt instruments are held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and (2) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The table below sets forth the major components of debt instruments at FVTOCI of the Group as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets	**52,401.4**	64,573.2	(12,171.8)	(18.8%)
Debt securities				
— Corporate bonds	**24,072.8**	20,923.9	3,148.9	15.0%
— Government bonds	**3,235.1**	455.0	2,780.1	611.0%
— Financial institution bonds	**2,305.5**	890.3	1,415.2	159.0%
— Public sector and quasi-government bonds	**763.5**	5,047.1	(4,283.6)	(84.9%)
Entrusted loans	**4,254.2**	4,283.0	(28.8)	(0.7%)
Asset management plans	**4,014.2**	3,874.3	139.9	3.6%
Debt instruments	**2,184.1**	1,878.9	305.2	16.2%
Trust products	**1,756.8**	1,258.5	498.3	39.6%
Asset-backed securities	**368.4**	555.1	(186.7)	(33.6%)
Total	**95,356.0**	103,739.3	(8,383.3)	(8.1%)

As at December 31, 2019 and June 30, 2020, debt instruments at FVTOCI were RMB103,739.3 million and RMB95,356.0 million, respectively, representing a decrease of 8.1%.

The distressed debt assets at FVTOCI were acquisition-and-restructuring distressed debt assets of the Group. As at December 31, 2019 and June 30, 2020, the Group's distressed debt assets at FVTOCI amounted to RMB64,573.2 million and RMB52,401.4 million, respectively, representing a decrease of 18.8%.

Other debt instruments at FVTOCI mainly included various debt securities, entrusted loans, asset management plans, debt instruments and trust products invested by the Group. As at December 31, 2019 and June 30, 2020, the Group's other debt instruments at FVTOCI amounted to RMB39,166.1 million and RMB42,954.6 million, respectively, representing an increase of 9.7%.

Debt instruments at FVTOCI are measured at fair value in the financial statements, and the allowance for impairment based on the ECL model for such debt instruments is recognised in other comprehensive income ("**OCI**") and accumulated under the heading of investment revaluation reserve, the allowance for impairment recognised in profit or loss with corresponding adjustments to OCI would not reduce the carrying amounts of these debt instruments. As at December 31, 2019 and June 30, 2020, the allowance for impairment for debt instruments at FVTOCI presented under the investment revaluation reserve amounted to RMB4,761.2 million and RMB5,052.0 million, respectively, representing an increase of 6.1%.

4.2.2.1.6 Debt instruments at amortized cost

Debt instruments at amortized cost are debt instruments held by the Group that meet the following conditions: (1) the debt instruments are held within a business model whose objective is to collect contractual cash flows; and (2) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The table below sets forth the components of debt instruments at amortized cost of the Group as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets				
Loans acquired from financial institutions	**27,170.5**	27,334.5	(164.0)	(0.6%)
Other debt assets acquired from non-financial institutions	**312,637.2**	293,838.6	18,798.6	6.4%
Subtotal	**339,807.7**	321,173.1	18,634.6	5.8%
Less: Allowance for ECL				
— 12-month ECL	**(1,019.5)**	(1,394.1)	374.6	(26.9%)
— Lifetime ECL	**(19,662.1)**	(19,644.0)	(18.1)	0.1%
Subtotal	**(20,681.6)**	(21,038.1)	356.5	(1.7%)
Carrying amount of distressed debt assets	**319,126.1**	300,135.0	18,991.1	6.3%

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Other debt assets				
Trust products	**98,984.6**	102,574.8	(3,590.2)	(3.5%)
Debt securities	**93,305.8**	83,037.9	10,267.9	12.4%
Debt instruments	**92,213.5**	73,720.0	18,493.5	25.1%
Entrusted loans	**68,479.4**	73,898.8	(5,419.4)	(7.3%)
Receivables arising from sales and leaseback arrangements	**52,566.7**	41,567.6	10,999.1	26.5%
Asset management plans	**10,212.2**	9,199.2	1,013.0	11.0%
Others	**—**	854.0	(854.0)	(100.0%)
Subtotal	**415,762.2**	384,852.3	30,909.9	8.0%
Less: Allowance for ECL				
— 12-month ECL	**(3,512.6)**	(4,307.8)	795.2	(18.5%)
— Lifetime ECL	**(39,374.9)**	(38,593.5)	(781.4)	2.0%
Subtotal	**(42,887.5)**	(42,901.3)	13.8	0.0%
Carrying amount of other debt assets	**372,874.7**	341,951.0	30,923.7	9.0%
Total	**692,000.8**	642,086.0	49,914.8	7.8%

As at December 31, 2019 and June 30, 2020, debt instruments at amortized cost were RMB642,086.0 million and RMB692,000.8 million, respectively, representing an increase of 7.8%.

The distressed debt assets at amortized cost were acquisition-and-restructuring distressed debt assets of the Group. As at December 31, 2019 and June 30, 2020, the Group's distressed debt assets at amortized cost were RMB300,135.0 million and RMB319,126.1 million, respectively, representing an increase of 6.3%.

Other debt instruments at amortized cost included various bonds, asset management plans, trust products, entrusted loans and receivables arising from sales and leaseback arrangements invested by the Group. As at December 31, 2019 and June 30, 2020, the Group's other debt instruments at amortized cost were RMB341,951.0 million and RMB372,874.7 million, respectively, representing an increase of 9.0%.

As at December 31, 2019 and June 30, 2020, based on the ECL model, the Group's allowances for impairment for debt instruments at amortized cost were RMB63,939.4 million and RMB63,569.1 million, respectively, representing a decrease of 0.6%. In particular, the allowances for impairment for distressed debt assets at amortized cost were RMB21,038.1 million and RMB20,681.6 million, respectively; the allowances for impairment for other debt assets at amortized cost were RMB42,901.3 million and RMB42,887.5 million, respectively.

4.2.2.2 Liabilities

Liabilities of the Group mainly include: (i) borrowings, including those from banks and other financial institutions; (ii) due to customers; (iii) bonds and notes issued; and (iv) other liabilities.

4.2.2.2.1 Borrowings

As at December 31, 2019 and June 30, 2020, the balance of borrowings of the Group amounted to RMB761,506.4 million and RMB766,080.8 million, respectively, representing an increase of 0.6%.

4.2.2.2.2 Due to customers

The table below sets forth the components of due to customers of the Group as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Demand deposits				
Corporate customers	**80,806.7**	66,837.5	13,969.2	20.9%
Individual customers	**22,398.6**	19,233.3	3,165.3	16.5%
Time deposits				
Corporate customers	**77,521.1**	70,490.1	7,031.0	10.0%
Individual customers	**59,489.9**	50,515.8	8,974.1	17.8%
Pledged deposits	**7,330.8**	7,803.3	(472.5)	(6.1%)
Others	**15,414.4**	11,934.7	3,479.7	29.2%
Total	**262,961.5**	226,814.7	36,146.8	15.9%

Due to customers mainly derives from Huarong Xiangjiang Bank. As at December 31, 2019 and June 30, 2020, the balance of due to customers were RMB226,814.7 million and RMB262,961.5 million, respectively, representing an increase of 15.9%.

4.2.2.2.3 Bonds and notes issued

As at December 31, 2019 and June 30, 2020, the balance of the Group's bonds and notes issued amounted to RMB367,345.6 million and RMB338,857.9 million, respectively, representing a decrease of 7.8%.

4.2.3 Contingent Liabilities

Due to the nature of business, the Group is involved in certain legal proceedings in the normal business operations, including litigation and arbitration. The Group will make provision timely for the probable losses with respect to those claims when the senior management can reasonably estimate the outcome of the proceedings, in light of the legal opinions. The Group will not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when the senior management believes that the probability of assuming the legal liabilities is remote or that any resulting legal liabilities will not have a material adverse effect on our financial condition or operating results.

As at June 30, 2020, total claim amount of pending litigations was RMB2,033 million (December 31, 2019: RMB1,944 million) for the Group (as defendant). No provision for estimated liabilities was made by the Group based on court judgments and lawyer's opinions (December 31, 2019: RMB110 million). The Company believes that the final arbitration result of these lawsuits will not have a material impact on the financial position or operations of the Group.

4.2.4 Difference between Financial Statements Prepared under the PRC GAAP and IFRSs

There is no difference in net profit and total equity for the Reporting Period between the consolidated financial statements prepared by the Company under the PRC GAAP and IFRSs.

4.3 Business Overview

The Group's business segments are comprised of (i) distressed asset management segment; (ii) financial services segment; and (iii) asset management and investment segment.

The table below sets forth the total income and profit before tax of each business segment of the Group for the periods indicated.

	For the six months ended June 30,			
	2020		2019	
	(in millions of RMB, except for percentages)			
	Amount	**Percentage**	Amount	Percentage
Total income				
Distressed asset management segment	**28,015.3**	**61.3%**	34,543.5	60.8%
Financial services segment	**16,597.9**	**36.3%**	17,130.4	30.2%
Asset management and investment segment	**4,539.4**	**10.0%**	7,698.3	13.6%
Inter-segment elimination	**(3,464.8)**	**(7.6%)**	(2,562.0)	(4.6%)
Total	**45,687.8**	**100.0%**	56,810.2	100.0%
Profit before tax				
Distressed asset management segment	**7,593.0**	**195.4%**	9,197.1	137.1%
Financial services segment	**3,649.4**	**93.9%**	2,970.9	44.3%
Asset management and investment segment	**(5,626.6)**	**(144.8%)**	(5,188.0)	(77.3%)
Inter-segment elimination	**(1,728.9)**	**(44.5%)**	(269.6)	(4.1%)
Total	**3,886.9**	**100.0%**	6,710.4	100.0%

In the first half of 2020, the total income from the Group's distressed asset management segment, financial services segment and asset management and investment segment accounts for 61.3%, 36.3% and 10.0% of the Group's total income, respectively; and profit before tax from the above segments accounts for 195.4%, 93.9% and -144.8% of the Group's profit before tax, respectively.

4.3.1 Distressed Asset Management

The Group's distressed asset management segment is mainly comprised of (i) distressed debt asset management business of the Company; (ii) policy-oriented DES business of the Company; (iii) market-oriented DES business; (iv) distressed debt asset management business conducted by our subsidiaries; (v) distressed asset-based special situations investment business conducted by our subsidiaries; and (vi) distressed asset-based property development business conducted by our subsidiaries.

Distressed asset management business is the foundation of all product business systems of the Group and an important source of income and profit of the Group. In the first half of 2020, facing the impact of the COVID-19 epidemic and the challenges of complex and volatile business environment, the Group adhered to the underlying principle of making progress while keeping performance stable, and maintained prudent on the whole and progressive as to the core business, and continuously strengthened the acquisition of distressed assets, continued to lead the industry in the size of investment in the core business, realizing steady development of its core business and maintaining a basically stable.

In the first half of 2019 and the first half of 2020, the total income from the distressed asset management segment was RMB34,543.5 million and RMB28,015.3 million, accounting for 60.8% and 61.3% of our total income, respectively; and its profit before tax was RMB9,197.1 million and RMB7,593.0 million, accounting for 137.1% and 195.4% of the total profit before tax of the Group, respectively.

The table below sets forth key financial data of the distressed asset management segment of the Group for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2020	2019
	(in millions of RMB)	
Distressed debt asset management business of the Company		
Acquisition cost of newly added distressed debt assets	**93,769.4**	83,688.1
Total income from distressed debt assets		
Operating income from distressed debt assets[1]	**20,923.0**	20,044.1
Financial advisory income from acquisition-and-restructuring business	**8.5**	57.5
Total	**20,931.5**	20,101.6
Policy-based DES business of the Company		
Dividend income from DES Assets	**32.4**	76.7
Net gains from the disposal of DES Assets	**(170.9)**	284.5
Market-oriented DES business[2]		
Income from market-oriented DES business[3]	**(1,720.4)**	1,628.6
Distressed debt asset management business conducted by our subsidiaries		
Income from distressed debt assets	**107.3**	374.8
Distressed asset-based special situations investment business conducted by our subsidiaries[4]		
Income from Huarong Rongde	**945.5**	962.0
Distressed asset-based property development business conducted by our subsidiaries		
Income from property sales of Huarong Industrial	**194.2**	552.9

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB)	
Distressed debt asset management business of the Company		
Gross amount of distressed debt assets[(5)]	**540,660.3**	551,813.7
Allowance for impairment for distressed debt assets[(6)]	**(18,365.6)**	(24,634.0)
Net carrying amount of distressed debt assets	**525,885.8**	531,546.7
Policy-based DES business of the Company		
Carrying amount of DES Assets	**15,835.4**	15,294.6
Market-oriented DES business		
Total accumulative investment in market-oriented DES business	**25,550.4**	22,119.2

(1) Operating income from distressed debt assets equals the sum of the Company's (i) fair value changes on distressed debt assets (acquisition-and-disposal model); and (ii) income from distressed debt assets (acquisition-and-restructuring model), as shown in the consolidated financial statements.
(2) Market-oriented DES business is primarily conducted by the Company and Huarong Ruitong Equity Investment Management Co., Ltd (華融瑞通股權投資管理有限公司) ("Huarong Ruitong") and other subsidiaries.
(3) Income from market-oriented DES business includes realized income and unrealized income arising from market- oriented DES business.
(4) Distressed asset-based special situations investment business conducted by our subsidiaries is primarily conducted by Huarong Rongde and other subsidiaries.
(5) Gross amount of distressed debt assets equals the sum of the Company's (i) distressed debt assets presented under financial assets at FVTPL (acquisition-and-disposal model); and (ii) distressed debt assets presented under debt instruments at amortized cost and at FVTOCI (acquisition-and-restructuring model), as shown in the consolidated financial statements.
(6) Allowance for impairment losses for distressed debt assets equals the Company's allowance for impairment losses for distressed debt assets presented under debt instruments at amortized cost and at FVTOCI, as shown in the consolidated financial statements, of which, the allowance for impairment losses for distressed debt assets presented under the debt instruments at FVTOCI, which is recognised as a part of the investment revaluation reserve, has no effect on the net carrying amount of distressed debt assets.

4.3.1.1 Distressed debt asset management business of the Company

The Company acquires distressed debt assets from financial institutions and non-financial enterprises through competitive biddings, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of acquiring the distressed debt assets and the operational and financial performance, the conditions of the collaterals and pledges as well as the credit risks of the debtors, the Company realizes value preservation and appreciation of these assets through disposal or restructuring, and obtains cash proceeds or assets with operational value. The Company primarily finances its acquisition of distressed debt assets through our own fund, commercial bank borrowings and bond issuances.

4.3.1.1.1 Sources for acquisition of distressed debt assets

Classified by the source of acquisition, the Company's distressed debt assets mainly include: (i) distressed assets acquired from financial institutions ("FI Distressed Assets"); and (ii) distressed assets acquired from non-financial enterprises ("NFE Distressed Assets").

The table below sets forth key financial data of distressed debt assets of the Company by source of acquisition for the periods and as at the dates indicated.

	For the six months ended June 30,			
	2020		2019	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
FI Distressed Assets	**21,988.9**	**23.4%**	17,106.2	20.4%
NFE Distressed Assets	**71,780.5**	**76.6%**	66,581.9	79.6%
Total	**93,769.4**	**100.0%**	83,688.1	100.0%
Operating income from distressed debt assets for the period(1)				
FI Distressed Assets	**4,472.7**	**21.4%**	5,066.4	25.3%
NFE Distressed Assets	**16,450.3**	**78.6%**	14,977.7	74.7%
Total	**20,923.0**	**100.0%**	20,044.1	100.0%

	As at June 30, 2020		As at December 31, 2019	
	(in millions of RMB, except for percentages)			
Gross amount of distressed debt assets at the end of the period(2)				
FI Distressed Assets	**178,500.4**	**33.0%**	172,923.5	31.3%
NFE Distressed Assets	**362,159.9**	**67.0%**	378,890.2	68.7%
Total	**540,660.3**	**100.0%**	551,813.7	100.0%

(1) Operating income from distressed debt assets equals the sum of the Company's (i) fair value changes on distressed debt assets (acquisition-and-disposal model); and (ii) income from distressed debt assets (acquisition-and-restructuring model), as shown in the consolidated financial statements.

(2) Gross amount of distressed debt assets equals the sum of the Company's (i) distressed debt assets presented under financial assets at FVTPL (acquisition-and-disposal model); and (ii) distressed debt assets presented under debt instruments at amortized cost and at FVTOCI (acquisition-and-restructuring model), as shown in the consolidated financial statements.

4.3.1.1.1.1 FI Distressed Assets

The FI Distressed Assets acquired by the Company primarily include NPLs and other distressed debt assets from large commercial banks, joint stock commercial banks, city and rural commercial banks and non-banking financial institutions.

The table below sets forth a breakdown of our FI Distressed Assets newly acquired from various financial institutions based on acquisition costs for the periods indicated.

	For the six months ended June 30,			
	2020		2019	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Banking				
Large commercial banks	**3,953.7**	**18.0%**	5,134.0	30.0%
Joint stock commercial banks	**7,930.9**	**36.1%**	8,226.2	48.1%
City and rural commercial banks	**429.4**	**2.0%**	314.4	1.9%
Other banks	**514.0**	**2.3%**	468.6	2.7%
Subtotal	**12,828.0**	**58.4%**	14,143.2	82.7%
Non-banking financial institutions	**9,160.9**	**41.6%**	2,963.0	17.3%
Total	**21,988.9**	**100.0%**	17,106.2	100.0%

4.3.1.1.1.2 NFE Distressed Assets

The NFE Distressed Assets currently acquired by the Company mainly include accounts receivable and other distressed debts of NFEs. These distressed debt assets include: (i) overdue receivables; (ii) receivables expected to be overdue; and (iii) receivables from debtors with liquidity issues.

4.3.1.1.2 Business models of distressed debt asset management

Categorizing by business model, the Company's distressed debt asset management business can be classified into the acquisition-and-disposal model and the acquisition-and-restructuring model.

The table below sets forth the breakdown of the Company's distressed debt asset management business by business model for the periods and as at the dates indicated.

	For the six months ended June 30,			
	2020		2019	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
Acquisition-and-disposal	**23,828.6**	**25.4%**	16,884.7	20.2%
Acquisition-and-restructuring	**69,940.8**	**74.6%**	66,803.4	79.8%
Total	**93,769.4**	**100.0%**	83,688.1	100.0%
Income from distressed debt assets for the period				
Acquisition-and-disposal[(1)]	**4,295.3**	**20.5%**	4,797.7	23.9%
Acquisition-and-restructuring[(2)]	**16,636.2**	**79.5%**	15,303.9	76.1%
Total	**20,931.5**	**100.0%**	20,101.6	100.0%

	As at June 30, 2020		As at December 31, 2019	
	(in millions of RMB, except for percentages)			
Gross amount of distressed debt assets at the end of the period				
Acquisition-and-disposal[(3)]	**180,435.6**	**33.4%**	172,403.3	31.2%
Acquisition-and-restructuring[(4)]	**360,224.7**	**66.6%**	379,410.4	68.8%
Total	**540,660.3**	**100.0%**	551,813.7	100.0%

(1) The income from acquisition-and-disposal distressed debt assets is the Company's fair value changes on distressed debt assets, as shown in the consolidated financial statements.

(2) The income from acquisition-and-restructuring distressed debt assets is the sum of the Company's income from distressed debt assets and financial advisory income from acquisition-and-restructuring model presented under commission and fee income, as shown in the consolidated financial statements.

(3) The gross amount of acquisition-and-disposal distressed debt assets is the amount of the Company's distressed debt assets presented under financial assets at FVTPL, as shown in the consolidated financial statements.

(4) The gross amount of acquisition-and-restructuring distressed debt assets is the sum of the Company's distressed debt assets presented under debt instruments at amortized cost and debt instruments at FVTOCI, as shown in the consolidated financial statements.

4.3.1.1.2.1 Acquisition-and-disposal model

As a major participant of the primary market and an important participant and supplier of the secondary market for distressed debt assets, the Company acquires distressed assets packages in batches from bank-based distressed asset market through public bidding or negotiated transfers. To maximize the recovery value of the distressed assets, the Company chooses different disposal methods for these assets based on the comprehensive assessment of the characteristics of the distressed assets, the conditions of the debtors and the conditions of the collaterals and pledges. Disposal methods include interim participation in operations, asset restructuring, debt-to-equity swaps, individual transfer, package-and-transfer, discounted collection from debtors, liquidation, regular collection, collection through litigation, receipts of other assets in satisfaction of debts and debt restructuring. As the professional distressed asset management company, the Company's core competitive advantage under the acquisition-and-disposal model is our ability to price and professionally dispose of distressed assets, which has been accumulated from the long-term market operation.

The total assets from the Company's acquisition-and-disposal model increased by RMB8,032.3 million from RMB172,403.3 million as at December 31, 2019 to RMB180,435.6 million as at June 30, 2020. Net gains or losses from the acquisition-and-disposal model decreased by RMB502.4 million from RMB4,797.7 million in the first half of 2019 to RMB4,295.3 million in the first half of 2020.

The table below sets forth certain details of the general operation of the acquisition-and-disposal model of the Company for the periods indicated.

	For the six months ended June 30,	
	2020	2019
	(in millions of RMB, except for percentages)	
Gross amount of distressed debt assets at the beginning of the period	**172,403.3**	162,691.0
Acquisition cost of newly added distressed debt assets	**23,828.6**	16,884.7
Gross amount of distressed debt assets disposed	**17,901.5**	12,783.2
Gross amount of distressed debt assets at the end of the period(1)	**180,435.6**	167,710.5
Net gains or losses from distressed debt assets(2)		
Realized gains	**2,190.1**	3,879.7
Unrealized fair value changes	**2,105.2**	918.0
Total	**4,295.3**	4,797.7
IRR on completed projects(3)	**15.2%**	11.2%

(1) Gross amount of distressed debt assets as at the end of the period is the gross amount of the Company's distressed debt assets presented under financial assets at FVTPL, as shown in the consolidated financial statements.

(2) Net gains or losses from distressed debt assets are the Company's fair value changes on distressed debt assets, as shown in the consolidated financial statements.

(3) IRR on completed projects is the discount rate that makes the net present value of all cash inflows and outflows from all the acquisition-and-disposal projects completed in the current period from the time of acquisition to the time of disposal equal to zero.

The table below sets forth a breakdown of the gross amount of the Company's acquisition-and-disposal distressed debt assets by the geographic location of the sources of acquisitions of asset packages as at the dates indicated.

	As at June 30, 2020		As at December 31, 2019	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Yangtze River Delta(1)	**49,208.4**	**27.3%**	50,609.8	29.4%
Pearl River Delta(2)	**25,629.3**	**14.2%**	23,454.2	13.6%
Bohai Rim Region(3)	**27,797.4**	**15.4%**	26,003.7	15.1%
Central Region(4)	**22,938.3**	**12.7%**	22,175.8	12.9%
Western Region(5)	**47,293.9**	**26.2%**	42,667.7	24.7%
Northeastern Region(6)	**7,568.3**	**4.2%**	7,492.1	4.3%
Total	**180,435.6**	**100.0%**	172,403.3	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.
(2) Pearl River Delta is comprised of Guangdong and Fujian.
(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.
(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.
(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet.
(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

The Company's acquisition-and-disposal distressed debt assets were mainly sourced from Yangtze River Delta, Western Region, Bohai Rim Region and Pearl River Delta.

4.3.1.1.2.2 Acquisition-and-restructuring model

Focusing on enterprises with temporary liquidity issues, the Company adopts personalized and professional customized restructuring approaches to reassess the debtors' credit risks, front-load the elimination of credit risks, redeploy distressed debt assets with operational value and restore the debtors' enterprise credit profile. The Company carries out assessments on the value and operational value of the customers' core assets in order to realize value discovery and enhancement for these assets and achieve considerable returns with controlled risks. The Company's core competitive advantage under the acquisition-and-restructuring model is the ability to discover, reassess and enhance the overall value of the debts for the debtors through professional operating.

The table below sets forth certain details of the general operation of the acquisition-and-restructuring model of the Company for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2020	2019
	(in millions of RMB, except for percentages)	
Acquisition cost of newly added distressed debt assets	**69,940.8**	66,803.4
Income from distressed debt assets		
Operating income from distressed debt assets[(1)]	**16,627.7**	15,246.4
Financial advisory income	**8.5**	57.5
Total	**16,636.2**	15,303.9
Annualized return on monthly average gross amount of distressed debt assets (excluding financial advisory income)[(2)]	**8.6%**	8.2%

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB, except for percentages)	
Number of existing projects as of the end of the period (quantity)	**1,555**	1,595
Gross amount of distressed debt assets[(3)]	**360,224.7**	379,410.4
Allowance for impairment losses[(4)]	**(18,365.6)**	(24,634.0)
Net carrying amount of distressed debt assets[(5)]	**345,450.2**	359,143.4
Allowance to distressed debt assets ratio[(6)]	**5.1%**	6.5%
Gross amount of Stage 3 distressed debt assets[(7)]	**33,312.4**	50,334.6
Allowance for impairment losses for Stage 3 distressed debt assets[(8)]	**(14,445.6)**	(19,980.0)
Distressed debt assets collateral ratio[(9)]	**40.8%**	38.2%

(1) The operating income from distressed debt assets equals the Company's income from distressed debt assets, as shown in the consolidated financial statements.

(2) Annualized return on monthly average gross amount of distressed debt assets equals the operating income from distressed assets divided by the average gross amount of distressed assets at the end of each month of that year.

(3) Gross amount of distressed debt assets equals the sum of the Company's gross amount of distressed debt assets presented under debt instruments at amortized cost and at FVTOCI, as shown in the consolidated financial statements.

(4) Allowance for impairment losses equals the Company's allowance for impairment losses for distressed debt assets presented under debt instruments at amortized cost and at FVTOCI, as shown in the consolidated financial statements, of which, allowance for impairment losses for the distressed debt assets presented under debt instruments at FVTOCI is recognised as a part of the investment revaluation reserve.

(5) Net carrying amount of distressed debt assets equals the gross amount of the Company's net amount of distressed debt assets presented under debt instruments at amortized cost and balance of distressed debt assets presented under debt instruments at FVTOCI.

(6) Allowance to distressed debt assets ratio equals the allowance for impairment losses divided by the gross amount of distressed debt assets.

(7) Gross amount of Stage 3 distressed debt assets is balance of Stage 3 distressed debt assets based on the stage division model.

(8) Allowance for impairment losses for Stage 3 distressed debt assets is the allowance for impairment losses for distressed debt assets which is classified as Stage 3.
(9) Distressed debt assets collateral ratio equals the percentage of the total amount of collateralized distressed debt assets to the total appraised value of the collateral securing these assets.

The table below sets forth a breakdown of the Company's gross amount of acquisition-and-restructuring distressed debt assets by the geographic location of the debtors as at the dates indicated.

	As at June 30, 2020		As at December 31, 2019	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Yangtze River Delta(1)	**60,722.0**	**16.9%**	70,393.2	18.6%
Pearl River Delta(2)	**53,822.2**	**14.9%**	55,697.5	14.7%
Bohai Rim Region(3)	**55,205.4**	**15.3%**	56,151.9	14.8%
Central Region(4)	**77,797.0**	**21.6%**	79,991.2	21.1%
Western Region(5)	**97,782.5**	**27.1%**	102,196.9	26.9%
Northeastern Region(6)	**14,895.6**	**4.2%**	14,979.7	3.9%
Total	**360,224.7**	**100.0%**	379,410.4	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.
(2) Pearl River Delta is comprised of Guangdong and Fujian.
(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.
(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.
(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Inner Mongolia and Tibet.
(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

The table below sets forth a breakdown of the Company's gross amount of acquisition-and-restructuring distressed debt assets by the industrial composition of the ultimate debtors as at the dates indicated.

	As at June 30, 2020		As at December 31, 2019	
	Total	**Percentage**	Total	Percentage
	(in millions of RMB, except for percentages)			
Real estate	**192,372.0**	**53.5%**	194,575.9	51.3%
Manufacturing	**35,092.7**	**9.7%**	41,566.2	11.0%
Construction	**28,444.6**	**7.9%**	29,306.5	7.7%
Leasing and commercial services	**26,814.5**	**7.4%**	30,879.7	8.1%
Water, environment and public utilities management	**22,244.5**	**6.2%**	21,309.3	5.6%
Mining	**3,562.0**	**1.0%**	3,964.5	1.0%
Transportation, logistics and postal services	**2,269.8**	**0.6%**	4,335.6	1.3%
Others	**49,424.6**	**13.7%**	53,472.7	14.0%
Total	**360,224.7**	**100.0%**	379,410.4	100.0%

4.3.1.2 Policy-based DES business of the Company

The Company obtains DES Assets through debt-to-equity swaps, receipt of equities in satisfaction of debts and follow-on investments. The Company enhances the value of DES Assets by improving the business operations of the DES Companies. The Company exits from such investments primarily through asset swaps, merger and acquisition, restructuring and listing of DES Companies and realizes the appreciation of DES Assets. The Company's DES Assets are classified as shares of unlisted DES Companies ("Unlisted DES Assets") and shares of listed DES Companies ("Listed DES Assets"). As at June 30, 2020, the Company held Unlisted DES Assets in 115 DES Companies, with carrying amount of RMB10,910.4 million; and Listed DES Assets in 19 DES Companies, with carrying amount of RMB4,925.0 million.

The table below sets forth certain details of the Company's policy-based DES Assets portfolio by category of listing condition as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB, except for number of companies)	
Composition of existing DES Assets portfolio		
Number of DES Companies	**134**	151
Unlisted	**115**	127
Listed	**19**	24
Carrying amount	**15,835.4**	15,294.6
Unlisted	**10,910.4**	9,609.5
Listed	**4,925.0**	5,685.1

In the first half of 2019 and the first half of 2020, the Company's net gains on policy-based DES Assets disposed were RMB284.5 million and RMB-170.9 million, respectively.

The table below sets forth certain details of the Company's disposal of DES Assets for the periods indicated.

	For the six months ended June 30,	
	2020	2019
	(in millions of RMB, except for number of companies)	
Number of DES Companies disposed	**17**	13
Net gains on DES Assets disposed	**(170.9)**	284.5
Acquisition cost of DES Assets disposed	**1,824.0**	834.6
Exit multiple of DES Assets disposed[(1)]	**0.9 times**	1.3 times
Dividend income from DES Companies	**32.4**	76.7

(1) Exit multiple of DES Assets disposed equals the sum of the net gains on DES Assets disposed in the year and the acquisition costs of DES Assets disposed divided by the acquisition costs of the DES Assets disposed.

4.3.1.3 Market-oriented DES business

The Group conducts the market-oriented DES business through the Company and its subsidiaries including Huarong Ruitong. The Group's market-oriented DES business mainly includes the following three business models:

(1) The model of "issuing shares for repaying debts": The Group participates in the private placement of listed companies for repayment of bank loans, increases the efficiency of DES implementation and effectively supports the development of real economy.

(2) The model of "changing debt collection to equity": The Group specifies real enterprise clients to ease liquidity problems and helps enterprises "de-leverage" by changing debt collection to equity.

(3) The model of "offsetting debts with equity": The Group helps real enterprises reduce debts and ease liquidity problems through debt restructuring, i.e. offsetting debts with high-quality equities including equity of listed companies.

The table below sets forth the accumulative investment for market-oriented DES business conducted by the Group as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB)	
Issuing shares for repaying debts	**10,916.0**	9,992.0
Changing debt collection to equity	**11,800.0**	11,800.0
Offsetting debts with equity	**2,834.4**	327.2
Total	**25,550.4**	22,119.2

Market-oriented DES business has the national policy advantage and is one of the core businesses of the Group. In the first half of 2020, the Group actively optimized industry layout, and strengthened the development and reserve of strategic emerging industries and technological innovation enterprises such as information technology, high-end equipment, new material, new energy, energy saving and environmental protection as well as biological medicine. The existing market-oriented DES Assets of the Group maintained relatively high liquidity while impacted by fair value changes brought by the fluctuation of securities market. In the first half of 2020, the income of RMB-1,720.4 million was recorded from the market-oriented DES business of the Group.

4.3.1.4 Distressed debt asset management business conducted by our subsidiaries

The Group also conducts distressed debt asset management business through Huarong Huitong Asset Management Co., Ltd. ("Huarong Huitong"). In the first half of 2019 and the first half of 2020, Huarong Huitong recorded the income from distressed debt assets of RMB374.8 million and RMB107.3 million, respectively.

4.3.1.5 Distressed asset-based special situations investment business conducted by our subsidiaries

The Group's distressed asset-based special situations investment business invests through debt, equity or mezzanine capital in assets with value appreciation potential and enterprises with short-term liquidity issues, which the Group has identified during the course of its distressed asset management business. Through debt restructuring, asset restructuring, business restructuring and management restructuring, the Group then improves the capital structure, management and operation of the enterprises, and exits and realizes asset appreciation income through debt collection, share transfers, share repurchases, listing and mergers and acquisitions. The Group primarily conducts our distressed asset-based special situations investment business through Huarong Rongde and other subsidiaries.

The table below sets forth the basic operating information of Huarong Rongde for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2020	2019
	(in millions of RMB)	
Income	**945.5**	962.0
Net profit	**210.1**	330.8

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB)	
Total assets	**25,041.6**	25,199.4

4.3.1.6 Distressed asset-based property development business conducted by our subsidiaries

The Group's distressed asset-based property development business restructures, invests in and develops high quality property projects acquired in the course of its distressed asset management business and generates profits from appreciation of the related assets. Through its property development business, the Group discovers the value of existing property projects, provides liquidity to existing distressed assets, extends the value chain of distressed asset management, and further enhances the value of our distressed assets.

The Group conducts distressed asset-based property development business through Huarong Industrial. In the first half of 2019 and the first half of 2020, revenue from property development business of Huarong Industrial amounted to RMB552.9 million and RMB194.2 million, respectively.

4.3.2 Financial Services

By leveraging the Group's multiple financial licenses, the Group provides its clients with flexible, customized and diversified financing channels and financial products through a comprehensive financial services platform composed of Huarong Securities, Huarong Futures, Huarong Financial Leasing, Huarong Xiangjiang Bank and other subsidiaries. This creates a comprehensive financial service system which covers the different business life cycles and the entire value chain of clients. In the first half of 2019 and the first half of 2020, the total income from the Group's financial services segment accounted for 30.2% and 36.3% of our total income, respectively. Profit before tax accounted for 44.3% and 93.9% of the total profit before tax of the Group, respectively.

The table below sets forth the key financial data of the business lines of our financial services segment for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2020	2019
	(in millions of RMB)	
Securities and Futures Business		
Total income	**1,866.0**	3,001.4
Profit before tax	**294.4**	66.3
Financial Leasing Business		
Total income	**4,095.2**	4,144.6
Profit before tax	**1,211.7**	1,162.2
Banking		
Total income	**10,196.4**	9,418.6
Profit before tax	**2,156.3**	1,977.0

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB)	
Securities and Futures Business		
Total assets	**73,049.8**	66,142.7
Total equity	**12,324.3**	12,074.7
Financial Leasing Business		
Total assets	**135,668.6**	138,254.1
Total equity	**16,068.8**	16,178.6
Banking		
Total assets	**386,941.6**	366,776.8
Total equity	**29,836.0**	23,981.0

4.3.2.1 Securities and futures business

The Group conducts securities and futures business through Huarong Securities and Huarong Futures. The Group's securities business mainly includes proprietary trading, securities brokerage and wealth management, investment banking and asset management businesses. The financial data for Huarong Securities disclosed in this section is consolidated financial data that includes information of Huarong Futures, its subsidiary. In the first half of 2019 and first half of 2020, Huarong Securities recorded a total income of RMB3,001.4 million and RMB1,866.0 million, respectively, and profit before tax of RMB66.3 million and RMB294.4 million, respectively.

The table below sets forth the breakdown of the Group's revenue from securities business by business line for the periods indicated.

	For the six months ended June 30,			
	2020		2019	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Proprietary trading	**1,087.7**	**58.3%**	1,858.2	61.9%
Securities brokerage and wealth management	**514.7**	**27.6%**	690.6	23.0%
Investment banking	**99.8**	**5.3%**	107.4	3.6%
Asset management business	**75.8**	**4.1%**	115.6	3.9%
Others	**88.0**	**4.7%**	229.6	7.6%
Total	**1,886.0**	**100.0%**	3,001.4	100.0%

4.3.2.2 Financial leasing business

The Group operates its financial leasing business through Huarong Financial Leasing. As at December 31, 2019 and June 30, 2020, the total assets of Huarong Financial Leasing amounted to RMB138,254.1 million and RMB135,668.6 million, respectively. In the first half of 2019 and the first half of 2020, the profit before tax of Huarong Financial Leasing amounted to RMB1,162.2 million and RMB1,211.7 million, respectively. Both the operating results and management level of Huarong Financial Leasing have maintained the leading position in the industry.

The table below sets forth certain key indicators of Huarong Financial Leasing for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2020	2019
Profitability indicators		
Annualized ROAA(1)	**1.4%**	1.4%
Annualized ROAE(2)	**11.2%**	11.6%
	As at June 30, 2020	As at December 31, 2019
Asset quality indicators		
Distressed asset ratio(3)	**1.54%**	1.47%
Provision coverage ratio(4)	**170.2%**	161.0%
Capital adequacy indicators		
Core capital adequacy ratio(5)	**12.3%**	12.3%
Capital adequacy ratio(5)	**13.2%**	13.0%

(1) Annualized ROAA equals the annualized net profit for the period divided by the average of total assets as at the beginning and the end of the period.

(2) Annualized ROAE equals the annualized net profit attributable to equity holders for the period as a percentage of the average balance of equity attributable to equity holders as at the beginning and the end of the period.

(3) Distressed asset ratio equals the balance of distressed assets divided by finance lease receivables. Distressed assets are defined as those initially recognized finance lease receivables which have objective evidence of impairment as a result of one or more events and such events have had an impact on the expected future cash flows of finance lease receivables that can be reliably estimated.

(4) Provision coverage ratio equals the balance of allowance for impairment losses divided by the balance of distressed assets.

(5) Disclosed by the means reported to CBIRC.

The business of Huarong Financial Leasing mainly involves water, environment and public utilities management, manufacturing, transportation, logistics, postal services and other industries.

The table below sets forth the components of the total finance lease receivables of Huarong Financial Leasing by industry as at the dates indicated.

	As at June 30, 2020		As at December 31, 2019	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Water, environment and public utilities management	**48,689.4**	**39.5%**	40,818.0	37.1%
Manufacturing	**15,539.3**	**12.6%**	20,002.7	18.2%
Transportation, logistics and postal services	**15,539.3**	**12.6%**	12,511.7	11.3%
Construction	**7,001.6**	**5.7%**	6,828.6	6.2%
Leasing and commercial services	**6,819.5**	**5.5%**	4,643.8	4.2%
Mining	**2,689.6**	**2.2%**	3,160.8	2.9%
Others	**27,124.4**	**21.9%**	22,135.1	20.1%
Total	**123,403.1**	**100.0%**	110,100.7	100.0%

Note: Some of the above finance lease receivables were presented under "debt instruments at amortized cost" on the consolidated financial statements because of the adoption of New Lease Standards.

4.3.2.3 Banking services business

The Group conducts its banking services business through Huarong Xiangjiang Bank. As at December 31, 2019 and June 30, 2020, total assets of Huarong Xiangjiang Bank were RMB366,776.8 million and RMB386,941.6 million, respectively. In the first half of 2019 and the first half of 2020, the profit before tax of Huarong Xiangjiang Bank was RMB1,977.0 million and RMB2,156.3 million, respectively.

As at June 30, 2020, the non-performing loan ratio and provision coverage ratio of Huarong Xiangjiang Bank were 1.67% and 157.4%, respectively. Its core tier-1 capital adequacy ratio was 9.0% and its capital adequacy ratio was 12.6%, and all major business indicators of Huarong Xiangjiang Bank either satisfied or outperformed regulatory requirements.

The table below sets forth certain key indicators of Huarong Xiangjiang Bank for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2020	2019
Profitability indicators		
Annualized ROAA[(1)]	**0.9%**	0.9%
Annualized ROAE[(2)]	**12.5%**	13.8%

	As at June 30, 2020	As at December 31, 2019
Asset quality indicators		
Non-performing loan ratio[(3)]	**1.67%**	1.57%
Provision coverage ratio[(4)]	**157.4%**	162.7%
Allowance to total loans[(5)]	**2.6%**	2.6%
Capital adequacy indicators		
Core tier-1 capital adequacy ratio[(6)]	**9.0%**	9.6%
Capital adequacy ratio[(6)]	**12.6%**	12.6%

(1) Annualized ROAA equals the annualized net profit for the period divided by the average of total assets as at the beginning and the end of the period.

(2) Annualized ROAE equals the annualized net profit attributable to equity holders for the period as a percentage of the average balance of equity attributable to equity holders as at the beginning and the end of the period.

(3) Non-performing loan ratio equals the balance of non-performing loans divided by total loans and advances to customers.

(4) Provision coverage ratio equals the balance of allowance for impairment losses divided by the balance of non-performing loans.

(5) Allowance to total loans equals the balance of allowance for impairment losses divided by total loans and advances to customers.

(6) Core tier-1 capital adequacy ratio and capital adequacy ratio are calculated according to CBIRC regulations.

4.3.3 Asset Management and Investment Business

The asset management and investment business of the Group is an extension and supplement of its distressed asset management business. In the first half of 2019 and the first half of 2020, the total income from asset management and investment segment was RMB7,698.3 million and RMB4,539.4 million, respectively, representing 13.6% and 10.0%, respectively, of our total income.

The table below sets forth key financial data of the Group's asset management and investment business for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2020	2019
	(in millions of RMB)	
Trust business		
Total trust income	**(1,611.2)**	730.7
Including: trust commission and fee income	**231.4**	209.2
International business		
Total income of Huarong International	**3,155.6**	4,646.9

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB)	
Trust business		
Outstanding trust AUM	**120,232.6**	134,458.7
International business		
Total assets of Huarong International	**181,194.2**	194,421.0

4.3.3.1 Trust business

The Group is engaged in trust business through Huarong Trust. The business of Huarong Trust mainly involves: (1) acting as a trustee to manage, operate and dispose of trust assets and receiving trust business income; and (2) providing financial advisory and other consulting services and receiving commission and fee income.

As at December 31, 2019 and June 30, 2020, the outstanding trust assets under management were RMB134,458.7 million and RMB120,232.6 million.

The table below sets forth the breakdown of the distribution of trust products of Huarong Trust by industry as at the dates indicated.

	As at June 30, 2020	As at December 31, 2019
	(in millions of RMB)	
Industry and commerce enterprise	**40,024.5**	36,405.3
Real estate	**24,427.3**	27,963.0
Infrastructure	**19,504.2**	24,073.6
Financial institutions	**18,673.7**	25,852.9
Securities investment	**13,975.1**	16,525.7
Others	**3,627.8**	3,638.3
Total	**120,232.6**	134,458.7

4.3.3.2 International business

The Group conducts its international business mainly through Huarong International and other overseas subsidiaries. As at December 31, 2019 and June 30, 2020, the total assets of Huarong International amounted to RMB194,421.0 million and RMB181,194.2 million, respectively. The total income for the first half of 2019 and the first half of 2020 of Huarong International amounted to RMB4,646.9 million and RMB3,155.6 million, respectively.

4.3.4 Business Synergy

The Group focused on serving the national strategy, supporting the real economy, preventing and dissolving risks, and supporting the fight against the epidemic, and the recovery of economic development, to continuously strengthen the concept of "one Huarong". Through building a framework of collaborative system, improving the coordinated development mechanism, perfecting the collaborative incentive measures and promoting collaborative informatization construction, the Group guided the specialized operation and differentiated development of various operation units and constantly deepened the cooperation in the field of distressed assets, so as to provide customers with "distressed assets + comprehensive financial services". The business department of the headquarters led key marketing customers and cooperated with branches and subsidiaries to implement major projects as an influential example of the industry based on the innovation of the core business; the branches practised cross-marketing for customers and deeply explored collaborative opportunities based on the "regional customer marketing center, regional asset management center and regional resource cultivation center"; the financial subsidiaries gave play to the role of financial toolbox to enhance the value of distressed assets based on the financial services; and the non-financial subsidiaries gave full play to professional advantages and supported the development of the core business of distressed assets based on special function positioning. Various operation units continuously extended the industry chain and value chain of the core business of distressed assets through synergy among products, customers, information and risk management and control, achieving resource integration, complementary advantages, win-win cooperation and collaborative development within the Group.

In the first half of 2020, the Group actively promoted business cooperation between the headquarters and its branches and subsidiaries. The value of projects implemented by each operation unit through synergetic cooperation between (1) branches and subsidiaries; (2) branches and branches; (3) branches and the business department of the headquarters; (4) subsidiaries and subsidiaries; and (5) subsidiaries and the business department of the headquarters and other synergetic and cooperative relations amounted to RMB27,981.69 million, and the revenue from all projects under synergetic cooperation amounted to RMB4,039.93 million.

4.3.5 Human Resources Management

In the first half of 2020, the Group strived to build teams of high quality and professional talents, thus providing a solid talent guarantee for the construction of a new Huarong with high-quality development. The Group has been establishing a correct direction for the personnel selection and employment and rectifying bad practices in this regard to optimize the structure of the employee's team, constantly improving the construction of the organization and personnel mechanism, continuously improving the positive incentive and restraint mechanism featuring openness, transparency, scientificity and rationality, and guiding the majority of cadres and employees to practice entrepreneurship proactively. The Group has also been building a learning organization actively, innovating training methods by closely focusing on business development and increasing the intensity of professional ability training and improving the duty performance capability and business quality of cadres and employees. Caring for cadres and employees, the Group actively responded to employees' concerns, protected employees' individual interests, and constantly enhanced the cohesiveness and effectiveness of our team.

4.3.5.1 Employees

The Group had a total of 10,687 employees as at June 30, 2020, including 2,639 employees working for the Company and 8,048 employees working for subsidiaries at various levels.

The Group's employees hold over 50 types of professional qualifications, including Certified Public Accountant, Chartered Financial Analyst, sponsor representative, attorney, financial risk manager, public valuer, banking practice qualification and securities practice qualification.

The table below sets forth the number of employees of the Group by age as at June 30, 2020.

	Number	**Percentage (%)**
Aged 35 and below	5,208	49%
Aged 36–45	2,879	27%
Aged 46–55	2,132	20%
Aged above 56	468	4%
Total	10,687	100%

The table below sets forth the number of employees of the Group by education level as at June 30, 2020.

	Number	Percentage (%)
Doctoral degree or doctoral candidate, and above	176	2%
Master's degree or master candidate	3,382	32%
Bachelor's degree or undergraduate	6,114	57%
Junior college and below	1,015	9%
Total	10,687	100%

4.3.5.2 Remuneration policy

The Group's remuneration management is combined with the Group's strategies, business development and talent introduction. It adhered to the efficiency-centric principle and optimized the distribution system where work efficiency links to wages to promote the realization of the Group's operation objectives. The Group adhered to the employee remuneration management mechanism with remuneration based on the post and bonus based on performance, and reasonably allocated employee remuneration according to post duties, capabilities and performance contribution. The Group continued to strengthen the incentive and restraint mechanism oriented to operation contribution, and established and improved a remuneration management system that was competitive in the market, matched with performance and took into account internal fairness, in accordance with the principle of matching revenue and risk, and coordinating long-term and short-term incentives.

4.3.5.3 Education and training

In the first half of 2020, the Group focused its education and training work on business development and strengthened the training of employees' professional capabilities. The first is to focus on the Company's central work, comprehensively coordinate the Company's systematic education and training, and formulate and implement annual training plans. The second is to adopt flexible training methods, and carry out training at different levels, professions, and lines to improve the performance capacity and business quality of cadres and employees. The third is to accelerate the establishment of an online learning platform and effectively integrate internal and external learning resources.

4.3.6 No Material Changes

Save as disclosed in this results announcement, there are no material events affecting the Company's performance which are required to be disclosed under Appendix 16 of the Listing Rules since the publication of the last annual report.

4.4 Risk Management

In the first half of 2020, the Group adhered to the underlying principle of making progress while keeping performance stable, actively responded to economic and social impact and market risks caused by the COVID-19 epidemic, enhanced risk management and control of various businesses, and continued to improve risk management mechanism and tools to improve the overall risk management level.

4.4.1 Comprehensive Risk Management System

Comprehensive risk management refers to processes and methods of, centering on the overall operational objectives, the establishment of a risk governance structure with effective checks and balances, the fosterage of excellent risk culture, the formation and implementation of unified risk management strategies, risk appetite, risk limits and risk management policies, and the adoption of both qualitative and quantitative methods to effectively identify, measure, assess, monitor, report, control or mitigate various risks taken, in order to provide security for achieving the Group's operational and strategical objectives.

In the first half of 2020, the Group continued to promote the construction of a comprehensive risk management system, actively responded to the impact of the epidemic, and adjusted its risk management and control policies in a timely manner. Based on the principles of stability and prudence, the Group formulated the 2020 Risk Management Strategies and Risk Appetite Policy (《2020年度風險管理策略和風險偏好政策》) and 2020 Risk Limits Plan (《2020年度風險限額方案》). In response to the impact of the COVID-19 epidemic, the Group timely formulated the response policies, and solidly conducted the work of risk mitigation and risk control. The Group comprehensively assessed the impact of the epidemic on asset quality, and strengthened the monitoring, analysis, and control of various risks such as credit risk, market risk, liquidity risk, operational risk, and reputation risk. The Group continued to improve the risk management mechanism, improved the business access standards, optimized the business authorization and customer limit management mechanism, actively promoted the reduction and disposition of risky assets, strengthened the management of asset and liability structure and the management of related party transactions and internal transactions, and improved the assessment and evaluation system of differentiated risks. At the same time, the Group continued to optimize the impairment and internal rating models, and actively promoted the construction and functional improvement of customer quotas, related party transactions, operational risks, collateral management, credit investigation and other systems.

4.4.2 Credit Risk Management

Credit risk refers to the risk of loss due to the failure of debtors or counterparties to perform their contractual obligations or adverse changes in their credit condition. Credit risk of the Group mainly involves the distressed debt asset management business, banking business, trust business, securities business, financial leasing business and consumer finance business.

In the first half of 2020, the Group actively responded to the impact of the epidemic, strengthened its credit risk warning management mechanism, adopted targeted risk management and control measures, and strengthened risk assessment, monitoring, and analysis. Meanwhile, it further improved business access standards, business management systems and approval procedures, strengthened credit risk monitoring and control, enhanced project management systems in the later stages, and optimized the "three lines of defense" of "preliminary, intermediate and post" risk management of risk review, risk monitoring and post investment management to strictly prevent incremental risks. It also continued to promote the construction of credit risk management mechanism and tools, strengthened refined and differentiated management of business authorization, enhanced customer limit management and control, continued to optimize internal rating models, optimized impairment measurement models and improved credit risk management and control level.

In the first half of 2020, the Group enhanced the coordination and instruction of risk disposal, implemented classified management and applied them on well-chosen targets, promoted risk dissolution of key and difficult projects with all its forces, point by point and area by area, and feasibly sped up progress of risk disposal and dissolution. The whole Group worked in concert and achieved positive effect in risk disposal.

4.4.3 Market Risk Management

Market risk refers to the risk of loss caused to the Group's business due to adverse changes in market prices, such as interest rates, exchange rates and stock and commodities prices. The market risk of the Group mainly involves effects of stocks, bonds and other investment businesses and changes in exchange rates.

In the first half of 2020, the Group actively responded to the impact of market fluctuations, strengthened the monitoring, evaluation and measurement of market risk assets such as stocks and bonds, and continuously improved market risk management.

With regard to stock risk, the Group closely monitored the influence of the macroeconomic situation at home and abroad, epidemic prevention and control, regulatory policy guidance, operation of capital market, changes in corporate fundamentals and other factors on the business development, financing environment and valuation of listed companies, to formulate annual operating management strategies. The Group set different trading strategies for assets of different industries and daily monitored the fluctuations in market value, to enhance the portfolio management. In addition, the Group promptly disclosed stock asset reduction arrangements subject to relevant policies and requirements of regulatory authorities and exchanges and the shareholding reduction plan of the Group and took opportunities to reduce shareholding based on the daily monitoring of public opinion and stock price fluctuations.

With regard to interest rate risk, the Group continuously improved the interest risk management framework, formulated the Administrative Measures for Interest Rate Risks of Non-trading Accounts (《非交易賬簿利率風險管理辦法》) and other management policies, which standardized and improved the interest rate risk management mechanism, defined the organizational structure, responsibility system, management process and method, and measured and analyzed interest rate risks on a regular basis to continuously improve its capability to cope with interest rate risks.

In terms of exchange rate risk, the Group has improved the foreign exchange risk identification, measurement, monitoring and control mechanism in accordance with the relevant requirements of the Administrative Measures on Foreign Exchange Risk (《外匯風險管理辦法》). The Group, operating mainly in China, adopts Renminbi as the recording currency. The foreign exchange funds raised from listing were settled flexibly according to use of funds and exchange rate fluctuations. The Group continuously paid attention to the risks brought by exchange rate changes, and effectively controlled foreign exchange risks mainly by means of currency matching of assets and liabilities.

4.4.4 Liquidity Risk Management

Liquidity risk refers to the risks associated with the failure to obtain sufficient funds promptly or at reasonable cost to repay mature debts or fulfil other payment obligations or support the asset growth or other business development, including financing liquidity risks and market liquidity risks. Financing liquidity risk refers to the risk where the Company fails to meet the funding requirement effectively without affecting the daily operations or financial conditions. Market liquidity risk refers to the risk where the Group fails to dispose of assets at a reasonable market price to obtain funds due to the limited depth of the market or market fluctuations. The Group's liquidity risks arise primarily from the delay in payment by its debtors, mismatch of asset and liability structure, difficulty in asset monetization, operational loss, lack of liquidity reserves and financing capacity that is unable to meet the needs of business development.

The Group actively implemented the requirements of the regulatory authorities for liquidity management, adopted a centralized and unified liquidity management mechanism and enhanced the initiative and forward-looking of liquidity management to make sure the mismatch of assets and liabilities is maintained within an acceptable liquidity risk level. The Group effectively controlled the degree of leverage and guaranteed its long-term liquidation safety through the setup of target leverage ratio complying with regulatory requirements. The Group established a working capital planning system and made full use of the fund transfer pricing system to speed up turnover of funds and improve the fund utilization efficiency. Besides, the Group constantly expanded financing channels and established multi-term, multi-variety and market-oriented financing methods, which were mainly based on interbank borrowings, bond issuance and other types of financing, and complemented with interbank borrowing and pledge-style repo, to reasonably arrange debt term and effectively improve debt structure.

The methods for monitoring and controlling liquidity risks of the Group include indicator monitoring, alert management, stress tests and contingency plans. The Group set up and monitored liquidity risk monitoring indicators according to regulatory requirements and its actual situation to dynamically monitor, analyze and control liquidity risks. The Group also conducted regular stress tests for liquidity risk, established sound hypothetical scenarios and test models, developed and improved liquidity risk contingency plans, and continuously optimized early-warning management of liquidity risk and risk resolution mechanisms.

4.4.5 Operation Risk Management

Operation risk refers to the risk of losses caused by imperfect or problematic internal procedures, staff and IT systems, and external events, including legal risks.

In the first half of 2020, the Group further strengthened operational risk appetite and limits management, improved internal systems, optimized management and control process, strengthened operational risk management training, and further enhanced employees' awareness of operational risk prevention and control by centering on source management and process control and focusing on risk prevention and quality improvement.

The Group attached great importance to the building of a prevention and control system of legal risk covering all systems, all directions and all processes, continuously improved the legal work system and kept optimizing the legal review process and strengthening contract management, enhanced legal risk prevention and control and made headway in the innovation of working mechanism for case management so as to fully prevent and control the legal risks in its operation management activities.

The Group continuously improved the information technology risk prevention mechanism, perfected the information technology system, defined the responsibilities of related parties and network security work requirements, conducted self-examination on information technology outsourcing risk, optimized and enhanced the disaster backup and emergency recovery system, and strengthened the technology risk management and control capabilities. In the first half of 2020, the Group did not have any significant event in relation to information security and technology risk.

4.4.6 Reputation Risk Management

Reputation risk refers to the risk of negative comments of relevant interested parties on the Group resulting from the Group's operations, management and other activities or external events.

In the first half of 2020, the Group strengthened identification, monitoring and anticipation of reputation risk events or hazards based on proactive, prudent, full process and full coverage management principle, and took initiative measures to prevent, control and mitigate potential reputation risk. In the first half of 2020, the Group did not have any significant events in relation to reputation risk.

4.4.7 Internal Audit

The Group has adopted an internal audit system and has professional auditors responsible for independent and objective supervision, evaluation and recommendation of conditions such as financial revenues and expenditures, business activities, risk conditions and internal control. The auditors shall report to the Party Committee of the Company, the Board or the Audit Committee of the Board and the Board of Supervisors if material problems are discovered during audits.

In the first half of 2020, the Group duly performed its internal audit duties, enhanced daily audit management, strengthened the basic work of internal audit to continuously deepen the construction of internal audit system. The Group carried out routine audits and special audits on its branches and subsidiaries in such aspects as corporate governance, major businesses, financial management, risk management, internal control, etc., and conducted economic responsibility audits of the middle and senior management of the Group with regard to their performance. The Group paid attention to the construction of its audit talent team, and continuously improved the internal audit training system, to enhance its internal audit team's ability in performing duties and give full play to the role of internal audit.

4.4.8 Anti-money Laundering Work

The Company strictly complied with the anti-money laundering laws and regulations, duly fulfilled its statutory obligations of anti-money laundering, and continuously improved its anti-money laundering management system and working mechanism to ensure the effective enforcement of the laws and regulations regarding anti-money laundering and relevant rules of the Company.

To strengthen the implementation of the anti-money laundering regulatory requirements, in the first half of 2020, the Company further revised the internal rules of anti-money laundering and anti-terrorist financing in accordance with the latest regulatory requirements and the actual situation of the Company, and optimized and improved the working requirements of anti-money laundering and various internal control mechanisms; effectively implemented suspicious transaction monitoring and reporting requirements, and continually improved the system of anti-money laundering and relevant information systems. Through enhanced anti-money laundering supervision and inspection, the

Company further improved effective enforcement of anti-money laundering rules and requirements; through increased internal promotion and training, the Company stimulated all employees to enhance awareness of anti-money laundering and ability to prevent and control risks in relation to money laundering.

4.5 Capital Management

In accordance with regulatory requirements, the Company continued to deepen the concept of capital constraint and optimized the capital management system based upon "observing its original mind and focusing on its core business", and formed effective closed-loop of capital management through improving mechanisms such as capital planning and allocation, monitoring and measurement, evaluation and analysis, and utilization and assessment. It proceeded to explore and promote the economic capital management and utilization, striving to optimize resources allocation constantly and boost return on capital.

In accordance with relevant requirements by the CBIRC, such as the Capital Management Measures for Financial Asset Management Companies (Trial) (Yin Jian Fa [2017] No. 56), taking into account industrial development trend and its own actual situation, the Company periodically conducted stress test, and duly carried out research on multi-way and multi-level capital replenishment plan to ensure that its capital position was sound and in compliance with laws and regulations and to support its high-quality development.

As at December 31, 2019 and June 30, 2020, the capital adequacy ratio of the Company was 15.29% and 15.65%, respectively.

As at December 31, 2019 and June 30, 2020, the leverage ratio[1] of the Company was 9.2:1 and 8.8:1, respectively.

4.6 Development Outlook

Looking forward to the second half of 2020, the continuous global spread of COVID-19 will still experience a long peak platform period, the geopolitical tensions are arising, and trade frictions between some countries are deepening gradually, thus great uncertainty and instability will be raised. IMF and the World Bank respectively forecast that the global economy will shrink by 4.9% and 5.2% in 2020. The World Bank considers that the global economy may slide into its worst recession since World War II, and the pressure of prevention of import of epidemic to China and the global economic risk is still great.

In the second half of 2020, the impact of COVID-19 on China's economic and social development during the post-epidemic period is generally controllable. It will not change the momentum of steady and sound development, the long-term good prospects as well as the high-quality development in the fundamentals of China's economy, and expedite the formation of "a new development pattern where domestic and foreign markets can boost each other, with domestic market as the mainstay". As China's economic growth is recovering to its potential level, and the

[1] Calculated as per the standard set out in Capital Management Measures for Financial Asset Management Companies (Trial) (Yin Jian Fa [2017] No. 56).

macro leverage ratio will gradually return to a reasonable level. It is expected that the prudent monetary policies will be more flexible and moderate to maintain liquidity at a reasonably adequate level, the principle of targeted contribution will be adhered to, thus the accessibility of such policies will be enhanced. The proactive fiscal policies will be more impactful and promising, and the policies already issued will benefit the real economy at a faster pace. By improving the design and adjustment of macro-control cycle, the long-term balance between stabilizing growth and preventing risks will be achieved.

Although the book balance of China's non-performing loans has not increased significantly since the beginning of the year, considering time lag of effect caused by economic downturns and short-term hedging of macro policies, the exposure of risks may be delayed. It is expected that the balance of non-performing loans will continue to increase in the coming period and the supply of distressed assets in the market will continue to remain at a high level. At the same time, some industries and enterprises still face the increasing operating pressure affected by the COVID-19 epidemic. There will be more business opportunities in the fields such as liquidity support, restructuring of problematic enterprises, bailout of listed companies, disposal of defaulted bonds, risk dissolution of small and medium-sized financial institutions and resolution of implicit debts of local government platforms.

China Huarong will closely follow the requirements of "ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations" and "ensuring security in job, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments", and adhere to the underlying principle of making progress while keeping performance stable, thoroughly implement and plan ahead of schedule to comply with the regulatory requirements for the significant increase in distressed assets in the banking industry. The Group will actively grasp the macro-economic "Recovery Period", the "Window Period" of distressed assets and the "Critical Period" of the Company's development, accelerate the transformation of the core business of distressed assets, optimize the business layout, and enhance the resilience of high-quality development. On the one hand, in accordance with the market situation, the Group will boost efforts in acquisition, expand the core business centering on "extensive distressed assets", continue to promote reforms in key areas and critical links, actively and steadily promote market-oriented debt-to-equity swaps, and consolidate core advantages. On the other hand, the Group will innovate business model and deepen the synergy effect, promote the redeployment and disposal of distressed assets, and strive to achieve value enhancement; at the same time, orderly promote downsizing and risk resolution, strengthen management and control of the Group, continue to improve the comprehensive risk management system, enhance countercyclical adjustment tools and rescue financial functions, and continually improve the quality and efficiency of serving the real economy to make due contributions to economic and social development.

5 Changes in Share Capital and Information on Substantial Shareholders

5.1 Changes in Share Capital

There was no change in the class of share capital and total number of Shares of the Company as at June 30, 2020 comparing with the previous period, as detailed below:

Class of Shares	Number of Shares	Approximate percentage to the total issued Share capital
H Shares	25,043,852,918	64.10%
Domestic Shares	14,026,355,544	35.90%
Total	39,070,208,462	100.00%

5.2 Substantial Shareholders

5.2.1 Interests and Short Positions Held by the Substantial Shareholders and Other Parties

As at June 30, 2020, the Company received notices from the following persons about their notifiable interests or short positions held in the Company's Shares and underlying Shares pursuant to Divisions 2 and 3 of Part XV of the SFO, which were recorded in the register pursuant to Section 336 of the SFO as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held or deemed to be held	Approximate percentage to the same class of share capital of the Company (%)[8]	Approximate percentage to the total share capital of the Company (%)[9]
MOF	Domestic Shares[1]	Beneficial Owner	9,901,084,435 (L)	70.59 (L)	25.34 (L)
	H Shares[1]	Beneficial Owner	12,376,355,544 (L)	49.42 (L)	31.68 (L)
	H Shares[2]	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
National Council for Social Security Fund[3]	Domestic Shares	Beneficial Owner	2,475,271,109 (L)	17.65 (L)	6.34 (L)
China Life Insurance (Group) Company	Domestic Shares	Beneficial Owner	1,650,000,000 (L)	11.76 (L)	4.22 (L)
Central Huijin Investment Ltd.[2]	H Shares	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
Warburg Pincus & Co.[4]	H Shares	Interest of controlled corporation	2,060,000,000 (L)	8.23 (L)	5.27 (L)
Warburg Pincus Financial International Ltd[4]	H Shares	Beneficial Owner	2,060,000,000 (L)[5]	8.23 (L)	5.27 (L)
Sino-Ocean Group Holding Limited[6]	H Shares	Interest of controlled corporation	1,771,410,000 (L)	7.07 (L)	4.53 (L)
Ko Kwong Woon Ivan[7]	H Shares	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
Siu Lai Sheung[7]	H Shares	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
Fabulous Treasure Investments Limited[2], [6], [7]	H Shares	Beneficial Owner	1,716,504,000 (L)	6.85 (L)	4.39 (L)

Note: (L) refers to long position

Notes:

(1) The information is based on the Corporate Substantial Shareholder Notices from the MOF filed with the Hong Kong Stock Exchange on December 1, 2015 and January 22, 2020.

(2) According to the Corporate Substantial Shareholder Notices from the MOF and Central Huijin Investment Ltd. filed with the Hong Kong Stock Exchange, respectively, on December 17, 2015, Fabulous Treasure Investments Limited directly holds 1,716,504,000 H Shares of the Company. As Agricultural Bank of China Limited, ABC International Holdings Limited, ABCI Investment Management Limited, Glorious Align Limited, SOL Investment Fund LP and Fabulous Treasure Investments Limited are all corporations directly or indirectly controlled by the MOF and Central Huijin Investment Ltd., for the purpose of the SFO, the MOF, Central Huijin Investment Ltd., Agricultural Bank of China Limited, ABC International Holdings Limited, ABCI Investment Management Limited, Glorious Align Limited and SOL Investment Fund LP are deemed to be interested in the long positions held by Fabulous Treasure Investments Limited.

(3) According to the Corporate Substantial Shareholder Notice from the National Council for Social Security Fund filed with the Hong Kong Stock Exchange on January 7, 2020 and the Corporate Substantial Shareholder Notice from the MOF filed with the Hong Kong Stock Exchange on January 22, 2020, these Shares were transferred to the National Council for Social Security Fund at one time by the MOF.

(4) According to the Corporate Substantial Shareholder Notice from Warburg Pincus & Co., Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and WP XI International II Ltd filed with the Hong Kong Stock Exchange, respectively, on November 30, 2018, Warburg Pincus Financial International Ltd directly holds 2,060,000,000 H Shares of the Company. As WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P., Warburg Pincus International L.P. and Warburg Pincus Financial International Ltd are all corporations directly or indirectly controlled by Warburg Pincus & Co., for the purpose of the SFO, Warburg Pincus & Co., WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P. and Warburg Pincus International L.P. are deemed to be interested in the long positions held by Warburg Pincus Financial International Ltd.

(5) The Shares are under pledge for the purpose of financing from the bank.

(6) According to the Corporate Substantial Shareholder Notice from Sino-Ocean Group Holding Limited filed with the Hong Kong Stock Exchange on September 13, 2016, Fabulous Treasure Investments Limited and Shining Grand Limited directly hold 1,716,504,000 and 54,906,000 H Shares of the Company, respectively. As Shine Wind Development Limited, Faith Ocean International Limited, Sino-Ocean Land (Hong Kong) Limited, Team Sources Holdings Limited, SOL GP Limited, Profit Raise Partner 1 Limited, SOL Investment Fund GP Limited, SOL Investment Fund LP, Fabulous Treasure Investments Limited and Shining Grand Limited are all corporations directly or indirectly controlled by Sino-Ocean Group Holding Limited, for the purpose of the SFO, Sino-Ocean Group Holding Limited, Shine Wind Development Limited, Faith Ocean International Limited, Sino-Ocean Land (Hong Kong) Limited, Team Sources Holdings Limited, SOL GP Limited, Profit Raise Partner 1 Limited, SOL Investment Fund GP Limited and SOL Investment Fund LP are deemed to be interested in the long positions of 1,716,504,000 H Shares of the Company held by Fabulous Treasure Investments Limited, and for the purpose of the SFO, Sino-Ocean Group Holding Limited, Shine Wind Development Limited, Faith Ocean International Limited and Sino-Ocean Land (Hong Kong) Limited are deemed to be interested in the long positions of 54,906,000 H Shares of the Company held by Shining Grand Limited.

(7) According to the Individual Substantial Shareholder Notices from Ko Kwong Woon Ivan and Siu Lai Sheung filed with the Hong Kong Stock Exchange, respectively, on December 16, 2015, Fabulous Treasure Investments Limited directly holds 1,716,504,000 H Shares of the Company. As RECAS Global Limited, SOL Investment Fund GP Limited, SOL Investment Fund LP and Fabulous Treasure Investments Limited are all corporations directly or indirectly controlled by Ko Kwong Woon Ivan and Siu Lai Sheung, for the purpose of the SFO, Ko Kwong Woon Ivan, Siu Lai Sheung, RECAS Global Limited, SOL Investment Fund GP Limited and SOL Investment Fund LP are deemed to be interested in the long positions held by Fabulous Treasure Investments Limited.

(8) Calculated based on 14,026,355,544 Domestic Shares or 25,043,852,918 H Shares in issue of the Company as at June 30, 2020.

(9) Calculated based on a total of 39,070,208,462 Shares in issue of the Company as at June 30, 2020.

5.2.2 Substantial Shareholders

During the Reporting Period, the substantial Shareholders holding more than 5% of class of Shares of the Company remained unchanged as compared with the previous period. Details are as follows:

MOF

As a department under the State Council, MOF is responsible for the administration at a macro level of such matters as fiscal revenue and expenditure and taxation policies of the PRC.

National Council for Social Security Fund

The National Council for Social Security Fund is a unit under the administration of MOF. As an institution of investment operation, it is responsible for managing and operating the social security fund of the nation, holding and managing the transferred state-owned equity of central enterprises as entrusted by the State Council, having entrusted management of the investment and operation of basic pension insurance fund as approved by the State Council, and taking main responsibility for the security, value maintenance and appreciation of the fund.

China Life Insurance (Group) Company

It is a wholly state-owned financial insurance company under the MOF. China Life Insurance (Group) Company and its subsidiaries constitute China's largest commercial insurance group. The business scope of China Life Insurance (Group) Company and its subsidiaries covers life insurance, property insurance, pension insurance (annuity business), asset management, alternative investment, overseas business, e-commerce and other fields.

Warburg Pincus LLC

Warburg Pincus LLC, established in 1966, is a globally leading private equity investment company headquartered in New York. Its scope of investment covers the consumption, industry and services (IBS) segments, energy, financial services, pharmaceuticals and healthcare, technology, media and telecommunication (TMT) and other industries. Warburg Pincus LLC has established business in China since 1994, being one of the first international private equity investment groups operating in China.

Warburg Pincus Financial International Ltd is a wholly-owned subsidiary of Warburg Pincus International L.P. Warburg Pincus LLC is the manager of Warburg Pincus International L.P.

Sino-Ocean Group Holding Limited

Sino-Ocean Group Holding Limited was established in 1993. In pursuit of the strategic vision of being the creator of "building health and creating social value", Sino-Ocean Group is committed to becoming a pragmatic comprehensive corporation focusing on investment and development while exploring related diversified new businesses. Its business scope covers residential and integrated development, property development and operation, business collaboration and customer service. Sino-Ocean Group has built up the reputation of "Sino-Ocean" brand in China based on its constant quality products and professional services.

6 Directors, Supervisors and Senior Management

6.1 Basic Information

6.1.1 Directors

As of the publication date of this Interim Results Announcement, the Board of Directors of the Company comprised Mr. Wang Zhanfeng (chairman) and Ms. Li Xin as executive Directors; Ms. Zhao Jiangping, Mr. Zheng Jiangping and Mr. Zhou Langlang as non-executive Directors; and Mr. Tse Hau Yin, Mr. Liu Junmin, Mr. Shao Jingchun and Mr. Zhu Ning as independent non-executive Directors.

6.1.2 Supervisors

As of the publication date of this Interim Results Announcement, the Board of Supervisors comprised Mr. Hu Jianzhong (chairman) as a Shareholder representative Supervisor; Mr. Cheng Fengchao and Mr. Han Xiangrong as external Supervisors; and Ms. Zheng Shengqin and Ms. Sun Hongbo as employee representative Supervisors.

6.1.3 Senior Management

As of the publication date of this Interim Results Announcement, the senior management of the Company comprised Ms. Li Xin (president), Mr. Pang Xuefeng, Mr. Wang Wenjie, Mr. Xu Yongli, Mr. Chen Yanqing, Ms. Yang Pei and Mr. Gao Gan.

6.2 Changes

6.2.1 Directors

On December 31, 2019, the Board of the Company nominated Ms. Zhao Jiangping to be a non-executive Director of the Company. On March 25, 2020, Ms. Zhao Jiangping was appointed as a non-executive Director of the Company at the first extraordinary general meeting of Shareholders for 2020. On June 22, 2020, Ms. Zhao Jiangping performed her duty after being approved by the CBIRC of her qualification as a non-executive Director. For details, please refer to the announcements of the Company dated December 31, 2019, March 25, 2020 and June 24, 2020.

On March 3, 2020, the MOF, Shareholder of the Company, submitted a provisional proposal to the Board on the election of Mr. Zheng Jiangping as a non-executive Director of the Company for review by the general meeting of Shareholders. On March 25, 2020, Mr. Zheng Jiangping was appointed as a non-executive Director of the Company at the first extraordinary general meeting of Shareholders for 2020. On June 22, 2020, Mr. Zheng Jiangping performed his duty after being approved by the CBIRC of his qualification as a non-executive Director. For details, please refer to the announcements of the Company dated March 3, 2020, March 25, 2020 and June 24, 2020.

On May 9, 2020, the Board of the Company nominated Ms. Chen Yuanling as an independent non-executive Director of the Company. On June 30, 2020, Ms. Chen Yuanling was appointed as an independent non-executive Director of the Company at the 2019 annual general meeting. Her qualification was subject to the approval by the CBIRC. For details, please refer to the announcements of the Company dated May 9, 2020 and June 30, 2020.

After being nominated by the Board of the Company on May 9, 2020 and approved at the 2019 annual general meeting of the Company on June 30, 2020, Mr. Wang Zhanfeng and Ms. Li Xin were reappointed as the executive Directors of the third session of the Board of the Company; Ms. Zhao Jiangping, Mr. Zheng Jiangping and Mr. Zhou Langlang were reappointed as non-executive Directors of the third session of the Board of the Company; and Mr. Tse Hau Yin, Mr. Shao Jingchun, Mr. Zhu Ning and Ms. Chen Yuanling were reappointed/appointed as independent non-executive Directors of the third session of the Board of the Company. For details, please refer to the announcements of the Company dated May 9, 2020 and June 30, 2020.

On June 30, 2020, the Board of the Company nominated Mr. Wang Wenjie to be an executive Director of the Company. His term of office shall become effective from the date upon the consideration and approval by the general meeting of Shareholders of the Company and upon approval by the CBIRC of his directorship qualification (whichever is later), and he shall hold the office until the election of the next session of the Board. For details, please refer to the announcement of the Company dated June 30, 2020.

On August 3, 2020, the Board of the Company nominated Mr. Xu Nuo as a non-executive Director of the Company. His term of office shall become effective from the date upon the consideration and approval by the general meeting of Shareholders of the Company and upon approval by the CBIRC of his directorship qualification (whichever is later) and he shall hold office until the election of the next session of the Board. For details, please refer to the announcement of the Company dated August 3, 2020.

On February 26, 2020, Ms. Wang Cong and Ms. Dai Lijia resigned as non-executive Directors of the Company due to change of work arrangement. For details, please refer to the announcement of the Company dated February 26, 2020.

6.2.2 Supervisors

On December 31, 2019, the Board of Supervisors nominated Mr. Hu Jianzhong as a Shareholder Representative Supervisor. On March 25, 2020, Mr. Hu Jianzhong was appointed as a Shareholder Representative Supervisor of the Company at the first extraordinary general meeting of Shareholders for 2020. On March 25, 2020, the Board of Supervisors elected Mr. Hu Jianzhong as the chairman of the second session of the Board of Supervisors. After being nominated by the Board of Supervisors on May 9, 2020, Mr. Hu Jianzhong was appointed as a Shareholder Representative Supervisor of the third session of the Board of Supervisors upon the approval of the 2019 annual general meeting of the Company on June 30, 2020 and the Board of Supervisors elected Mr. Hu Jianzhong as the chairman of the third session of the Board of Supervisors on June 30, 2020. For details, please refer to the announcements of the Company dated December 31, 2019, March 25, 2020, May 9, 2020 and June 30, 2020.

On May 9, 2020, the Board of Supervisors nominated Mr. Cheng Fengchao and Mr. Han Xiangrong as external Supervisors. On June 30, 2020, Mr. Cheng Fengchao and Mr. Han Xiangrong were appointed as external Supervisors of the third session of the Board of Supervisors at the 2019 annual general meeting. For details, please refer to the announcements of the Company dated May 9, 2020 and June 30, 2020.

On June 18, 2020, Ms. Zheng Shengqin and Ms. Sun Hongbo were elected as employee representative Supervisors of the third session of the Board of Supervisors at the seventh meeting of the third session of the employee representative meeting of the Company, with their terms of office taking effect from June 30, 2020. For details, please refer to the announcements of the Company dated June 18, 2020 and June 30, 2020.

On June 30, 2020, Ms. Dong Juan and Ms. Xu Li ceased to serve as external Supervisors of the Board of Supervisors due to the expirations of their terms of office. For details, please refer to the announcement of the Company dated June 30, 2020.

On June 30, 2020, Mr. Chen Jin ceased to serve as employee representative Supervisor of the Board of Supervisors due to the expiration of his term of office. For details, please refer to the announcement of the Company dated June 30, 2020.

6.2.3 Senior Management

On April 9, 2020, the Board of the Company appointed Mr. Xu Yongli as vice president of the Company. On June 30, 2020, the Board of the Company appointed Mr. Xu Yongli as the secretary to the Board and the joint company secretary, and his term of office of the secretary to the Board shall take effect from the date of approval by the CBIRC until another appointment made by the Board. Mr. Xu Yongli performed the duties of the secretary to the Board from June 30, 2020. For details, please refer to the announcements of the Company dated April 9, 2020 and June 30, 2020.

On June 18, 2020, the CBIRC appointed Mr. Pang Xuefeng as a senior management member of the Company and removed Mr. Wu Jinglong from the position of senior management of the Company.

On January 13, 2020, Mr. Hu Jiliang resigned as the vice president of the Company due to change of work arrangement. For details, please refer to the announcement of the Company dated January 13, 2020.

6.3 Material Changes during the Reporting Period

During the Reporting Period, the information of Directors and Supervisors had the following change, which is set out in accordance with Rule 13.51B(1) of the Listing Rules:

Mr. Cheng Fengchao ceased to be the legal representative of Beijing Mingjia Zhibo Enterprise Management Consulting Co., Ltd. from July 2020.

7 Significant Events

7.1 Corporate Governance

In strict compliance with the Company Law of the PRC, the Securities Law of the PRC, the Listing Rules and other relevant laws, regulations, regulatory documents and the Articles of Association, and in line with its actual conditions, the Company deepened the reform of corporate governance, striving to build a corporate governance mechanism that features respective performance of duties and responsibilities, coordinated operations, and effective checks and balances. Efforts were also made to continuously enhance the effectiveness of corporate governance.

During the Reporting Period, the Company continued improving the system, mechanism and culture of corporate governance, unifying the strengthening of Party leadership with the improvement of corporate governance, and integrating Party leadership into all aspects of corporate governance, strictly implemented the resolutions of the general meeting of Shareholders, actively exerted the strategic leading role of the Board of Directors and the supervisory role of the Board of Supervisors, promoted the legal and compliant operation and sustainable and stable development of the Company, expedited investor relations management, strengthened information disclosure management, continuously improved the information transmission mechanism, and protected Shareholders' right to know, so as to treat its domestic and foreign investors on an equal basis, maintain the market value stable and protect the interests of all Shareholders.

7.2 General Meeting of Shareholders

During the Reporting Period, the Company held 2 general meetings of Shareholders in total, including the first extraordinary general meeting of Shareholders for 2020 and the 2019 annual general meeting of Shareholders to consider and approve 16 resolutions, among others, the Remuneration Package for the Year of 2017 and Settlement Plan for Tenure Incentive Income for 2015–2017 for Directors and Supervisors, the final financial account plan for 2019, the profit distribution plan for 2019, extension of the validity period of tier II capital bonds resolution, the engagement of the accounting firm for 2020, and the election of Directors of the third session of the Board. The meeting reviewed the work report of the independent non-executive Directors for 2019.

The convening and holding of the general meeting of Shareholders of the Company were in strict compliance with applicable laws and regulations and the Listing Rules. The Directors, Supervisors and senior management of the Company attended the relevant meetings. The Company engaged PRC legal counsels to attend the general meeting of Shareholders and provide legal advice. The Company also issued announcements regarding the poll results of the general meeting of Shareholders according to regulatory requirements in a timely manner.

7.3 Board

As at June 30, 2020, the Board of the Company comprised 9 members, including 2 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the Board members.

During the Reporting Period, the Company held 4 Board meetings in total, at which 37 resolutions were considered and passed, including, among others, the annual results announcement for 2019 and the annual report for 2019, the final financial account plan for 2019, the profit distribution plan for 2019, the work report of the Board for 2019 and the fixed assets budget for 2020. In addition, 11 reports were debriefed, including the risk management for 2019, the related party transaction management for 2019 and the anti-money laundering self-inspection work. The Board of Directors of the Company thoroughly implemented major decisions and deployments of the Party and nation, actively adapted to regulatory guidance, adhered to strategic planning as a guide and the underlying principle of making progress while keeping performance stable, made scientific decisions in accordance with laws and regulations, based on the functional positioning of asset management companies, and focused on the steady development of the Company, value creation for Shareholders and other goals, continuously improved the level of corporate governance, focused on the main responsibility and core business, strengthened comprehensive risk management and capital management, enhanced internal control and audit supervision, and effectively improved the ability to prevent financial risks and serve the real economy.

7.4 Board of Supervisors

As at June 30, 2020, the Board of Supervisors comprised 5 members, including 1 Shareholder representative Supervisor, 2 external Supervisors and 2 employee representative Supervisors.

The Board of Supervisors continuously strengthened the supervision of the performance of duties, financial management, internal control and risk management of the Board of Directors, the senior management and their members in accordance with the national laws, regulations, regulatory provisions and the Articles of Association to continuously improve the working methods of the Board of Supervisors, further improved the quality and effectiveness of supervision, and safeguarded the legitimate rights and interests of the Company, Shareholders, employees and other stakeholders in accordance with the law.

During the Reporting Period, the Board of Supervisors of the Company held 5 meetings in total, at which 17 resolutions were considered and passed.

7.5 Senior Management

During the Reporting Period, the senior management of the Company organized and implemented the Company's management and operation within the scope of authorities delegated by the Articles of Association and the Board of Directors. The senior management of the Company firmly seized the market opportunities from supply-side structural reform and economic counter-cyclical adjustments, adhered to the underlying principle of making progress while keeping performance stable, promoted the transformation and development of the core business, improved the business structure, optimized resources and regional layout, and explored innovative business model, promoted the coordinated development of business; actively responded to the impact of the epidemic, effectively played the counter-cyclical financial rescue function of asset management companies, and supported and served the real economy; promoted risk resolution and the downsizing, and sought benefits from existing assets; strengthened corporate governance, enhanced comprehensive risk management, and improved the long-term mechanism of internal control and compliance management, improved the management and control level of the Group; enhanced the corporate transparency and shaped a good corporate image; performed its duties faithfully and diligently, strengthened implementation, and conducted the business in an orderly manner.

During the Reporting Period, the Company held 16 presidential office meetings and 4 special meetings to review and approve 57 resolutions on the Company's important management and operation.

7.6 Corporate Governance Code

During the Reporting Period, the Company had complied with the provisions of the Corporate Governance Code contained in Appendix 14 of the Listing Rules and adopted the applicable best practices according to actual situations.

7.7 Internal Control

7.7.1 Development of Internal Control System

The Group earnestly implemented various regulatory requirements for internal control, continuously improved the internal control organization structure, strengthened system management, strengthened control measures, and continued to optimize the internal control system.

In the first half of 2020, the Company actively promoted the construction of the new Huarong system to complete the establishment, reform, abolition and release of the main systems of the business lines, strengthened the guidance of the system to the business; issued a new version of the System Management Regulation to strengthen the top-level design of the system with the system management system; actively promoted the information construction for system management to provide bottom-level data and system support for the top-level design of system construction of the new Huarong system.

7.7.2 Internal Control Measures for Sanctions Risks

To ensure that the Group abides by its undertakings to the Hong Kong Stock Exchange as disclosed in the Prospectus, and that the Group or Relevant Persons would not be subject to any sanctions risks, the Group has refined the internal control policies and procedures and implemented the following measures:

1. The Group invited international legal consultants to review internal control policies and procedures related to prevention and control of sanctions risks of the Company, and to improve related internal control measures based on the opinions of legal consultants, and issued the Notice on the Prevention and Control of Sanctions Risks of the Company.

2. The Group has established a sanction risk blacklist database and updated the blacklist information daily.

3. The Group has made the Due Diligence Questionnaire for Sanctions and the Due Diligence Questionnaire for Export Controls, which will be used as the basic tools for due diligence of sanctioned risks in units of the Group.

4. The Group has prepared the Commitment Letter of International Sanction Risk Control (reference template) and issued it to all units within the Group as a basic tool for the control of sanctions risks.

5. The Group has engaged an attorney to provide assistance to the Company in evaluating sanctions risks of the Group every six months and carried out the necessary training on sanctions risks for relevant personnel.

7.8 Distribution of Profit and Dividend

On June 30, 2020, the profit distribution plan for 2019 was considered and approved at the 2019 annual general meeting of the Company. As approved at the 2019 annual general meeting, cash dividends of RMB430 million in total based on the net profit for the financial year as of December 31, 2019 (after deducting the appropriations to statutory surplus reserve and general reserve according to the applicable regulations) has been distributed to Shareholders whose names appeared on the Company's register of members on July 12, 2020, representing RMB0.110 for every 10 shares (tax inclusive). The Company does not declare any interim dividend for 2020.

7.9 Use of Proceeds

On October 30, 2015, the Group was listed on the Main Board of the Hong Kong Stock Exchange and the proceeds from the listing amounted to HK$19,696.7 million.

As of June 30, 2020, the Group has used HK$16,223.9 million (equivalent to RMB13,700 million) of the proceeds from the listing, of which RMB9,600 million was used to develop the distressed asset management business of the Group; RMB2,500 million was used to develop the financial services business of the Group; and RMB1,600 million was used to develop the asset management and investment business of the Group. The actual use of proceeds was consistent with the committed use of proceeds set out in the Prospectus. As of June 30, 2020, the balance of proceeds in the domestic fundraising account was HK$2,866 million (interest included), which will be used to increase the capital of the subsidiaries under the financial services division of the Group, in order to develop the financial services business, and the planned use of proceeds was consistent with the committed use of proceeds set out in the Prospectus. The Group will use the unused proceeds based on business development. As of the publication date of this Interim Results Announcement, there was no specific timetable for use of proceeds.

7.10 Future Businesses of DES Companies and Investment Plans Involving DES Companies

Disposal and revitalization of policy-based DES business. The Group focused on key areas of deepened reform of state-owned enterprises, and seized the opportunities of enterprise restructuring and M&A to realize asset liquidity and achieve gains from equity restructuring. In addition, the Group proactively disinvested from highly competitive industries or such equities with limited potential for asset appreciation, and stepped up efforts for disposing and revitalizing of policy-based DES Assets with a view to achieving better economic benefits.

Active development of market-oriented DES business. The Group closely followed the national strategies, strengthened market research and industry analysis, further focused on key industries and fields, optimized industrial layout, and comprehensively adopted various models such as issuing shares for repaying debts and acquiring DES to actively carry out and reserve the market-oriented DES projects, and improved the return on equity investments of the Company while giving play to the rescue financial service function.

7.11 Material Litigation and Arbitration

During the Reporting Period, the Company was not involved in any litigation or arbitration which might have material and adverse effects on its business, financial condition or operating results.

7.12 Major Acquisition and Disposal of Assets and Merger

During the Reporting Period, the Company did not enter into any material acquisition or disposal of assets or mergers of enterprises.

7.13 Implementation of Share Incentive Scheme

During the Reporting Period, the Company did not implement any share incentive scheme.

7.14 Major Connected Transactions

During the Reporting Period, the Company did not have any connected transaction(s) required to be disclosed pursuant to Chapter 14A of the Listing Rules.

7.15 Major Contracts and Their Implementation

7.15.1 Major Custodies, Underwriting and Leasing

During the Reporting Period, the Company did not enter into any major contracts relating to the custody, underwriting and leasing of assets of other companies or the custody, underwriting and leasing of assets of the Company by other companies.

7.15.2 Material Guarantees

During the Reporting Period, the Company did not make any material guarantee which is required to be disclosed.

7.16 Events after the Reporting Period

For details of events after the Reporting Period, please refer to "8. Review Report and Interim Condensed Consolidated Financial Information — V. Events after the Reporting Period".

7.17 Purchase, Sale and Redemption of Listed Securities

During the Reporting Period, none of the Company or its subsidiaries purchased, sold or redeemed any listed securities of the Company.

7.18 Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Relevant Employees which regulates the securities transactions by Directors, Supervisors and relevant employees and is of no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. The Company has made enquiries to all Directors and Supervisors who all confirmed that they had complied with the Model Code and the requirements therein during the Reporting Period.

7.19 Directors', Supervisors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As of June 30, 2020, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares or underlying Shares of the Company or other associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register of interests kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

7.20 Review of the Interim Results Announcement

The interim condensed consolidated financial information for the six months ended June 30, 2020 prepared by the Company according to the IFRSs was reviewed by Ernst & Young.

This results announcement has been reviewed and approved by the Board and the Audit Committee of the Board.

8. Review Report and Interim Condensed Consolidated Financial Information

REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONTENTS PAGE(S)

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD.
(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information of China Huarong Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of interim condensed consolidated financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity.* A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD. — continued

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
31 August 2020

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
Income from distressed debt assets	2	**16,774,284**	15,624,437
Fair value changes on distressed debt assets	3	**4,295,614**	4,851,001
Fair value changes on other financial assets and liabilities	4	**565,783**	9,320,348
Interest income	5	**18,412,153**	19,392,780
Finance lease income		**2,046,452**	3,400,279
Gains/(losses) from derecognition of financial assets measured at amortised cost		**274,179**	(53,839)
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income		**83,756**	(4,293)
Commission and fee income	6	**1,125,655**	1,292,849
Net gains on disposals of subsidiaries, associates and joint ventures		**111,518**	108,986
Dividend income		**603,338**	890,001
Other income and other net gains or losses	7	**1,395,113**	1,987,632
Total		**45,687,845**	56,810,181
Interest expenses	8	**(27,992,335)**	(30,280,248)
Commission and fee expenses		**(1,172,693)**	(913,221)
Operating expenses	9	**(5,611,028)**	(5,845,940)
Impairment losses under expected credit loss model	10	**(6,079,679)**	(12,544,249)
Impairment losses on other assets	11	**(198,867)**	(581,626)
Total		**(41,054,602)**	(50,165,284)
Change in net assets attributable to other holders of consolidated structured entities		**(810,490)**	(666,253)
Share of results of associates and joint ventures		**64,119**	731,775
Profit before tax		**3,886,872**	6,710,419
Income tax expense	12	**(3,094,770)**	(3,898,217)
Profit for the period		**792,102**	2,812,202
Profit attributable to:			
Equity holders of the Company		**209,919**	2,519,188
Holders of perpetual capital instruments		**401,079**	485,314
Non-controlling interests		**181,104**	(192,300)
		792,102	2,812,202
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)			
— Basic	13	**0.01**	0.06

The accompanying notes form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the period	**792,102**	2,812,202
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial (losses)/gains on defined benefit obligations	**(9,792)**	4,466
Fair value losses on investments in equity instruments at fair value through other comprehensive income	**(373,593)**	(193,271)
Income tax effect	**43,745**	747
	(339,640)	(188,058)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(56,538)**	(38,750)
Fair value changes on hedging instruments designated in cash flow hedges	**(389,117)**	(685,604)
Financial assets measured at fair value through other comprehensive income		
— fair value changes	**134,024**	546,080
— reclassification of gains to profit or loss on disposals	**55,940**	4,293
— impairment losses	**340,675**	876,875
Income tax effect	**106,227**	(279,188)
Share of other comprehensive income of associates and joint ventures, net of income tax	**—**	22,986
	191,211	446,692
Other comprehensive income for the period, net of income tax	**(148,429)**	258,634
Total comprehensive income for the period	**643,673**	3,070,836
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**75,195**	2,607,753
Holders of perpetual capital instruments	**401,079**	485,314
Non-controlling interests	**167,399**	(22,231)
	643,673	3,070,836

The accompanying notes form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	**As at 30 June 2020**	As at 31 December 2019
		(Unaudited)	(Audited)
Assets			
Cash and balances with central bank	15	**22,460,994**	30,774,690
Deposits with financial institutions	16	**133,607,847**	149,461,964
Placements with financial institutions		**6,070,747**	2,709,937
Financial assets at fair value through profit or loss	17	**376,215,894**	367,669,904
Financial assets held under resale agreements	18	**18,970,428**	22,525,935
Loans and advances to customers	19	**222,167,473**	211,265,084
Finance lease receivables	20	**54,983,354**	68,040,296
Debt instruments at fair value through other comprehensive income	21	**95,355,951**	103,739,340
Equity instruments at fair value through other comprehensive income	22	**3,385,478**	3,583,661
Inventories	23	**22,237,618**	19,147,381
Debt instruments at amortised cost	24	**692,000,762**	642,085,956
Interests in associates and joint ventures	25	**25,404,844**	28,078,924
Investment properties	26	**5,763,450**	5,910,866
Property and equipment	26	**12,925,644**	12,325,049
Right-of-use assets		**3,187,412**	3,569,619
Deferred tax assets		**10,393,448**	12,193,797
Goodwill		**851,621**	18,063
Other assets	27	**25,531,434**	21,911,940
Total assets		**1,731,514,399**	1,705,012,406
Liabilities			
Borrowings from central bank		**10,232,749**	3,641,673
Deposits from financial institutions	28	**2,086,047**	10,276,669
Placements from financial institutions		**2,713,023**	2,253,597
Financial assets sold under repurchase agreements	29	**20,431,165**	15,665,408
Borrowings	30	**766,080,810**	761,506,427
Financial liabilities at fair value through profit or loss	17	**4,211,403**	3,223,853
Due to customers	31	**262,961,466**	226,814,717
Tax payable	32	**680,049**	2,887,422
Contract liabilities		**734,373**	575,076
Lease liabilities		**1,736,735**	1,983,254
Deferred tax liabilities		**486,870**	478,546
Bonds and notes issued	33	**338,857,947**	367,345,588
Other liabilities	34	**152,274,477**	144,883,694
Total liabilities		**1,563,487,114**	1,541,535,924

The accompanying notes form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

AS AT 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	**As at 30 June 2020**	As at 31 December 2019
		(Unaudited)	(Audited)
Equity			
Share capital	35	**39,070,208**	39,070,208
Capital reserve		**17,961,475**	18,405,019
Surplus reserve		**8,564,210**	8,564,210
General reserve	36	**17,823,796**	16,681,256
Other reserves		**1,921,460**	1,806,931
Retained earnings		**35,128,320**	36,731,157
Equity attributable to equity holders of the Company		**120,469,469**	121,258,781
Perpetual capital instruments		**23,746,126**	18,430,576
Non-controlling interests		**23,811,690**	23,787,125
Total equity		**168,027,285**	163,476,482
Total equity and liabilities		**1,731,514,399**	1,705,012,406

The accompanying notes form an integral part of this interim condensed consolidated financial information.

The interim condensed consolidated financial information is authorized for issue by the Board of Directors and signed on its behalf by:

CHAIRMAN

EXECUTIVE DIRECTOR

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to equity holders of the Company										Perpetual capital instruments	Non-controlling interests	Total
					Other Reserves								
	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Hedging reserve	Others	Retained earnings	Subtotal			
As at 1 January 2020	39,070,208	18,405,019	8,564,210	16,681,256	2,739,804	(485,921)	(426,303)	(20,649)	36,731,157	121,258,781	18,430,576	23,787,125	163,476,482
Profit for the period	—	—	—	—	—	—	—	—	209,919	209,919	401,079	181,104	792,102
Other comprehensive income/(expense) for the period	—	—	—	—	255,792	(34,186)	(346,538)	(9,792)	—	(134,724)	—	(13,705)	(148,429)
Total comprehensive income/(expense) for the period	—	—	—	—	255,792	(34,186)	(346,538)	(9,792)	209,919	75,195	401,079	167,399	643,673
Dividends declared	—	—	—	—	—	—	—	—	(429,773)	(429,773)	—	(932,972)	(1,362,745)
Issuance of perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	5,297,694	—	5,297,694
Distribution relating to perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	(383,223)	—	(383,223)
Appropriation to general reserve	—	—	—	1,142,540	—	—	—	—	(1,142,540)	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	459,391	459,391
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(214,619)	(214,619)
Change in ownership interests in subsidiaries	—	(425,398)	—	—	—	—	—	—	8,810	(416,588)	—	545,366	128,778
Realised loss of equity instruments at fair value through other comprehensive income	—	—	—	—	249,253	—	—	—	(249,253)	—	—	—	—
Others	—	(18,146)	—	—	—	—	—	—	—	(18,146)	—	—	(18,146)
As at 30 June 2020 (unaudited)	39,070,208	17,961,475	8,564,210	17,823,796	3,244,849	(520,107)	(772,841)	(30,441)	35,128,320	120,469,469	23,746,126	23,811,690	168,027,285
As at 31 December 2018 (audited)	39,070,208	19,107,353	6,971,780	15,872,819	1,168,099	(308,590)	207,974	(79,720)	38,630,165	120,640,088	20,258,532	27,706,349	168,604,969
Adjustments	—	—	—	—	—	—	—	—	(15,326)	(15,326)	—	(1,407)	(16,733)
As at 1 January 2019 (restated)	39,070,208	19,107,353	6,971,780	15,872,819	1,168,099	(308,590)	207,974	(79,720)	38,614,839	120,624,762	20,258,532	27,704,942	168,588,236
Profit for the period	—	—	—	—	—	—	—	—	2,519,188	2,519,188	485,314	(192,300)	2,812,202
Other comprehensive income/(expense) for the period	—	—	—	—	768,360	(21,643)	(685,604)	27,452	—	88,565	—	170,069	258,634
Total comprehensive income/(expense) for the period	—	—	—	—	768,360	(21,643)	(685,604)	27,452	2,519,188	2,607,753	485,314	(22,231)	3,070,836
Dividends declared	—	—	—	—	—	—	—	—	(472,750)	(472,750)	—	(233,945)	(706,695)
Redemption of perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	(1,000,000)	—	(1,000,000)
Distribution relating to perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	(415,182)	—	(415,182)
Appropriation to general reserve	—	—	—	752,283	—	—	—	—	(752,283)	—	—	—	—
Change in ownership interests in subsidiaries	—	(110,447)	—	—	—	—	—	—	—	(110,447)	—	(245,000)	(355,447)
Realised loss of equity instruments at fair value through other comprehensive income	—	—	—	—	181,622	—	—	—	(181,622)	—	—	—	—
Others	—	32,617	—	—	—	—	—	—	—	32,617	—	(17,177)	15,440
As at 30 June 2019 (unaudited)	39,070,208	19,029,523	6,971,780	16,625,102	2,118,081	(330,233)	(477,630)	(52,268)	39,727,372	122,681,935	19,328,664	27,186,589	169,197,188

The accompanying notes form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	**52,033,134**	40,268,677
Income tax paid	**(6,281,120)**	(5,648,929)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**45,752,014**	34,619,748
INVESTING ACTIVITIES		
Cash receipts from interest income arising from investment securities	**12,162,553**	20,315,082
Cash receipts from dividend income	**677,507**	1,215,778
Cash receipts from disposals of associates and joint ventures	**3,769,393**	5,098,539
Cash receipts from disposals of property and equipment, and other assets	**368,143**	12,790
Cash receipts/(payments) for placement of pledge deposits in bank	**951,030**	(4,379,243)
Net cash inflow on acquisitions of subsidiaries	**1,293,105**	—
Net cash inflow on disposals of subsidiaries	**639,285**	—
Net (increase)/decrease in investment securities	**(33,132,334)**	6,166,750
Cash payments for investments in associates and joint ventures	**(496,176)**	(492,022)
Cash payments for purchases of property and equipment, investment properties and other assets	**(618,748)**	(2,091,769)
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	**(14,386,242)**	25,845,905

The accompanying notes form an integral part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2020

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June 2020 (Unaudited)	2019 (Unaudited)
FINANCING ACTIVITIES			
Net cash obtained/(used) in consolidated structured entities		**2,081,262**	(12,921,205)
Issurance of perpetual capital instruments		**5,297,694**	—
Redemption of perpetual capital instruments		**—**	(1,000,000)
Proceeds of borrowings relating to non-financial institution subsidiaries		**32,227,779**	77,304,325
Repayment of borrowings relating to non-financial institution subsidiaries		**(51,001,587)**	(87,849,816)
Repayments of leases liabilities		**(480,050)**	(581,918)
Cash receipts from bonds and notes issued		**53,384,885**	72,468,006
Cash payments for transaction costs of bonds and notes issued		**(29,382)**	(55,934)
Cash repayments for bonds and notes redeemed		**(76,959,534)**	(61,342,516)
Interest paid for bonds and notes issued and borrowings relating to non-financial institution subsidiaries		**(14,356,086)**	(10,444,843)
Dividends paid		**(98,169)**	(296,620)
Cash payments for distribution to holders of perpetual capital instruments		**(383,223)**	(415,182)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(50,316,411)**	(25,135,703)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(18,950,639)**	35,329,950
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**159,234,357**	101,319,323
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**29,913**	57,484
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	37	**140,313,631**	136,706,757
NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**25,539,958**	27,653,199
Interest paid		**(21,110,991)**	(16,494,479)
		4,428,967	11,158,720

The accompanying notes form an integral part of this interim condensed consolidated financial information.

(Amounts in thousands of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

China Huarong Asset Management Co., Ltd. (the "Company") was transformed from the former China Huarong Asset Management Corporation (the "Former Huarong") which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on 1 November 1999 as approved by the State Council of the PRC (the "State Council"). On 28 September 2012, the Company was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council. Its registered office is located at No. 8, Finance Street, Xicheng District, Beijing 100033, PRC. The ultimate controlling party of the Company is the MOF.

The Company has financial services certificate No. J0001H111000001 issued by the China Banking and Insurance Regulatory Commission (the "CBIRC"), and business licence NO. 911100007109255774 issued by the State Administration of Industry and Commerce of the PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 30 October 2015. The Company and its subsidiaries are collectively referred to as the "Group".

The principal activities of the Group comprise acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets; debt-to-equity swap assets, manage, invest and dispose of equity investments; investment; securities dealing; financial bonds issuance, inter-bank borrowing and lending, commercial financing for other financial institutions; bankruptcy management; consulting and advisory business on finance, investment, legal and risk management; assets and project evaluation; approved asset securitisation business, financial institutions custody, closing and liquidation of business and other businesses approved by the CBIRC.

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

The interim condensed consolidated financial information of the Group should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019.

2. Changes in accounting policies

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2020 are consistant with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

In the current interim period, the Group has applied the following new standards, amendments and interpretations to IFRSs that are effective for the Group's annual period beginning on 1 January 2020:

Amendments to IFRS 3	Definition of Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IAS 1 and IAS 8	Definition of Material

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — continued

2. Changes in accounting policies — continued

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

IFRS 16 amendment provides for rent relief during COVID-19, which provides an exemption for lessees. For lease payments due before 30 June 2021, lessees are not required to apply the guidance on accounting treatment of lease modification in IFRS 16 for relief granted due to the impact of COVID-19.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material of it could reasonably be expected to influence decisions made by the primary users.

The adoption of the above standards, amendments and interpretations did not have any significant impact on the operating results, financial position and comprehensive income of the Group.

III. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The types of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preparation of the Group's consolidated financial statements for the year ended 31 December 2019.

IV. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group's reportable and operating segments are as follows:

Distressed asset management

The distressed asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including distressed asset management, debt equity swap asset management, distressed asset management business conducted by subsidiaries, distressed asset-based special situations investment and distressed asset-based property development.

Financial services

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as banking, securities and futures, finance lease and consumer finance. These operations are mainly carried out by the subsidiaries of the Company.

Asset management and investment

The asset management and investment segment comprises relevant business operated by the Company and certain of its subsidiaries, mainly including trusts, private equity funds, financial investment, international business and other business.

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the interim condensed consolidated financial information of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China and Hong Kong. There is no significant customer concentration of the Group's business with no customer contributing more than 10% of the Group's revenue.

Segment income, expenses, gains, losses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

1. Segment information — continued

For the six months ended 30 June 2020	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	16,774,284	—	—	—	16,774,284
Fair value changes on distressed debt assets	4,295,614	—	—	—	4,295,614
Fair value changes on other financial assets and liabilities	1,626,718	728,270	(1,789,205)	—	565,783
Interest income	3,893,233	12,304,759	4,209,118	(1,994,957)	18,412,153
Finance lease income	—	2,013,675	32,777	—	2,046,452
Gains/(losses) from derecognition of financial assets measured at amortised cost	267,523	122,917	(116,261)	—	274,179
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income	(13,360)	127,906	(30,790)	—	83,756
Commission and fee income	77,938	773,222	283,569	(9,074)	1,125,655
Net gains on disposals of subsidiaries, associates and joint ventures	113,402	—	(1,884)	—	111,518
Dividend income	322,158	4,950	1,640,673	(1,364,443)	603,338
Other income and other net gains or losses	657,820	522,167	311,387	(96,261)	1,395,113
Total	28,015,330	16,597,866	4,539,384	(3,464,735)	45,687,845
Interest expenses	(15,282,663)	(7,218,398)	(7,269,115)	1,777,841	(27,992,335)
Commission and fee expenses	(52,645)	(1,058,679)	(61,369)	—	(1,172,693)
Operating expenses	(2,242,140)	(2,479,856)	(909,987)	20,955	(5,611,028)
Impairment losses under expected credit loss model	(1,658,786)	(1,469,222)	(2,951,671)	—	(6,079,679)
Impairment losses on other assets	(54)	(4,846)	(193,967)	—	(198,867)
Total	(19,236,288)	(12,231,001)	(11,386,109)	1,798,796	(41,054,602)
Change in net assets attributable to other holders of consolidated structured entities	(1,270,938)	(717,447)	1,177,895	—	(810,490)
Share of results of associates and joint ventures	84,864	—	42,248	(62,993)	64,119
Profit before tax	7,592,968	3,649,418	(5,626,582)	(1,728,932)	3,886,872
Income tax expense					(3,094,770)
Profit for the period					792,102

1. Segment information — continued

	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
As at 30 June 2020					
Segment assets	**841,316,101**	**600,223,518**	**405,241,793**	**(125,660,461)**	**1,721,120,951**
Including: Interests in associates and joint ventures	**3,667,745**	**—**	**21,737,099**	**—**	**25,404,844**
Deferred tax assets					**10,393,448**
Total assets					**1,731,514,399**
Segment liabilities	**725,754,655**	**543,528,295**	**399,575,587**	**(106,538,342)**	**1,562,320,195**
Deferred tax liabilities					**486,870**
Tax payable					**680,049**
Total liabilities					**1,563,487,114**

IV. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

1. Segment information — continued

For the six months ended 30 June 2019	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	15,624,437	—	—	—	15,624,437
Fair value changes on distressed debt assets	4,851,001	—	—	—	4,851,001
Fair value changes on other financial assets and liabilities	7,641,428	1,115,789	577,063	(13,932)	9,320,348
Interest income	4,419,960	11,507,412	5,602,581	(2,137,173)	19,392,780
Finance lease income	—	3,358,882	41,397	—	3,400,279
Gains/(losses) from derecognition of financial assets measured at amortised cost	6,197	342	(60,378)	—	(53,839)
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income	(1,865)	(4,406)	1,978	—	(4,293)
Commission and fee income	342,033	635,545	356,776	(41,505)	1,292,849
Net gains on disposals of subsidiaries, associates and joint ventures	33,789	250	74,947	—	108,986
Dividend income	803,938	31,102	271,104	(216,143)	890,001
Other income and other net gains or losses	822,627	485,452	832,787	(153,234)	1,987,632
Total	34,543,545	17,130,368	7,698,255	(2,561,987)	56,810,181
Interest expenses	(18,239,164)	(7,321,965)	(6,816,852)	2,097,733	(30,280,248)
Commission and fee expenses	(121,171)	(787,053)	(70,164)	65,167	(913,221)
Operating expenses	(2,589,415)	(2,191,449)	(1,194,559)	129,483	(5,845,940)
Impairment losses under expected credit loss model	(3,357,753)	(4,346,639)	(4,839,857)	—	(12,544,249)
Impairment losses on other assets	(84,824)	(31,534)	(465,268)	—	(581,626)
Total	(24,392,327)	(14,678,640)	(13,386,700)	2,292,383	(50,165,284)
Change in net assets attributable to other holders of consolidated structured entities	(1,483,151)	519,282	297,616	—	(666,253)
Share of results of associates and joint ventures	529,065	(149)	202,859	—	731,775
Profit before tax	9,197,132	2,970,861	(5,187,970)	(269,604)	6,710,419
Income tax expense					(3,898,217)
Profit for the period					2,812,202
As at 31 December 2019					
Segment assets	852,849,750	573,775,805	347,989,092	(81,796,038)	1,692,818,609
Including: Interests in associates and joint ventures	6,397,421	—	21,681,503	—	28,078,924
Deferred tax assets					12,193,797
Total assets					1,705,012,406
Segment liabilities	746,955,403	522,828,557	342,632,616	(74,246,620)	1,538,169,956
Deferred tax liabilities					478,546
Tax payable					2,887,422
Total liabilities					1,541,535,924

2. Income from distressed debt assets

The amount represents interest income arising from distressed debt assets classified as debt instruments at fair value through other comprehensive income ("FVTOCI") and debt instruments at amortised cost, which include loans acquired from financial institutions and other debt assets acquired from non-financial institutions (see notes IV.21 and IV.24).

3. Fair value changes on distressed debt assets

The amount represents fair value changes on distressed debt assets mandatorily measured at fair value through profit or loss ("FVTPL") during the period (see note IV.17).

The fair value changes comprise both realised gains or losses from disposal of distressed debt assets measured at FVTPL and unrealised fair value changes on such assets. Any interest income arising from such assets is also included in fair value changes.

4. Fair value changes on other financial assets and liabilities

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Listed and unlisted shares and funds	**1,484,159**	4,544,457
Debt instruments	**1,063,490**	1,557,371
Derivatives and structured products	**(131,261)**	1,026,324
Other investments and financial liabilities	**(1,850,605)**	2,192,196
Total	**565,783**	9,320,348

The fair value changes comprise both realised gains or losses from disposal/settlement of other financial assets/liabilities measured at FVTPL and unrealised fair value changes on such assets/liabilities. Any interest income arising from such assets is also included in fair value changes.

5. Interest income

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Debt instruments at amortised cost other than distressed debt assets	**6,972,149**	8,868,215
Debt instruments at FVTOCI other than distressed debt assets	**873,497**	1,355,727
Loans and advances to customers		
— Corporate loans and advances	**4,260,129**	4,202,698
— Personal loans and advances	**2,978,600**	2,513,381
— Loans to margin clients	**186,197**	413,618
Receivables arising from sales and leaseback arrangements	**1,430,824**	197,740
Deposits with financial institutions	**1,198,724**	885,295
Financial assets held under resale agreements	**294,673**	614,334
Balances with central bank	**181,065**	209,280
Placements with financial institutions	**36,295**	132,492
Total	**18,412,153**	19,392,780

6. Commission and fee income

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	**416,303**	434,292
Banking and consumer finance business	**364,419**	214,109
Trust business	**231,351**	209,041
Asset management business	**102,758**	410,904
Fund management business	**10,824**	24,503
Total	**1,125,655**	1,292,849

Relationship between disaggregation of revenue and revenue information disclosed in segment:

The Group provides asset management services (excluding trust and fund management) in "Distressed asset management" and "Asset management and investment" segments. The revenue from trust is recorded in "Asset management and investment" segment. For securities and futures, bank and consumer finance and fund management, they are recorded in "Financial services" segment as disclosed in note IV.1.

7. Other income and other net gains or losses

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Rental income	**524,402**	534,936
Net gains on exchange differences	**262,311**	67,193
Revenue from properties development[(i)]	**194,212**	552,896
Government grants	**24,347**	30,952
Revenue from construction services	**—**	300,783
Others	**389,841**	500,872
Total	**1,395,113**	1,987,632

(i) Revenue from property development is recorded in “Distressed asset management” segment as disclosed in note IV.1.

8. Interest expenses

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Borrowings	**(17,385,005)**	(19,650,033)
Bonds and notes issued	**(7,149,224)**	(7,619,798)
Due to customers	**(2,824,805)**	(2,245,790)
Financial assets sold under repurchase agreements	**(263,413)**	(374,411)
Deposits from financial institutions	**(163,833)**	(221,392)
Borrowings from central bank	**(66,846)**	(28,402)
Lease liabilities	**(34,855)**	(36,162)
Placements from financial institutions	**(6,913)**	(11,916)
Other liabilities	**(97,441)**	(92,344)
Total	**(27,992,335)**	(30,280,248)

9. Operating expenses

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Employee benefits	**(2,381,489)**	(2,354,039)
Turnover tax and surcharges	**(319,512)**	(396,935)
Others	**(2,910,027)**	(3,094,966)
Including:		
Depreciation of property and equipment	**(463,241)**	(406,899)
Depreciation of right-of-use assets	**(363,953)**	(303,283)
Amortisation	**(153,105)**	(136,388)
Cost of properties development	**(109,850)**	(285,948)
Depreciation of investment properties	**(105,288)**	(148,347)
Management fee for leases	**(94,731)**	(68,853)
Rental for short-term leases	**(94,291)**	(120,575)
Total	**(5,611,028)**	(5,845,940)

10. Impairment losses under expected credit loss model

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Debt instruments at amortised cost (Note IV.24)	**(3,385,199)**	(8,134,852)
Loans and advances to customers (Note IV.19)	**(1,789,426)**	(2,518,168)
Debt instruments at FVTOCI (Note IV.21)	**(573,469)**	(870,797)
Financial lease receivables (Note IV.20)	**(247,032)**	(242,747)
Financial assets held under resale agreements (Note IV.18)	**233,751**	(668,200)
Other financial assets	**(318,304)**	(109,485)
Total	**(6,079,679)**	(12,544,249)

IV. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

11. Impairment losses on other assets

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interests in associates and joint ventures	**(189,318)**	(552,794)
Others	**(9,549)**	(28,832)
Total	**(198,867)**	(581,626)

12. Income tax expense

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	**(1,274,467)**	(3,153,631)
Hong Kong profits tax	**(57,270)**	507
Deferred income tax	**(1,763,033)**	(745,093)
Total	**(3,094,770)**	(3,898,217)

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended 30 June 2019: 25%).

The preferential income tax rate applicable to PRC enterprises within the scope of the western development area was 15% for the period (for the six months ended 30 June 2019:15%).

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the interim condensed consolidated financial information.

IV. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

13. Earnings per share

The calculation of basic earnings per share attributable to equity holders of the Company is as follows:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to equity holders of the Company	**209,919**	2,519,188
Number of shares:		
Weighted average number of shares in issue (in thousand)	**39,070,208**	39,070,208
Basic earnings per share (RMB Yuan)	**0.01**	0.06

No diluted earnings per share has been presented for the six months ended 30 June 2020 and 30 June 2019 as the Group had no potential ordinary shares in issue during the periods.

14. Dividends

On 30 June 2020, the Company declared a cash dividend in respect of the year ended 31 December 2019 of RMB0.11 Yuan per 10 shares (tax inclusive), in an aggregate amount of RMB430 million. The Company does not declare any interim dividend for the period ended 30 June 2020 (for the six months ended 30 June 2019: Nil).

15. Cash and balances with central bank

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Cash	**547,656**	447,889
Mandatory reserve deposits with central bank[(i)]	**18,151,231**	21,501,726
Surplus reserve deposits with central bank[(ii)]	**3,636,653**	8,646,863
Other deposits with central bank	**125,454**	178,212
Total	**22,460,994**	30,774,690

The balance of the Group mainly arises from its banking business.

(i) Mandatory reserve deposits are placed with the People's Bank of China (the "PBOC"). They include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

As at 30 June 2020, the RMB and foreign currency mandatory reserve deposits placed with the PBOC were mainly based on 7% (31 December 2019: 9.5%) and 5% (31 December 2019: 5%) of eligible RMB and foreign currency deposits of Huarong Xiangjiang Bank Corporation Limited ("Huarong Xiangjiang Bank"), a subsidiary of the Company. The foreign currency reserve deposits placed with the PBOC are non-interest-bearing.

(ii) The surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.

16. Deposits with financial institutions

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Banks[(i)]	**127,038,205**	146,668,486
Clearing settlement funds[(i)(ii)]	**5,235,843**	2,187,231
Other financial institutions	**1,333,799**	606,247
Total	**133,607,847**	149,461,964

(i) The Group maintains bank accounts to hold customers' deposits arising from its brokerage business. As at 30 June 2020, the bank balances and clearing settlement funds held on behalf of customers by the Group amounted to RMB8,321 million (31 December 2019: RMB5,181 million). The Group has recognised the corresponding amount in accounts payable to other liabilities (see note IV.34).

(ii) The Group's clearing settlement funds were mainly deposited in the China Securities Depository and Clearing Corporation Limited.

17. Financial assets and financial liabilities at FVTPL

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Distressed debt assets	**184,959,229**	173,071,741
Funds	**44,065,852**	48,251,590
Trust products	**16,073,815**	27,920,759
Equity instruments		
— Listed	**32,836,137**	26,892,473
— Unlisted	**28,104,141**	33,552,989
Debt securities		
— Corporate bonds	**13,544,049**	8,114,738
— Financial institution bonds	**1,031,812**	586,935
— Government bonds	**821,678**	1,760,109
— Public sector and quasi-government bonds	**487,121**	1,966,136
Wealth management products(i)	**15,045,591**	14,690,357
Convertible bonds	**8,811,376**	9,686,578
Asset management plans	**16,925,951**	6,790,890
Derivatives and structured products(ii)	**5,838,166**	8,466,928
Other debt assets	**2,872,573**	3,149,511
Negotiable certificates of deposit	**4,156,243**	2,131,873
Entrusted loans	**635,283**	597,056
Asset-backed securities	**6,877**	39,241
Total	**376,215,894**	367,669,904

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Financial liabilities mandatorily measured at FVTPL		
Derivatives financial instruments(iii)	**1,204,023**	219,378
Financial liabilities designated as at FVTPL		
Interest of other holders of consolidated structured entities(iv)	**3,007,380**	3,004,475
Total	**4,211,403**	3,223,853

17. Financial assets and financial liabilities at FVTPL — continued

(i) This mainly represents wealth management products issued by banking institutions outside the Group.

(ii) The Group entered into a series of structured transactions that were managed on the fair value basis. Such structured products were accounted for as financial assets mandatorily measured at FVTPL for the six months ended 30 June 2020 and for the year ended 31 December 2019 according to their investment management strategy or the contractual cash flows were not solely payments of principal and interest.

As at 30 June 2020, included in structured products were credit linked notes of RMB838 million (31 December 2019: RMB2,274 million). Credit linked notes are debt instruments, but their returns can be adversely impacted by credit-related performance of reference assets.

The Group entered into a number of total return swap arrangements under which the Group pays counterparties interest at a reference interest rate and receives from counterparties the total returns of reference assets. The Group therefore is exposed to default risks of the reference assets. As at 30 June 2020, the fair value and nominal value of these total return swaps amounted to RMB1,593 million (31 December 2019: RMB739 million) and RMB2,789 million (31 December 2019: RMB1,653 million), respectively.

(iii) The Group entered into a series of interest rate swap and cross-currency swap contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency denominated bonds and notes issued. The terms of the derivative contracts have been negotiated to match the terms of the respective designated hedged items and therefore the hedge is considered highly effective. As at 30 June 2020, the fair value of these hedging instruments amounted to RMB1,198 million (31 December 2019: RMB219 million and the instruments were included in derivatives and structured products classified as financial assets at FVTPL).

(iv) In respect of these liabilities designated at FVTPL, the Group is required at maturities to pay amounts according to other investors' share in the underlying assets of the special structure entities consolidated. The amount ultimately paid by the Group depends on the fair values of these assets at maturities and may be different from the carrying amounts as at 30 June 2020.

18. Financial assets held under resale agreements

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
By collateral type:		
Securities	**20,035,027**	23,654,458
Bills	**298,240**	290,357
Others	**29,003**	209,510
Subtotal	**20,362,270**	24,154,325
Less: Allowance for ECL		
— 12-month ECL	**—**	(3,500)
— Lifetime ECL	**(1,391,842)**	(1,624,890)
Subtotal	**(1,391,842)**	(1,628,390)
Net financial assets held under resale agreements	**18,970,428**	22,525,935

The majority of these financial assets held under resale agreements arises from the Group's securities business, assets management business and banking business.

19. Loans and advances to customers

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	**126,064,914**	116,712,715
Personal loans and advances		
— Personal consumption loans	**38,579,016**	31,028,230
— Mortgages	**28,238,957**	24,430,038
— Loans for business operations	**19,020,361**	18,504,210
— Others	**2,402,525**	2,546,254
Subtotal	**88,240,859**	76,508,732
Loans to margin clients	**4,222,178**	6,142,737
Gross loans and advances to customers measured at amortised cost	**218,527,951**	199,364,184
Less: Allowance for ECL		
— 12-month ECL	**(2,008,883)**	(1,941,342)
— Lifetime ECL	**(4,838,019)**	(4,912,474)
Subtotal	**(6,846,902)**	(6,853,816)
Net loans and advances to customers measured at amortised cost	**211,681,049**	192,510,368
Loans and advances to customers measured at FVTOCI		
— Discounted bills	**10,486,424**	18,754,716
Net loans and advances to customers	**222,167,473**	211,265,084

The movements of expected credit loss on loans and advances during the current period and the prior year are detailed in note IV.41. (2).

20. Finance lease receivables

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	**26,022,298**	22,314,907
1 to 5 years (inclusive)	**35,368,608**	50,773,889
Over 5 years	**3,585,568**	6,810,243
Gross amount of finance lease receivables	**64,976,474**	79,899,039
Less: Unearned finance income	**(7,227,153)**	(9,051,818)
Net amount of finance lease receivables	**57,749,321**	70,847,221
Less: Allowance for ECL		
— 12-month ECL	**(446,301)**	(490,499)
— Lifetime ECL	**(2,319,666)**	(2,316,426)
Carrying amount of finance lease receivables	**54,983,354**	68,040,296
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	**23,092,609**	19,791,894
1 to 5 years (inclusive)	**31,470,819**	45,020,790
Over 5 years	**3,185,893**	6,034,537
Total	**57,749,321**	70,847,221

The movements of expected credit loss on finance lease receivables during the current period and the prior year are detailed in note IV.41. (2).

21. Debt instruments at FVTOCI

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Distressed debt assets	**52,401,392**	64,573,237
Debt securities		
— Corporate bonds	**24,072,763**	20,923,922
— Government bonds	**3,235,084**	455,034
— Financial institution bonds	**2,305,483**	890,329
— Public sector and quasi-government bonds	**763,487**	5,047,069
Entrusted loans(i)	**4,254,170**	4,283,029
Asset management plans	**4,014,244**	3,874,250
Debt instruments	**2,184,059**	1,878,915
Trust products	**1,756,826**	1,258,522
Asset-backed securities	**368,443**	555,033
Total	**95,355,951**	103,739,340

(i) These are the entrusted loans granted through commercial banks outside the Group.

The movements of expected credit loss on debt instruments at FVTOCI during the current period and the prior year are detailed in note IV.41.(2).

22. Equity instruments at FVTOCI

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Listed investments	**824,303**	222,083
Unlisted investments	**2,561,175**	3,361,578
Total	**3,385,478**	3,583,661

(i) The above listed and unlisted equity investments represent equity instruments listed in PRC or Hong Kong and equity interests in private entities established in PRC or incorporated in Hong Kong. These investments are not held for trading.

(ii) The Group received dividends of RMB83 million from equity instruments at FVTOCI during the current period (for the six months ended 30 June 2019: RMB7 million).

23. Inventories

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Property development costs	**19,829,048**	16,393,413
Properties held for sale	**1,650,728**	2,144,584
Land development costs	**757,842**	609,384
Total	**22,237,618**	19,147,381

24. Debt instruments at amortised cost

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Distressed debt assets		
Loans acquired from financial institutions	**27,170,535**	27,334,528
Other debt assets acquired from non-financial institutions	**312,637,191**	293,838,586
Subtotal	**339,807,726**	321,173,114
Less: Allowance for ECL		
— 12-month ECL	**(1,019,497)**	(1,394,118)
— Lifetime ECL	**(19,662,121)**	(19,644,006)
Subtotal	**(20,681,618)**	(21,038,124)
Carrying amount of distressed debt assets	**319,126,108**	300,134,990
Other debt assets		
Trust products	**98,984,644**	102,574,799
Debt securities	**93,305,834**	83,037,861
Debt instruments	**92,213,514**	73,719,964
Entrusted loans[(i)]	**68,479,367**	73,898,769
Receivables arising from sales and leaseback arrangements	**52,566,650**	41,567,595
Asset management plans	**10,212,174**	9,199,223
Others	**—**	854,069
Subtotal	**415,762,183**	384,852,280

24. Debt instruments at amortised cost — continued

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Less: Allowance for ECL		
— 12-month ECL	**(3,512,551)**	(4,307,803)
— Lifetime ECL	**(39,374,978)**	(38,593,511)
Subtotal	**(42,887,529)**	(42,901,314)
Carrying amount of other debt assets	**372,874,654**	341,950,966
Total	**692,000,762**	642,085,956

(i) These are the entrusted loans granted through commercial banks outside the Group.

The movements of expected credit loss on debt instruments at amortised cost during current period and the prior year are detailed in note IV.41.(2).

25. Interests in associates and joint ventures

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Interests in associates		
Cost of investments in associates	**17,601,553**	17,702,795
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**1,211,831**	(388,675)
Less: Allowance for impairment losses	**(2,220,993)**	(2,034,673)
Subtotal	**16,592,391**	15,279,447
Interests in joint ventures		
Cost of investments in joint ventures	**11,057,266**	13,713,749
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**(1,561,766)**	(238,308)
Less: Allowance for impairment losses	**(683,047)**	(675,964)
Subtotal	**8,812,453**	12,799,477
Total	**25,404,844**	28,078,924
Fair value of listed companies	**461,921**	626,600

25. Interests in associates and joint ventures — continued

During the six months ended 30 June 2020, the Group acquired interests in 5 (for the six months ended 30 June 2019: 8) associates and joint ventures with an aggregate initial cost of RMB548 million (for the six months ended 30 June 2019: RMB492 million).

During the six months ended 30 June 2020, the Group disposed of interests in 9 (for the six months ended 30 June 2019: 27) associates and joint ventures with an aggregate carrying value of RMB3,658 million (for the six months ended 30 June 2019: RMB4,989 million) at dates of disposal and recognised a net gain of RMB116 million (for the six months ended 30 June 2019: RMB110 million).

26. Movement of investment properties, property and equipment

For the six months ended 30 June 2020, the Group acquired and disposed of property and equipment with aggregate amounts of RMB1,056 million at cost and RMB266 million at net book value, respectively (for the six months ended 30 June 2019: RMB1,959 million at cost and RMB27 million at net book value, respectively).

For the six months ended 30 June 2020, the Group transferred a balance of RMB51 million (for the six months ended 30 June 2019: RMB84 million) from inventories to investment properties.

27. Other assets

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Other receivables	**15,300,827**	14,390,976
Foreclosed assets	**3,173,704**	3,094,869
Payments in advance	**1,239,015**	1,496,703
Deductible value-added tax	**459,292**	519,529
Prepaid expenses	**391,666**	480,653
Clearing and settlement receivables	**178,405**	356,805
Dividends receivable	**157,542**	20,143
Others	**4,630,983**	1,552,262
Total	**25,531,434**	21,911,940

28. Deposits from financial institutions

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Banks	**829,364**	633,138
Other financial institutions	**1,256,683**	9,643,531
Total	**2,086,047**	10,276,669

29. Financial assets sold under repurchase agreements

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Securities	**19,930,685**	15,665,408
Bills	**500,480**	—
Total	**20,431,165**	15,665,408

30. Borrowings

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Unsecured loans	**715,948,684**	692,926,260
Guaranteed loans	**23,311,088**	36,980,694
Pledged loans	**17,614,676**	23,906,939
Loans secured by properties	**9,206,362**	7,692,534
Total	**766,080,810**	761,506,427

30. Borrowings — continued

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Carrying amount repayable[(i)]:		
Within one year	**440,025,704**	441,294,808
More than one year, but not exceeding two years	**133,105,003**	171,399,986
More than two years, but not exceeding five years	**155,994,942**	100,607,108
More than five years	**14,126,166**	27,438,328
Subtotal	**743,251,815**	740,740,230
Carrying amount of borrowings that contain a repayment on demand clause repayable[(i)]:		
Within one year	**15,569,450**	16,599,534
More than one year, but not exceeding two years	**4,404,775**	1,589,857
More than two years, but not exceeding five years	**2,854,770**	2,576,806
Subtotal	**22,828,995**	20,766,197
Total	**766,080,810**	761,506,427

(i) The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 30 June 2020, the Group failed to comply with certain financial conditions stipulated in certain lending and borrowing agreements, and the relevant amount of these borrowings was RMB871 million (31 December 2019: RMB5,669 million). Up to the date of the issuance of this interim condensed consolidated financial information, the Group has repaid an aggregate amount of RMB374 million (31 December 2019: RMB1,468 million) and for the remaining balances, the Group is in active dialogue with the relevant banks. These banks still provide normal banking facilities to the Group and have not yet requested early repayments of borrowings.

31. Due to customers

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Demand deposits		
Corporate customers	**80,806,677**	66,837,524
Individual customers	**22,398,636**	19,233,296
Time deposits		
Corporate customers	**77,521,054**	70,490,136
Individual customers	**59,489,858**	50,515,767
Pledged deposits	**7,330,845**	7,803,263
Others	**15,414,396**	11,934,731
Total	**262,961,466**	226,814,717

32. Tax payable

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Enterprise income tax	**470,070**	2,307,578
Hong Kong profits tax	**209,979**	579,844
Total	**680,049**	2,887,422

33. Bonds and notes issued

During the current interim period, the Group issued new bonds and notes amounting to RMB53,385 million (for the six months ended 30 June 2019: RMB72,468 million) and repaid bonds and notes amounting to RMB76,960 million (for the six months ended 30 June 2019: RMB61,343 million). The bonds and notes carry interest at fixed or variable market rates ranging from 1.47% to 6.60% per annum (31 December 2019:1.63% to 6.70% per annum) and are repayable in instalments over periods from 14 days to 30 years (31 December 2019:14 days to 30 years).

34. Other liabilities

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Payables to interest holders of consolidated structured entities	**75,135,559**	72,983,379
Other payables	**25,003,124**	23,962,556
Guarantee deposits received from customers	**18,496,173**	15,467,628
Amounts received in advance[(i)]	**7,647,054**	7,607,708
Account payable to brokerage clients	**6,045,877**	4,726,446
Dividends payable	**5,562,496**	4,436,341
Letter of credit	**5,131,631**	4,697,511
Employee benefits payable	**3,804,116**	4,067,872
Amounts due to China Trust Protection Fund	**1,700,000**	2,600,000
Sundry taxes payable	**1,449,568**	1,603,573
Account payable to financial institutions	**448,947**	868,652
Bills payable[(ii)]	**327,890**	276,357
Provisions	**150,577**	260,289
Others	**1,371,465**	1,325,382
Total	**152,274,477**	144,883,694

(i) Amounts received in advance mainly included deposits received in respect of advances payment relating to Company's sales of distressed assets.

(ii) These bank acceptance bills are payable to the suppliers by Huarong Financial Leasing for equipment purchased for its finance lease business.

35. Share capital

	For the six months ended 30 June 2020	For the year ended 31 December 2019
	(Unaudited)	(Audited)
Authorised, issued and fully paid at beginning and end of the period/year	**39,070,208**	39,070,208

	As at 30 June 2020 and 31 December 2019	
	Number of shares (thousands)	**Nominal value**
Registered, issued and fully paid:		
— Domestic shares	**14,026,355**	**14,026,355**
— H shares	**25,043,853**	**25,043,853**
Total	**39,070,208**	**39,070,208**

36. General reserve

Starting from 1 July 2012, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No.20) issued by the MOF, a financial enterprise is required to maintain a general reserve within equity, through the appropriation of profit determined under the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP"), at no less than 1.5% of its risk assets at the end of the reporting period. A financial enterprise is allowed to comply with this requirement over a period of 5 years, if it is not probable to achieve the 1.5% requirement immediately.

Pursuant to this regulatory requirement in the PRC, some domestic subsidiaries of the Company are required to transfer certain amount of net profit to general reserve. The appropriation of the general reserve is accounted for as distribution of retained earnings.

For the six months ended 30 June 2020, as approved at the general meetings of the Company and its subsidiaries, the Group transferred a total of RMB1,143 million (for the six months ended 30 June 2019: RMB752 million) to general reserve pursuant to the regulatory requirements in the PRC.

37. Cash and cash equivalents

Cash and cash equivalents with original maturity of less than 3 months comprise the following balances:

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Cash on hand	**547,656**	447,889
Balances with central bank	**3,637,932**	8,646,863
Deposits with financial institutions	**124,713,596**	134,690,769
Placements with financial institutions	**1,262,588**	2,709,546
Financial assets held under resale agreements	**10,151,859**	12,739,290
Total	**140,313,631**	159,234,357

38. Contingent liabilities

Legal proceedings

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2020, total claim amount of pending litigations was RMB2,033 million (31 December 2019: RMB1,944 million) for the Group. No provision for estimated liabilities was made by the Group based on court judgments and lawyer's opinions (31 December 2019: RMB110 million). The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

39. Commitments

(1) Credit enhancement

As at 30 June 2020, the Group did not provide credit enhancement for counterparties. (31 December 2019: RMB9 million).

39. Commitments — continued

(2) Credit commitments

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Bank bill acceptance	**18,161,006**	12,911,537
Undrawn credit card commitments	**7,652,436**	7,386,924
Loan commitments	**4,252,094**	4,875,867
Letters of credit issued	**1,996,285**	1,499,646
Letters of guarantee issued	**417,917**	440,625
Total	**32,479,738**	27,114,599

These credit commitments all arise from the banking business of the Group.

Impairment allowance of RMB150 million (31 December 2019: RMB150 million) was made for credit commitments as at 30 June 2020.

(3) Other commitments

	As at 30 June 2020 (Unaudited)	As at 31 December 2019 (Audited)
Contracted but not provided for		
— commitments for the acquisition of intangible assets, property and equipment	**181,470**	224,198

40. Related party transactions

(1) The MOF

As at 30 June 2020, the MOF directly owned 57.02% (31 December 2019: 57.02%) of share capital of the Company including domestic shares and H shares.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled by the MOF are mainly financial institutions.

40. Related party transactions — continued

(1) The MOF — continued

The Group has the following balances and entered into the following transactions with the MOF. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

The Group had the following balances with the MOF:

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Financial assets at amortised cost	**10,359,050**	8,498,545
Financial assets at fair value through profit or loss	**823,305**	1,760,108
Debt instruments at fair value through other comprehensive income	**751,431**	431,369
Other assets	**151,044**	—
Other liabilities — Dividends payable	**4,453,013**	4,180,733
Other liabilities — Other payables	**1,376,292**	12,347

The Group had the following transactions with the MOF:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest income and fair value changes on other financial assets and liabilities	**199,668**	158,367

(2) Government related entities

Other than those disclosed above, the Group also entered into transactions with government related entities. These transactions are entered into under normal commercial terms and conditions. None of them was individually significant.

Management of the Group considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

40. Related party transactions — continued

(3) Associates and joint ventures

The Group has the following balances and entered into the following transactions with associates and joint ventures. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

The Group had the following balances with associates and joint ventures:

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Financial assets at amortised cost	**1,298,573**	3,374,531
Financial assets at fair value through profit or loss	**132,283**	32,053
Other assets	**1,143,834**	816,191
Other liabilities	**80,530**	6,693

The Group had the following transactions with associates and joint ventures:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Interest income	**40,062**	118,538
Commission and fee income	**6,284**	2,725
Other income and other net profit or loss	**1,492**	—
Operating expenses	**251**	535

Trust asset management:

As at 30 June 2020, associates and joint ventures held a trust product of RMB12 million issued by the Group (31 December 2019: RMB13 million).

40. Related party transactions — continued

(4) Annuity scheme

The Company and certain other entities within the Group have the following transactions with the annuity schemes set up within the Group:

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Contributions to annuity schemes	**22,303**	37,497

(5) Key management personnel

Key management personnel are those people having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Emoluments of key management personnel		
— Fees	**620**	620
— Salaries and other benefits	**1,764**	2,474
— Employer's contribution to pension scheme	**156**	178
— Discretionary and performance related incentive payments	**1,130**	2,055
Total (before tax)	**3,670**	5,327

The total compensation packages of the above key management personnel for the six months ended 30 June 2020 and 2019 have not yet been finalised in accordance with regulations of the relevant authorities in the PRC.

41. Credit risk

The Group's credit risk management and its approach to impairment assessment and risk mitigating measures are the same as those set out in the Group's consolidated financial statements for the year ended 31 December 2019.

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at 30 June 2020 and comprehensively considered the impacts of current economic condition to expected credit losses, including:

- The operation and financial condition of the borrowers and the extent of impact of the COVID-19 pandemic. The Group has made deferred repayment arrangement for the borrowers affected by COVID-19 but the deferred repayment arrangement will not be used as a judgment basis for automatically triggering a significant increase in the borrowers' credit risk;

- Performing forward-looking forecasts to key macroeconomic indicators with the combination of the impact of factors such as the COVID-19 pandemic on economic development trends.

As at 30 June 2020, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for macroeconomic development of the management.

41. Credit risk — continued

(1) Risk concentration of distressed debt assets at amortised cost and at FVTOCI, loans and advances to customers and finance lease receivables

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Distressed debt assets at amortised cost	**339,807,726**	321,173,114
Distressed debt assets at FVTOCI	**52,401,392**	64,573,237
Loans and advances to customers	**229,014,375**	218,118,900
Finance lease receivables	**57,749,321**	70,847,221
Subtotal	**678,972,814**	674,712,472
Allowance for ECL		
Distressed debt assets at amortised cost	**(20,681,618)**	(21,038,124)
Loans and advances to customers measured at amortised cost	**(6,846,902)**	(6,853,816)
Finance lease receivables	**(2,765,967)**	(2,806,925)
Subtotal	**(30,294,487)**	(30,698,865)
Net carrying amount		
Distressed debt assets at amortised cost	**319,126,108**	300,134,990
Distressed debt assets at FVTOCI	**52,401,392**	64,573,237
Loans and advances to customers	**222,167,473**	211,265,084
Finance lease receivables	**54,983,354**	68,040,296
Total	**648,678,327**	644,013,607

As at 30 June 2020, the loss allowance of distressed debt assets at FVTOCI and the loans and advances to customers at FVTOCI were RMB4,507 million and RMB11 million, respectively (31 December 2019: RMB4,367 million and RMB11 million, respectively).

41. Credit risk — continued

(1) Risk concentration of distressed debt assets at amortised cost and at FVTOCI, loans and advances to customers and finance lease receivables — continued

Analysed by geographical area

	As at 30 June 2020		As at 31 December 2019	
	Gross amount	**%**	Gross amount	%
Central Region	**322,033,678**	**47.4**	306,013,677	45.3
Western Region	**126,397,424**	**18.6**	126,933,036	18.8
Yangtze River Delta	**84,614,442**	**12.5**	92,935,682	13.8
Bohai Rim	**65,385,164**	**9.6**	65,123,968	9.7
Pearl River Delta	**58,071,262**	**8.6**	58,861,601	8.7
Northeastern Region	**18,656,922**	**2.7**	18,219,762	2.7
Overseas	**3,813,922**	**0.6**	6,624,746	1.0
Total	**678,972,814**	**100.0**	674,712,472	100.0

Notes:

Central Region:	Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, Hainan.
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, Inner Mongolia, Tibet.
Yangtze River Delta:	Including Shanghai, Jiangsu, Zhejiang.
Pearl River Delta:	Including Guangdong, Fujian.
Bohai Rim:	Including Beijing, Tianjin, Hebei, Shandong.
Northeastern Region:	Including Liaoning, Jilin and Heilongjiang.
Overseas:	Including all regions outside Mainland China.

41. Credit risk — continued

(1) Risk concentration of distressed debt assets at amortised cost and at FVTOCI, loans and advances to customers and finance lease receivables — continued

Analysed by industry

	As at 30 June 2020		As at 31 December 2019	
	Gross amount	**%**	Gross amount	%
Corporate business				
Real estate	**218,562,327**	**32.1**	215,020,924	31.9
Water, environment and public utilities management	**81,165,036**	**12.0**	81,057,010	12.0
Manufacturing	**67,332,478**	**9.9**	65,852,493	9.8
Construction	**49,327,396**	**7.3**	49,650,909	7.4
Leasing and commercial services	**41,229,961**	**6.1**	43,980,139	6.5
Transportation, logistics and postal services	**15,359,318**	**2.3**	14,987,807	2.2
Mining	**6,297,377**	**0.9**	6,551,527	1.0
Others	**107,235,884**	**15.8**	114,960,194	17.0
Subtotal	**586,509,777**	**86.4**	592,061,003	87.8
Personal business				
Personal consumption loans	**38,579,016**	**5.6**	31,028,230	4.6
Mortgages	**28,238,957**	**4.2**	24,430,038	3.6
Loans for business operations	**19,020,361**	**2.8**	18,504,210	2.7
Others	**2,402,525**	**0.4**	2,546,254	0.4
Subtotal	**88,240,859**	**13.0**	76,508,732	11.3
Loans to margin clients	**4,222,178**	**0.6**	6,142,737	0.9
Total	**678,972,814**	**100.0**	674,712,472	100.0

41. Credit risk — continued

(2) Credit quality

(i) Loss allowance

The table below summarises the loss allowance as of the period/year end by class of assets.

	As at 30 June 2020	As at 31 December 2019
	(Unaudited)	(Audited)
Financial assets held under resale agreements	**1,391,842**	1,628,390
Loans and advances to customers	**6,857,679**	6,864,593
Finance lease receivables	**2,765,967**	2,806,925
Debt instruments at FVTOCI	**5,051,983**	4,761,201
Debt instruments at amortised cost	**63,569,147**	63,939,438
Credit enhancement and commitments	**150,340**	150,340
	79,786,958	80,150,887

41. Credit risk — continued

(2) Credit quality — continued

(ii) Movements of loss allowance

The tables below analyse the movements of the loss allowance during the year/period per class of assets.

Loans and advances to customers

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	1,968,557	818,263	2,340,347	5,127,167
Changes in the loss allowance				
— Transfer to Stage 1	40,774	(40,200)	(574)	—
— Transfer to Stage 2	(9,269)	23,953	(14,684)	—
— Transfer to Stage 3	(16,834)	(202,352)	219,186	—
— Charge for the year	973,956	717,110	4,611,173	6,302,239
— Reversal for the year	(1,005,065)	(443,445)	(454,691)	(1,903,201)
— Write-offs	—	—	(3,062,918)	(3,062,918)
— Others	—	—	401,306	401,306
As at 31 December 2019	1,952,119	873,329	4,039,145	6,864,593
Changes in the loss allowance				
— Transfer to Stage 1	**64,480**	**(64,353)**	**(127)**	**—**
— Transfer to Stage 2	**(41,344)**	**71,203**	**(29,859)**	**—**
— Transfer to Stage 3	**(8,940)**	**(165,721)**	**174,661**	**—**
— Charge for the period	**506,924**	**1,087,095**	**1,215,381**	**2,809,400**
— Reversal for the period	**(453,477)**	**(346,891)**	**(219,606)**	**(1,019,974)**
— Write-offs	**—**	**—**	**(1,525,345)**	**(1,525,345)**
— Others	**(102)**	**(432)**	**(270,461)**	**(270,995)**
As at 30 June 2020	**2,019,660**	**1,454,230**	**3,383,789**	**6,857,679**

41. Credit risk — continued

(2) Credit quality — continued

(ii) Movements of loss allowance — continued

Finance lease receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	484,815	608,900	1,358,403	2,452,118
Changes in the loss allowance				
— Transfer to Stage 1	74,765	(74,765)	—	—
— Transfer to Stage 2	(16,419)	16,419	—	—
— Transfer to Stage 3	(28,264)	(253,320)	281,584	—
— Charge for the year	32,724	261,743	434,314	728,781
— Reversal for the year	(57,408)	(70,092)	(99,432)	(226,932)
— Write-offs	—	—	(148,010)	(148,010)
— Others	286	78	604	968
As at 31 December 2019	490,499	488,963	1,827,463	2,806,925
Changes in the loss allowance				
— Transfer to Stage 1	**520**	**(520)**	**—**	**—**
— Transfer to Stage 2	**(21,903)**	**21,903**	**—**	**—**
— Transfer to Stage 3	**(400)**	**(25,220)**	**25,620**	**—**
— Charge for the period	**29,239**	**278,342**	**179,802**	**487,383**
— Reversal for the period	**(134,786)**	**(63,945)**	**(41,620)**	**(240,351)**
— Write-offs	**—**	**—**	**(291,829)**	**(291,829)**
— Others	**83,132**	**(16,964)**	**(62,329)**	**3,839**
As at 30 June 2020	**446,301**	**682,559**	**1,637,107**	**2,765,967**

41. Credit risk — continued

(2) Credit quality — continued

(ii) Movements of loss allowance — continued

Debt instruments at FVTOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	839,374	602,661	1,817,397	3,259,432
Changes in the loss allowance				
— Transfer to Stage 1	28,428	(28,428)	—	—
— Transfer to Stage 2	(144,729)	455,646	(310,917)	—
— Transfer to Stage 3	(54,488)	(87,224)	141,712	—
— Charge for the year	129,213	620,644	2,346,085	3,095,942
— Reversal for the year	(614,096)	(336,800)	(396,544)	(1,347,440)
— Others	98,238	—	(344,971)	(246,733)
As at 31 December 2019	281,940	1,226,499	3,252,762	4,761,201
Changes in the loss allowance				
— Transfer to Stage 1	**660**	**(660)**	**—**	**—**
— Transfer to Stage 2	**(94,744)**	**94,744**	**—**	**—**
— Transfer to Stage 3	**(155)**	**(224,593)**	**224,748**	**—**
— Charge for the period	**90,359**	**456,133**	**383,131**	**929,623**
— Reversal for the period	**(55,887)**	**(264,359)**	**(35,908)**	**(356,154)**
— Write offs	**—**	**—**	**(740)**	**(740)**
— Others	**(56,004)**	**(60,653)**	**(165,290)**	**(281,947)**
As at 30 June 2020	**166,169**	**1,227,111**	**3,658,703**	**5,051,983**

41. Credit risk — continued

(2) Credit quality — continued

(ii) Movements of loss allowance — continued

Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2019	6,718,586	10,869,591	33,341,287	50,929,464
Changes in the loss allowance				
— Transfer to Stage 1	281,491	(281,491)	—	—
— Transfer to Stage 2	(645,070)	1,300,708	(655,638)	—
— Transfer to Stage 3	(825,824)	(5,718,956)	6,544,780	—
— Charge for the year	3,349,424	3,646,006	21,071,366	28,066,796
— Reversal for the year	(2,947,387)	(2,551,793)	(5,528,744)	(11,027,924)
— Write-offs	—	—	(689,737)	(689,737)
— Others	(229,299)	(178,426)	(2,931,436)	(3,339,161)
As at 31 December 2019	5,701,921	7,085,639	51,151,878	63,939,438
Changes in the loss allowance				
— Transfer to Stage 1	**182,116**	**(166,830)**	**(15,286)**	**—**
— Transfer to Stage 2	**(821,839)**	**1,513,033**	**(691,194)**	**—**
— Transfer to Stage 3	**(259,872)**	**(1,633,641)**	**1,893,513**	**—**
— Charge for the period	**911,130**	**606,352**	**5,207,590**	**6,725,072**
— Reversal for the period	**(503,504)**	**(793,591)**	**(2,042,778)**	**(3,339,873)**
— Others	**(677,904)**	**(1,500,266)**	**(1,577,320)**	**(3,755,490)**
As at 30 June 2020	**4,532,048**	**5,110,696**	**53,926,403**	**63,569,147**

The most significant movements of loss allowance during the year/period in respect of loan and advances to customers, finance lease receivables, debt instruments at FVTOCI and debt instruments at amortised cost arose from transition of financial assets to Stage 2 or Stage 3 as a result of deterioration of credit quality of these financial assets.

42. Risk management of distressed assets

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

The Group's distressed assets risk arises from distressed debts which the Group initially classifies as financial assets at FVTPL, debt instruments at amortised cost, debt instruments at FVTOCI, and equity instruments at FVTOCI.

The type of risk, the risk management of distressed debt assets and assets obtained through debt-to-equity swap, as well as fair value measurement techniques and impairment assessment are the same as those described in the Group's consolidated financial statements for the year ended 31 December 2019.

43. Fair value of financial instruments

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following tables provide a summary of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels:

	As at 30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	**27,318,186**	**44,475,858**	**304,421,850**	**376,215,894**
Debt instruments at FVTOCI	**12,142,333**	**18,509,901**	**64,703,717**	**95,355,951**
Equity instruments at FVTOCI	**824,303**	**1,861,898**	**699,277**	**3,385,478**
Loans and advances to customers at FVTOCI	**—**	**10,486,424**	**—**	**10,486,424**
Total assets	**40,284,822**	**75,334,081**	**369,824,844**	**485,443,747**

	As at 30 June 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL	**—**	**(4,211,403)**	**—**	**(4,211,403)**

43. Fair value of financial instruments — continued

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	24,490,519	35,913,529	307,265,856	367,669,904
Debt instruments at FVTOCI	8,988,847	19,533,274	75,217,219	103,739,340
Equity instruments at FVTOCI	222,083	—	3,361,578	3,583,661
Loans and advances to customers at FVTOCI	—	18,754,716	—	18,754,716
Total assets	33,701,449	74,201,519	385,844,653	493,747,621

	As at 31 December 2019			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	—	(3,223,853)	—	(3,223,853)

There were no significant transfers between Level 1 and Level 2 within the Group for the six months ended 30 June 2020 and for the year ended 31 December 2019.

43. Fair value of financial instruments — continued

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

The following table gives information about the fair value of the financial assets and financial liabilities and their fair value hierarchy.

Financial assets	Fair value as at 30 June 2020 (Unaudited)	Fair value as at 31 December 2019 (Audited)	Fair value hierarchy
1) Financial assets at FVTPL			
Distressed debt assets	**184,959,229**	173,071,741	Level 3
Funds			
— Listed	**1,364,935**	919,210	Level 1
— Investing in the underlying assets with open or active quotations	**6,960,117**	5,887,732	Level 2
— Investing in the underlying assets without open or active quotations	**35,740,800**	41,444,648	Level 3
Trust products			
— Investing in the underlying assets with open or active quotations	**1,737,273**	1,211,018	Level 2
— Investing in the underlying assets without open or active quotations	**14,336,542**	26,709,741	Level 3
Equity instruments			
— Listed Shares			
— Unrestricted Shares	**25,266,008**	22,349,988	Level 1
— Restricted Shares	**7,570,129**	4,542,485	Level 3
— Unlisted Shares	**28,104,141**	33,552,989	Level 3
Debt securities			
— Traded in stock exchanges (other)	**360,269**	1,066,498	Level 1
— Traded in stock exchanges (private equity bonds)	**—**	127,549	Level 3
— Traded in inter-bank markets	**14,860,853**	9,936,821	Level 2
— Traded over the counter	**663,538**	1,297,050	Level 3
Wealth management products	**15,045,591**	14,690,357	Level 2
Convertible bonds			
— Listed	**326,974**	154,823	Level 1
— Unlisted	**8,484,402**	9,531,755	Level 3

IV. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

43. Fair value of financial instruments — continued

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Financial assets	Fair value as at 30 June 2020 (Unaudited)	Fair value as at 31 December 2019 (Audited)	Fair value hierarchy
Asset management plans			
— Investing in the underlying assets with open or active quotations	**1,715,781**	2,055,728	Level 2
— Investing in the underlying assets without open or active quotations	**15,210,170**	4,735,162	Level 3
Derivatives and structured products	**5,838,166**	8,466,928	Level 3
Other debt assets	**2,872,573**	3,149,511	Level 3
Negotiable certificates of deposit	**4,156,243**	2,131,873	Level 2
Entrusted loans	**635,283**	597,056	Level 3
Asset-backed securities	**6,877**	39,241	Level 3
Subtotal	**376,215,894**	367,669,904	
2) Debt instruments at FVTOCI			
Distressed debt assets	**52,401,392**	64,573,237	Level 3
Debt securities			
— Traded in stock exchanges	**12,142,333**	8,904,230	Level 1
— Traded in inter-bank markets	**18,141,458**	18,294,291	Level 2
— Traded over the counter	**93,026**	117,833	Level 3
Entrusted loans	**4,254,170**	4,283,029	Level 3
Asset management plans			
— Investing in the underlying assets with open or active quotations	**—**	768,567	Level 2
— Investing in the underlying assets without open or active quotations	**4,014,244**	3,105,683	Level 3
Trust products	**1,756,826**	1,258,522	Level 3
Debt instruments	**2,184,059**	1,878,915	Level 3
Asset-backed securities			
— Traded in active market	**—**	84,617	Level 1
— Investing in the underlying assets with open or active quotations	**368,443**	470,416	Level 2
Subtotal	**95,355,951**	103,739,340	

43. Fair value of financial instruments — continued

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

	Fair value as at		
Financial assets	**30 June 2020**	31 December 2019	Fair value hierarchy
	(Unaudited)	(Audited)	
3) Equity instruments at FVTOCI			
— Listed shares	**824,303**	222,083	Level 1
— Unlisted shares			
— Unlisted equity instruments with active quotation	**1,861,898**	—	Level 2
— Unlisted equity instruments without active quotation	**699,277**	3,361,578	Level 3
Subtotal	**3,385,478**	3,583,661	
4) Loans and advances to customers at FVTOCI			
Discounted bills	**10,486,424**	18,754,716	Level 2
Total	**485,443,747**	493,747,621	
Financial liabilities			
Financial liabilities mandatorily measured as at FVTPL			
— Derivatives financial instruments	**(1,204,023)**	(219,378)	Level 2
Financial liabilities designated as at FVTPL			
— Interests of other holders in consolidated structured entities	**(3,007,380)**	(3,004,475)	Level 2
Total	**(4,211,403)**	(3,223,853)	

43. Fair value of financial instruments — continued

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Valuation methods for financial instruments

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

For Level 2 financial instruments, valuations are generally calculated based on discounted cash flow methods or quoted prices of actively traded underlying assets. For discounted cash flow methods, the most significant inputs are yield curves published by China Central Depository & Clearing Co., Ltd., interest rates publicly available from Shanghai Commercial Paper Exchange, announced expected returns of similar wealth management products sponsored by the same banks,or forward interest rate or exchange rate. Actively traded underlying assets are primarily listed shares or quoted debt instruments. When some of these securities are denominated in currencies other than Renminbi, they are converted at appropriate exchange rates prevailing on the balance sheet dates.

For Level 3 financial instruments, the management of the Group obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including income approach, market approach and asset-based approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. The unobservable inputs which may have impact on the valuation including weighted average cost of capital, liquidity discount, price to book ratio, discount rate, etc.

43. Fair value of financial instruments — continued

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

The following table summaries the major valuation information for Level 3 financial instruments:

Business	Valuation technique	Significant unobservable input(s)	The effect of unobservable inputs on fair value
Distressed debt assets	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Unlisted equity instruments	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier, discount for lack of marketability (DLOM)	• The higher market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.
	• Asset-Based approach	• Adjusted net assets, discount for lack of marketability (DLOM)	• The higher the adjusted net assets, the higher the fair value. The lower the DLOM, the higher the fair value.
Listed equity instruments (restricted)	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.

43. Fair value of financial instruments — continued

43.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Business	Valuation technique	Significant unobservable input(s)	The effect of unobservable inputs on fair value
Debt securities	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Funds; Trust products; Wealth management products; Derivatives and Structured products, etc	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier, discount for lack of marketability (DLOM)	• The higher market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.
	• Asset-Based approach	• Adjusted net assets, discount for lack of marketability (DLOM)	• The higher the adjusted net assets, the higher the fair value. The lower the DLOM, the higher the fair value.

43. Fair value of financial instruments — continued

43.2 Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL	Debt instruments at FVTOCI	Equity instruments at FVTOCI	Financial liabilities at FVTPL
As at 1 January 2020	**307,265,856**	**75,217,219**	**3,361,578**	**—**
Recognised in profit or loss	**8,195,720**	**(934,926)**	**—**	**—**
Recognised in other comprehensive income	**—**	**1,263,373**	**118,817**	**—**
Additions	**29,702,607**	**3,843,309**	**249,134**	**—**
Settlements/disposals	**(29,323,904)**	**(14,685,258)**	**(278,783)**	**—**
Transferred-out from Level 3	**(11,418,429)**	**—**	**(2,751,469)**	**—**
As at 30 June 2020	**304,421,850**	**64,703,717**	**699,277**	**—**
Changes in unrealised gains/(losses) for the period included in profit or loss for assets and liabilities held at the end of the period	**8,736,992**	**(700,473)**	**—**	**—**

43. Fair value of financial instruments — continued

43.2 Reconciliation of Level 3 fair value measurements — continued

	Financial assets at FVTPL	Debt instruments at FVTOCI	Equity instruments at FVTOCI	Financial liabilities at FVTPL
As at 1 January 2019	333,745,861	113,507,743	3,212,538	(578,088)
Recognised in profit or loss	3,888,219	1,880,165	—	(82,994)
Recognised in other comprehensive income	—	(2,149,954)	458,972	—
Additions	80,619,641	14,045,759	282,670	—
Settlements/disposals	(110,987,865)	(52,066,494)	(592,602)	661,082
As at 31 December 2019	307,265,856	75,217,219	3,361,578	—
Changes in unrealised losses for the year included in profit or loss for assets and liabilities held at the end of the year	(1,296,858)	(2,163,540)	—	—

For the six months ended 30 June 2020 and for the year ended 31 December 2019, certain shares were transferred out from Level 3 fair value measurement as they became listed or unrestricted during the period/year.

43. Fair value of financial instruments — continued

43.3 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The tables below summarise the carrying amounts and fair values of those financial assets and financial liabilities that are not measured in the interim condensed consolidated statement of financial position at fair value on a recurring basis. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as cash and balances with central bank, deposits with financial institutions, placements with financial institutions, financial assets held under resale agreements, finance lease receivables, borrowings from central bank, deposits from financial institutions, placements from financial institutions, financial assets sold under repurchase agreements, due to customers are not included in the tables below.

	As at 30 June 2020		As at 31 December 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Debt instruments at amortised cost	**692,000,762**	**709,202,210**	642,085,956	662,428,417
Loans and advances to customers	**211,681,049**	**214,720,367**	192,510,368	195,269,628
Total	**903,681,811**	**923,922,577**	834,596,324	857,698,045
Financial liabilities				
Borrowings	**(766,080,810)**	**(766,192,342)**	(761,506,427)	(764,114,028)
Bonds and notes issued	**(338,857,947)**	**(341,536,851)**	(367,345,588)	(367,360,870)
Total	**(1,104,938,757)**	**(1,107,729,193)**	(1,128,852,015)	(1,131,474,898)

43. Fair value of financial instruments — continued

43.3 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis — continued

	As at 30 June, 2020	As at 31 December, 2019	Fair value hierarchy	Valuation technique
	(Unaudited)	(Audited)		
Financial assets				
Debt instruments at amortised cost	**6,833,461**	20,684,625	Level 1	Quoted ask prices in an active market
Debt instruments at amortised cost	**100,545,256**	82,274,686	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Debt instruments at amortised cost	**601,823,493**	559,469,106	Level 3	Discounted cash flows
Loans and advances to customers	**214,720,367**	195,269,628	Level 3	Discounted cash flows
Total	**923,922,577**	857,698,045		
Financial liabilities				
Borrowings	**(766,192,342)**	(764,114,028)	Level 3	Discounted cash flows
Bonds and notes issued	**(22,605,810)**	(35,498,623)	Level 1	Quoted ask prices in an active market
Bonds and notes issued	**(198,752,877)**	(309,504,770)	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Bonds and notes issued	**(120,178,164)**	(22,357,477)	Level 3	Discounted cash flows
Total	**(1,107,729,193)**	(1,131,474,898)		

IV. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

44. Acquisition of a subsidiary

The Group acquired 59.26% shares in Huarong Rongda Futures Co., Ltd. (the "Huarong Rongda Futures") through debt-to-equity business. On 30 April 2020. according to the resolutions of the Shareholders' meeting of Huarong Rongda Futures, the Company effectively control over the board of directors, thereby effectively obtained the control of Huarong Rongda Futures. Huarong Rongda Futures, which was previously known as CEFC Futures Co., Ltd, was established in Zhengzhou City, Henan Province, PRC and its principal activity is futures business.

44. Acquisition of a subsidiary — continued

The fair value and carrying amount of identifiable assets and liabilities of Huarong Rongda Futures as at the date of acquisition:

	As at 30 April 2020 Fair Value	As at 30 April 2020 Carrying Amount
Deposits with financial institutions	**2,390,576**	**2,390,576**
Financial assets at fair value through profit or loss	**119,704**	**119,704**
Interests in associates and joint ventures	**52,293**	**52,293**
Investment properties	**52,233**	**52,233**
Property and equipment	**38,184**	**14,982**
Right-of-use assets	**9,201**	**9,201**
Other assets	**399,674**	**400,647**
Financial liabilities at fair value through profit or loss	**(586)**	**(586)**
Lease liabilities	**(8,509)**	**(8,509)**
Deferred tax liabilities	**(15,518)**	**(9,960)**
Other liabilities	**(1,909,745)**	**(1,909,745)**
Total	**1,127,507**	**1,110,836**
Non-controlling interests	**—**	
Identifiable fair value share of net assets	**668,116**	
Goodwill arising on acquisition	**833,558**	
Consideration transferred[(i)]	**1,501,674**	

(i) The balance is the fair value of equity investment in Huarong Rongda Futures held by the Group as at 30 April 2020.

44. Acquisition of a subsidiary — continued

The financial performance and cash flows of Huarong Rongda Futures from the date of acquisition to 30 June 2020 are as follows:

	For the period from 30 April to 30 June 2020
	(Unaudited)
Total income	155,718
Profit for the period	(9,534)
Net cash flows for the period	(234,621)

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Huarong Rongda Futures is as follows:

	As at 30 April 2020
	(Unaudited)
Cash and cash equivalents held by Huarong Rongda Futures as at the acquisition date	1,293,105
Less: Cash consideration paid	—
Net cash inflow on the acquisition	1,293,105

V. EVENTS AFTER THE REPORTING PERIOD

Huarong Financial Leasing, a subsidiary of the Company, issued US dollar corporate notes of USD300 million on 23 July 2020. These bonds carry interests of 2.50% per annum, paid semi-annually and will mature in 2021.

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors of the Company on 31 August 2020.