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中國華融資產管理股份有限公司

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

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

**(Stock Code: 2799)**

## **2023 Interim Results Announcement**

The board of directors (the “**Board**”) of China Huarong Asset Management Co., Ltd. (the “**Company**”) announces the unaudited results of the Company and its subsidiaries for the six months ended June 30, 2023. 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 2023 interim report of the Company will be 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](http://www.hkexnews.hk)) and the Company ([www.chamc.com.cn](http://www.chamc.com.cn)) in September 2023.

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# 1 Definitions

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

AMC(s)	the five 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., China Cinda Asset Management Co., Ltd. and China Galaxy 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)
CITIC Group	CITIC Group Corporation
Company	China Huarong Asset Management Co., Ltd.
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 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 debt held by the AMCs were swapped for equity
Director(s)	director(s) of the Company
Domestic Share(s)	ordinary share(s) 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 share(s) 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 Main Board of the Hong Kong Stock Exchange
HK\$ or Hong Kong dollars	the lawful currency of Hong Kong (China)
Hong Kong (China) or HK (China)	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huarong Financial Leasing	China Huarong Financial Leasing Co., Ltd.
Huarong International	China Huarong International Holdings Limited
Huarong Industrial	Huarong Industrial Investment & Management Co., Ltd.
Huarong Rongde	Huarong Rongde Asset Management Co., Ltd.
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)
Macau (China)	the Macau Special Administrative Region of the PRC
MOF	the Ministry of Finance of the PRC ( 中華人民共和國財政部 )
NAFR	National Administration of Financial Regulation ( 國家金融監督管理總局 )
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, 2023

RMB or 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 share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H 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
USD	the lawful currency of the United States

## 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	Liu Zhengjun
Authorized representatives	Liu Zhengjun, Ngai Wai Fung
Secretary to the Board	Xu Yongli
Company secretary	Ngai Wai Fung
Registered address	No. 8 Financial Street, Xicheng District, Beijing, China
Postal code of place of registration	100033
Website	<a href="http://www.chamc.com.cn">www.chamc.com.cn</a>
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, China
Website of Hong Kong Stock Exchange for publishing the H Shares interim report	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Place for maintaining interim reports available for inspection	Board office of the Company
Stock exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited
Stock name	China Huarong
Stock Code	2799
H Share registrar and office address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China
Registration number of financial license	J0001H111000001

Social Credit Code	911100007109255774
Legal advisor as to PRC law and office address	Haiwen & Partners 20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing, China
Legal advisor as to Hong Kong (China) law and office address	Clifford Chance 27th Floor, Jardine House, One Connaught Place, Hong Kong, China
International accounting firm and office address	Ernst & Young 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong, China
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.

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
	<i>(in millions of RMB)</i>	
<b>Continuing operations</b>		
Income from distressed debt assets	<b>9,298.1</b>	10,869.4
Fair value changes on distressed debt assets	<b>(776.4)</b>	2,877.5
Fair value changes on other financial assets and liabilities	<b>(2,246.5)</b>	(8,819.7)
Interest income	<b>6,124.6</b>	5,580.7
Finance lease income	<b>450.1</b>	638.1
Gains from derecognition of financial assets measured at amortised cost	<b>50.0</b>	209.7
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income (“FVTOCI”)	<b>15.0</b>	(25.7)
Commission and fee income	<b>83.7</b>	161.0
Net (losses)/gains on disposals of subsidiaries, associates and joint ventures	<b>(9.4)</b>	676.0
Dividend income	<b>229.7</b>	425.3
Other income and other net gains or losses	<b>22,429.9</b>	2,149.5
<b>Total income</b>	<b>35,648.8</b>	14,741.8
Interest expense	<b>(16,897.9)</b>	(19,178.6)
Commission and fee expense	<b>(107.4)</b>	(130.1)
Operating expenses	<b>(2,280.3)</b>	(2,642.3)
Impairment losses under expected credit loss (“ECL”) model	<b>(20,408.5)</b>	(16,900.4)
Impairment losses on other assets	<b>(740.1)</b>	(463.9)
<b>Total expenses</b>	<b>(40,434.2)</b>	(39,315.3)
Change in net assets attributable to other holders of consolidated structured entities	<b>134.4</b>	312.4
Share of results of associates and joint ventures	<b>(69.2)</b>	229.9
<b>Loss before tax from continuing operations</b>	<b>(4,720.2)</b>	(24,031.2)
Income tax (expense)/credit	<b>(1,268.1)</b>	2,662.2
<b>Loss for the period from continuing operations</b>	<b>(5,988.3)</b>	(21,369.0)
<b>Discontinued operations</b>		
Profit after tax for the period from discontinued operations	<b>—</b>	2,759.7
<b>Loss for the period</b>	<b>(5,988.3)</b>	(18,609.3)
Loss attributable to:		
Equity holders of the Company	<b>(4,915.7)</b>	(18,866.4)
Holders of perpetual capital instruments	<b>37.2</b>	418.9
Non-controlling interests	<b>(1,109.8)</b>	(161.8)



	As at <b>June 30, 2023</b> <b>(Unaudited)</b> <i>(in millions of RMB)</i>	As at December 31, 2022 (Audited)
<b>Assets</b>		
Cash and balances with central bank	113.7	23.2
Deposits with financial institutions	84,352.5	97,578.2
Placements with financial institutions	—	1,300.2
Financial assets at fair value through profit or loss (“FVTPL”)	301,520.0	309,455.9
Financial assets held under resale agreements	274.5	706.7
Contract assets	5,562.8	5,530.1
Finance lease receivables	11,591.7	14,528.3
Debt instruments at FVTOCI	23,053.8	25,318.4
Equity instruments at FVTOCI	2,043.1	2,038.6
Inventories	23,864.1	23,051.9
Debt instruments at amortised cost	392,856.5	415,352.7
Interests in associates and joint ventures	41,257.7	9,572.8
Investment properties	7,175.8	7,158.6
Property and equipment	5,975.8	7,164.9
Right-of-use assets	995.3	1,098.7
Deferred tax assets	15,385.4	15,860.4
Goodwill	18.2	18.2
Other assets	18,927.3	19,568.2
<b>Total assets</b>	<b>934,968.2</b>	<b>955,326.0</b>
<b>Liabilities</b>		
Placements from financial institutions	2,651.2	6,215.8
Financial assets sold under repurchase agreements	10,830.0	6,744.8
Borrowings	635,695.4	629,496.0
Financial liabilities at FVTPL	431.8	768.1
Tax payable	486.8	2,695.1
Contract liabilities	627.2	720.4
Lease liabilities	595.1	683.3
Deferred tax liabilities	1,035.5	895.7
Bonds and notes issued	182,958.8	189,859.8
Other liabilities	60,334.1	68,867.6
<b>Total liabilities</b>	<b>895,645.9</b>	<b>906,946.6</b>

	As at <b>June 30,</b> <b>2023</b> <b>(Unaudited)</b> <i>(in millions of RMB, except for percentages)</i>	As at December 31, 2022 (Audited)
<b>Equity</b>		
Share capital	<b>80,246.7</b>	80,246.7
Other equity instruments	<b>19,900.0</b>	19,900.0
Capital reserve	<b>16,397.7</b>	16,414.3
Surplus reserve	<b>8,564.2</b>	8,564.2
General reserve	<b>13,002.5</b>	13,002.5
Other reserves	<b>(2,849.8)</b>	(919.3)
Accumulated losses	<b>(95,961.0)</b>	(90,181.6)
<b>Equity attributable to equity holders of the Company</b>	<b>39,300.3</b>	47,026.8
Perpetual capital instruments	<b>1,752.6</b>	1,752.6
Non-controlling interests	<b>(1,730.6)</b>	(400.0)
<b>Total equity</b>	<b>39,322.3</b>	48,379.4
<b>Total equity and liabilities</b>	<b>934,968.2</b>	955,326.0
<b>Financial ratios</b>		
Liabilities to total assets ratio <sup>(1)</sup>	<b>95.8%</b>	94.9%
	<b>For the six months ended June 30,</b> <b>2023</b> <b>(Unaudited)</b>	2022 (Unaudited)
Annualized ROAE <sup>(2)</sup>	<b>(22.8%)</b>	(64.4%)
Annualized ROAA <sup>(3)</sup>	<b>(1.3%)</b>	(2.9%)
Basic earnings per share <sup>(4)</sup> (RMB)	<b>(0.061)</b>	(0.235)
Diluted earnings per share <sup>(5)</sup> (RMB)	<b>(0.061)</b>	(0.235)

(1) Represents the ratio of total liabilities to total assets at the end of the period.

(2) Represents the percentage of the annualized loss 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 loss for the period (including (loss)/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 loss attributable to equity holders of the Company for the period divided by the weighted average number of 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**

In the first half of 2023, the global inflation gradually receded, and the economic growth stabilized. Continuous and rapid hikes on interest rate in advanced economies increased risks of international banking while curbing inflation. The impact of the epidemic on the economy subsided and the service sector of major economies recovered rapidly. In July, the International Monetary Fund raised its forecast for global economic growth in 2023 by 0.2 percentage point to 3.0%, equaling the growth forecast for 2024.

In the first half of 2023, the economy and society of China fully restored normalized operation. With the front-loaded implementation and synergetic effects of macro policies, the triple pressures of shrinking demand, supply shocks and weakening expectations were released, and the market demand was gradually restored, which led to an upturn trend in economic development. GDP in the first half of 2023 amounted to RMB59.3 trillion, representing a year-on-year increase of 5.5%. However, with a gradually complex and severe trend for the current international environment and demand contraction of developed economies, the inner driving forces of economic operation in China was relatively weak, and the demand was still insufficient. Recovery and expansion of demand is the key for continued upturn of China's economy. In the next stage, it is expected that the regulation of macro policies and the coordination of reform and innovation will be intensified, and the implementation of domestic demand expansion strategy and the deepening of the supply-side structural reform will be organically combined, promoting the sustainable improvement of economic operation.

In the first half of 2023, China's financial industry continued to increase the support for the key areas and weak links of the national economy, so as to promote the high-quality economic development. The People's Bank of China intensified counter-cycle adjustment, accurately and effectively implemented prudent monetary policies, and comprehensively utilized policy tools to firmly serve the real economy. Financial regulatory authorities guided financial institutions to support the recovery and expansion of effective demand, spared no effort to promote the continued upturn of economy, and effectively prevented and mitigated financial risks. The AMCs constantly strengthened their effort to return to their core business, explored innovative business models, gave full play to their unique function of counter-cycle rescue and assisted in the prevention and mitigation of economic and financial risks in key areas.

In the first half of 2023, in the face of new difficulties and challenges of the current economic operation of the PRC, as well as the complex and severe external environment, the financial regulatory authorities further strengthened prevention and mitigation of risks in key areas, so as to provide sufficient market supply for AMCs to give play to their unique functional positions and find their differentiated strengths in sectors. First, the classification of financial asset risks was firmly carried out. Banking institutions were required to identify the level of risks accurately and intensify the disposal of non-performing loans, so as to prevent and mitigate credit risks effectively. Second, regulatory requirements for non-performing loan transfer issued by Banking Credit Asset Registration and Circulation Center Co., Ltd. was defined, and the relevant requirements on the scope of transfer, business process, information disclosure and risk management were further standardized. Third, the reform of stock registration regime was comprehensively implemented,

which brings important opportunities for AMCs participate in bankruptcy reorganization business. Fourth, the classification of trust business was standardized to expand business opportunities to jointly dispose stock risk assets of trust companies. Fifth, a new round of deepening and improvement of state-owned enterprise reform was initiated to bring more business opportunities for stock asset revitalization and professional integration.

## 4.2 Analysis of Financial Statements

### 4.2.1 Operating Results of the Group

In the first half of 2023, by firmly insisting on the general principle of “consolidating foundation, seeking progress while maintaining stability, and improving quality and efficiency”, the Group focused on its strategic objective of “leading itself back on the right track within one year” by swinging into full gear from the very beginning, enhanced its efforts on the reform, further united ideas and gathered strengths, completed the institutional reform at the headquarters and the integration of non-financial subsidiaries, and fully formed an overall positive momentum of development. In the first half of 2023, the Group’s total income from continuing operations was RMB35,648.8 million, representing a year-on-year increase of 141.8%; and net loss attributable to equity holders of the Company was RMB4,915.7 million, representing a year-on-year significant decrease in loss of 73.9%.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
<b>Continuing operations</b>				
Income from distressed debt assets	<b>9,298.1</b>	10,869.4	(1,571.3)	(14.5%)
Fair value changes on distressed debt assets	<b>(776.4)</b>	2,877.5	(3,653.9)	(127.0%)
Fair value changes on other financial assets and liabilities	<b>(2,246.5)</b>	(8,819.7)	6,573.2	74.5%
Interest income	<b>6,124.6</b>	5,580.7	543.9	9.7%
Finance lease income	<b>450.1</b>	638.1	(188.0)	(29.5%)
Gains from derecognition of financial assets measured at amortised cost	<b>50.0</b>	209.7	(159.7)	(76.2%)
Gains/(losses) from derecognition of debt instruments at FVTOCI	<b>15.0</b>	(25.7)	40.7	158.4%
Commission and fee income	<b>83.7</b>	161.0	(77.3)	(48.0%)
Net (losses)/gains on disposals of subsidiaries, associates and joint ventures	<b>(9.4)</b>	676.0	(685.4)	(101.4%)
Dividend income	<b>229.7</b>	425.3	(195.6)	(46.0%)
Other income and other net gains or losses	<b>22,429.9</b>	2,149.5	20,280.4	943.5%
<b>Total income</b>	<b>35,648.8</b>	14,741.8	20,907.0	141.8%

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Interest expense	<b>(16,897.9)</b>	(19,178.6)	2,280.7	(11.9%)
Commission and fee expense	<b>(107.4)</b>	(130.1)	22.7	(17.4%)
Operating expenses	<b>(2,280.3)</b>	(2,642.3)	362.0	(13.7%)
Impairment losses under ECL model	<b>(20,408.5)</b>	(16,900.4)	(3,508.1)	20.8%
Impairment losses on other assets	<b>(740.1)</b>	(463.9)	(276.2)	59.5%
<b>Total expenses</b>	<b><u>(40,434.2)</u></b>	<u>(39,315.3)</u>	<u>(1,118.9)</u>	<u>2.8%</u>
Change in net assets attributable to other holders of consolidated structured entities	<b>134.4</b>	312.4	(178.0)	(57.0%)
Share of results of associates and joint ventures	<b>(69.2)</b>	229.9	(299.1)	(130.1%)
<b>Loss before tax from continuing operations</b>	<b><u>(4,720.2)</u></b>	<u>(24,031.2)</u>	<u>19,311.0</u>	<u>80.4%</u>
Income tax (expense)/credit	<b>(1,268.1)</b>	2,662.2	(3,930.3)	(147.6%)
<b>Loss for the period from continuing operations</b>	<b><u><u>(5,988.3)</u></u></b>	<u><u>(21,369.0)</u></u>	<u><u>15,380.7</u></u>	<u><u>72.0%</u></u>
<b>Discontinued operations</b>				
Profit after tax for the period from discontinued operations	<b>—</b>	2,759.7	(2,759.7)	(100.0%)
<b>Loss for the period</b>	<b><u><u>(5,988.3)</u></u></b>	<u><u>(18,609.3)</u></u>	<u><u>12,621.0</u></u>	<u><u>67.8%</u></u>
<b>Loss attributable to:</b>				
Equity holders of the Company	<b>(4,915.7)</b>	(18,866.4)	13,950.7	73.9%
Holders of perpetual capital instruments	<b>37.2</b>	418.9	(381.7)	(91.1%)
Non-controlling interests	<b>(1,109.8)</b>	(161.8)	(948.0)	(585.9%)

#### 4.2.1.1 Total income from continuing operations

The table below sets forth the components of the Group's total income from continuing operations for the periods indicated.

	For the six months ended June 30,			
	2023	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Income from distressed debt assets	<b>9,298.1</b>	10,869.4	(1,571.3)	(14.5%)
Fair value changes on distressed debt assets	<b>(776.4)</b>	2,877.5	(3,653.9)	(127.0%)
Fair value changes on other financial assets and liabilities	<b>(2,246.5)</b>	(8,819.7)	6,573.2	74.5%
Interest income	<b>6,124.6</b>	5,580.7	543.9	9.7%
Finance lease income	<b>450.1</b>	638.1	(188.0)	(29.5%)
Gains from derecognition of financial assets measured at amortised cost	<b>50.0</b>	209.7	(159.7)	(76.2%)
Gains/(losses) from derecognition of debt instruments at FVTOCI	<b>15.0</b>	(25.7)	40.7	158.4%
Commission and fee income	<b>83.7</b>	161.0	(77.3)	(48.0%)
Net (losses)/gains on disposals of subsidiaries, associates and joint ventures	<b>(9.4)</b>	676.0	(685.4)	(101.4%)
Dividend income	<b>229.7</b>	425.3	(195.6)	(46.0%)
Other income and other net gains or losses	<b>22,429.9</b>	2,149.5	20,280.4	943.5%
<b>Total income</b>	<b><u>35,648.8</u></b>	<b><u>14,741.8</u></b>	<b><u>20,907.0</u></b>	<b><u>141.8%</u></b>

In the first half of 2023, the Group's total income from continuing operations amounted to RMB35,648.8 million, representing a year-on-year increase of 141.8%. In particular, income from distressed debt assets and interest income maintained a significant contribution to income, while other income and other net gains and losses, fair value changes on other financial assets and liabilities increased significantly on a year-on-year basis.

##### 4.2.1.1.1 Income from distressed debt assets

Income from distressed debt assets derives from the acquisition-and-restructuring business of the Group. In the first half of 2023, the Group adhered to its dual-wheel strategy of risk resolution and transformation. On the one hand, it actively promoted high-quality investments to serve the real economy. The Company's acquisition cost of newly added acquisition-and-restructuring distressed debt assets amounted to RMB8,280.6 million, representing a year-on-year increase of 67.3%. On the other hand, the Group continued to increase efforts in the disposal of inefficient assets, leading to a decrease in the scale of acquisition-and-restructuring distressed debt assets by 7.4% from RMB278,382.1 million as at December 31, 2022 to RMB257,874.7 million as at June 30, 2023. Impacted by the decrease in asset scale, in the first half of 2023, income from distressed debt assets was RMB9,298.1 million, representing a year-on-year decrease of 14.5%.

#### 4.2.1.1.2 Fair value changes on distressed debt assets

The table below sets forth the components of fair value changes on distressed debt assets of the Group for the periods indicated.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Fair value changes on distressed debt assets				
Acquisition-and-disposal				
— realized	<b>1,923.0</b>	3,820.5	(1,897.5)	(49.7%)
— unrealized	<b>(2,746.0)</b>	(953.9)	(1,792.1)	(187.9%)
Acquisition-and-restructuring				
— realized	<b>48.7</b>	—	48.7	100.0%
— unrealized	<b>(2.1)</b>	10.9	(13.0)	(119.3%)
<b>Total</b>	<b><u>(776.4)</u></b>	<u>2,877.5</u>	<u>(3,653.9)</u>	<u>(127.0%)</u>

Fair value changes on distressed debt assets derive from the acquisition-and-disposal and acquisition-and-restructuring businesses of the Group, including the realized net income from disposal of distressed debt assets and the unrealized fair value changes on such assets. Any interest income generated from such assets is also included in the fair value changes.

In the first half of 2023, the Group focused on improving the quality and efficiency of asset disposal in acquisition-and-disposal business, extended disposal channels and accelerated disposal cash payback. However, influenced by the economic environment and the overall industry, the Group's realized disposal net income on acquisition-and-disposal distressed debt assets was RMB1,923.0 million, representing a year-on-year decrease of 49.7%; the unrealized fair value change loss on acquisition-and-disposal distressed debt assets was RMB2,746.0 million, representing a year-on-year increase in loss of 187.9%. The gross amount of the Group's acquisition-and-disposal distressed debt assets was RMB174,009.9 million as at June 30, 2023, representing a decrease of 2.7% as compared with the end of the last year.

Some acquisition-and-restructuring businesses conducted by the Group were classified as financial assets at FVTPL due to failure to pass the contractual cash flow test. As at June 30, 2023, the gross amount of those acquisition-and-restructuring assets was RMB656.4 million and fair value changes of RMB46.6 million were recognised in the first half of 2023.

#### 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.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Fair value changes on other financial assets and liabilities				
Listed and unlisted shares and funds				
— realized	<b>1,033.8</b>	488.2	545.6	111.8%
— unrealized	<b>(435.1)</b>	(7,794.1)	7,359.0	94.4%
Others <sup>(1)</sup>				
— realized	<b>(2,754.3)</b>	132.6	(2,886.9)	(2,177.1%)
— unrealized	<b>(90.9)</b>	(1,646.4)	1,555.5	94.5%
<b>Total</b>	<b><u>(2,246.5)</u></b>	<b><u>(8,819.7)</u></b>	<b><u>6,573.2</u></b>	<b><u>74.5%</u></b>

(1) Others include convertible bonds, derivatives and structured product, debt instruments, trust products, wealth management products, and other investments and financial liabilities.

Fair value changes on other financial assets and liabilities derive from the financial assets and financial liabilities at FVTPL, excluding that from the acquisition-and-disposal business of the Group. The fair value changes comprise both realized gains or losses from disposal and settlement 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 2023, the fair value changes on other financial assets and liabilities of the Group were RMB-2,246.5 million, representing a decrease in loss of 74.5% on a year-on-year basis. On the one hand, the fair value changes of listed and unlisted equity and funds saw a year-on-year increase as a result of deepening business synergy and strengthening equity asset management by the Group coupled with the impact of the capital market rebound. On the other hand, the Group recognised a loss on the fair value changes on convertible bonds during the period, and a year-on-year decrease in the fair value changes on other financial assets and financial liabilities, excluding the listed and unlisted shares and funds.



#### 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,			
	2023	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Debt instruments at amortised cost other than distressed debt assets	2,575.4	2,488.8	86.6	3.5%
Receivables arising from sales and leaseback arrangements	2,023.1	1,942.5	80.6	4.1%
Deposits with financial institutions	1,224.4	861.0	363.4	42.2%
Debt instruments at FVTOCI other than distressed debt assets	204.6	102.1	102.5	100.4%
Placements with financial institutions	80.3	86.7	(6.4)	(7.4%)
Others	16.8	99.6	(82.8)	(83.1%)
<b>Total</b>	<b>6,124.6</b>	<b>5,580.7</b>	<b>543.9</b>	<b>9.7%</b>

Interest income derives from the Group's debt instruments, which is measured at amortised cost and FVTOCI, excluding that from the acquisition-and-restructuring business of the Group. In the first half of 2023, the Group's interest income was RMB6,124.6 million, representing an increase of 9.7% on a year-on-year basis, primarily because of the year-on-year increase in interest income from deposits with financial institutions and debt instruments at FVTOCI other than distressed debt assets.

The interest income of receivables arising from sales and leaseback arrangements mainly derives from Huarong Financial Leasing. In the first half of 2023, interest income of receivables arising from sales and leaseback arrangements amounted to RMB2,023.1 million, representing a year-on-year increase of 4.1%. As at June 30, 2023, receivables arising from sales and leaseback arrangements presented in debt instruments at amortised cost amounted to RMB84,413.2 million, representing an increase of 12.4% as compared with the end of last year.

#### 4.2.1.1.5 Finance lease income

The finance lease income of the Group mainly derives from Huarong Financial Leasing. The finance lease income decreased by 29.5% from RMB638.1 million in the first half of 2022 to RMB450.1 million in the first half of 2023, mainly due to a decrease in the scale of existing finance lease receivables. After the adoption of the New Lease Standards in 2019, interest income of receivables arising from sales and leaseback arrangements is presented in interest income.

#### 4.2.1.1.6 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.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Change in percentage</b>
	<i>(in millions of RMB, except for percentages)</i>			
Income from investment in associates	<b>19,664.0</b>	—	19,664.0	100.0%
Net gains on exchange differences	<b>1,617.8</b>	1,292.0	325.8	25.2%
Income arising from operating leases	<b>468.5</b>	420.8	47.7	11.3%
Revenue from the development of properties	<b>244.2</b>	96.2	148.0	153.8%
Government grants	<b>17.7</b>	21.5	(3.8)	(17.7%)
Others	<b>417.7</b>	319.0	98.7	30.9%
<b>Total</b>	<b><u>22,429.9</u></b>	<b><u>2,149.5</u></b>	<b><u>20,280.4</u></b>	<b><u>943.5%</u></b>

Other income and other net gains or losses of the Group increased by 943.5% from RMB2,149.5 million in the first half of 2022 to RMB22,429.9 million in the first half of 2023, mainly because the Group recognised income from investment in associates following the successful implementation of significant investments by grasping special opportunities.

#### 4.2.1.2 Total expenses of continuing operations

The table below sets forth the components of the total expenses of the Group's continuing operations for the periods indicated.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>Change in percentage</b>
	<i>(in millions of RMB, except for percentages)</i>			
Interest expense	<b>(16,897.9)</b>	(19,178.6)	2,280.7	(11.9%)
Commission and fee expense	<b>(107.4)</b>	(130.1)	22.7	(17.4%)
Operating expenses	<b>(2,280.3)</b>	(2,642.3)	362.0	(13.7%)
Impairment losses under ECL model	<b>(20,408.5)</b>	(16,900.4)	(3,508.1)	20.8%
Impairment losses on other assets	<b>(740.1)</b>	(463.9)	(276.2)	59.5%
<b>Total expenses</b>	<b><u>(40,434.2)</u></b>	<b><u>(39,315.3)</u></b>	<b><u>(1,118.9)</u></b>	<b><u>2.8%</u></b>

Total expenses of continuing operations of the Group increased by 2.8% from RMB39,315.3 million in the first half of 2022 to RMB40,434.2 million in the first half of 2023, mainly because of an increase in provisions of credit impairment losses. In addition, interest expense of this period decreased, which partially offset the increase in total expenses of continuing operations.

#### 4.2.1.2.1 Interest expense

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

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Borrowings	<b>(12,822.4)</b>	(14,676.8)	1,854.4	(12.6%)
Bonds and notes issued	<b>(3,939.9)</b>	(4,367.3)	427.4	(9.8%)
Financial assets sold under repurchase agreements	<b>(73.2)</b>	(24.2)	(49.0)	202.5%
Placements from financial institutions	<b>(41.4)</b>	(23.7)	(17.7)	74.7%
Lease liabilities	<b>(17.6)</b>	(16.5)	(1.1)	6.7%
Other liabilities	<b>(3.4)</b>	(70.1)	66.7	(95.1%)
<b>Total</b>	<b><u>(16,897.9)</u></b>	<u>(19,178.6)</u>	<u>2,280.7</u>	<u>(11.9%)</u>

The interest expense of the Group decreased by 11.9% from RMB19,178.6 million in the first half of 2022 to RMB16,897.9 million in the first half of 2023, mainly due to a decrease in the average size of external finance (such as borrowings and bonds and notes issued) and the average financing costs of the Group.

#### 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.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Employee benefits	<b>(702.9)</b>	(939.1)	236.2	(25.2%)
Tax and surcharges	<b>(189.5)</b>	(245.4)	55.9	(22.8%)
Others	<b>(1,387.9)</b>	(1,457.8)	69.9	(4.8%)
Including:				
Depreciation of property and equipment	<b>(263.4)</b>	(297.3)	33.9	(11.4%)
Depreciation of investment properties	<b>(134.8)</b>	(123.9)	(10.9)	8.8%
Depreciation of right-of-use assets	<b>(131.0)</b>	(160.6)	29.6	(18.4%)
Cost of properties development and sales	<b>(99.9)</b>	(61.0)	(38.9)	63.8%
Management fee for realty	<b>(46.6)</b>	(30.5)	(16.1)	52.8%
Amortisation	<b>(25.0)</b>	(23.8)	(1.2)	5.0%
Rental for short-term leases	<b>(9.1)</b>	(25.3)	16.2	(64.0%)
<b>Total</b>	<b><u>(2,280.3)</u></b>	<u>(2,642.3)</u>	<u>362.0</u>	<u>(13.7%)</u>

Operating expenses of the Group decreased by 13.7% from RMB2,642.3 million in the first half of 2022 to RMB2,280.3 million in the first half of 2023, mainly due to the year-on-year decrease in employee benefits, tax and surcharges, depreciation of property and equipment, and depreciation of right-of-use assets.

#### 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.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Debt instruments at amortised cost	<b>(17,765.9)</b>	(13,652.5)	(4,113.4)	30.1%
Debt instruments at FVTOCI	<b>(1,816.2)</b>	(2,179.8)	363.6	(16.7%)
Finance lease receivables	<b>(594.7)</b>	(549.3)	(45.4)	8.3%
Loans and advances to customers	<b>(8.8)</b>	(6.3)	(2.5)	39.7%
Financial assets held under resale agreements	—	(284.3)	284.3	(100.0%)
Other financial assets	<b>(222.9)</b>	(228.2)	5.3	(2.3%)
<b>Total</b>	<b><u>(20,408.5)</u></b>	<b><u>(16,900.4)</u></b>	<b><u>(3,508.1)</u></b>	<b><u>20.8%</u></b>

In the first half of 2023, the impairment losses under ECL model of the Group were RMB20,408.5 million, increased by 20.8% year-on-year, which is mainly because the Group's impairment losses under ECL model provided on debt instruments at amortised cost increased on a year-on-year basis under the influence of the economic environment and the industry as a whole.

#### 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.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Interests in associates and joint ventures	<b>(659.9)</b>	(161.6)	(498.3)	308.4%
Foreclosed assets	<b>(44.2)</b>	(86.6)	42.4	(49.0%)
Others	<b>(36.0)</b>	(215.7)	179.7	(83.3%)
<b>Total</b>	<b><u>(740.1)</u></b>	<b><u>(463.9)</u></b>	<b><u>(276.2)</u></b>	<b><u>59.5%</u></b>

Impairment losses on other assets of the Group increased by 59.5% from RMB463.9 million in the first half of 2022 to RMB740.1 million in the first half of 2023, mainly due to the year-on-year increase in provision on asset impairment losses on interests in associates and joint ventures.

#### 4.2.1.3 Income tax from continuing operations

The table below sets forth the components of income tax of the Group from continuing operations for the periods indicated.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>	2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Current income tax				
PRC enterprise income tax	<b>(636.2)</b>	(1,121.0)	484.8	(43.2%)
PRC land appreciation tax	<b>(11.0)</b>	(20.2)	9.2	(45.5%)
Profits tax of Hong Kong SAR and Macau SAR	<b>(13.0)</b>	(25.8)	12.8	(49.6%)
Deferred income tax	<b>(607.9)</b>	3,829.2	(4,437.1)	(115.9%)
	<u>(1,268.1)</u>	<u>2,662.2</u>	<u>(3,930.3)</u>	<u>(147.6%)</u>
<b>Total</b>	<b><u>(1,268.1)</u></b>	<b><u>2,662.2</u></b>	<b><u>(3,930.3)</u></b>	<b><u>(147.6%)</u></b>

Income tax from continuing operations of the Group increased by 147.6% from RMB-2,662.2 million in the first half of 2022 to RMB1,268.1 million in the first half of 2023, mainly due to the year-on-year increase in the Group's deferred income tax.

#### 4.2.1.4 Segment operating results

The Group reports financial results of continuing operations in three segments:

- (1) distressed asset management segment: mainly includes distressed debt asset management business of the Company, policy-based DES business through commercial buyout of the Company, market-oriented DES business and special situations investment business of the Group, distressed asset management business and distressed asset-based property development business conducted by our subsidiaries.
- (2) financial services segment: mainly includes financial leasing business.
- (3) asset management and investment segment: mainly includes international business and other businesses.

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

	<b>For the six months ended June 30,</b>			Change in percentage
	<b>2023</b>	2022	Change	
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	<b>32,664.8</b>	13,967.3	18,697.5	133.9%
Financial services segment	<b>2,985.7</b>	3,216.8	(231.1)	(7.2%)
Asset management and investment segment	<b>1,179.6</b>	(1,062.9)	2,242.5	211.0%
Inter-segment elimination	<b>(1,181.3)</b>	(1,379.4)	198.1	(14.4%)
<b>Total</b>	<b><u>35,648.8</u></b>	<u>14,741.8</u>	<u>20,907.0</u>	<u>141.8%</u>

The table below sets forth the profit/(loss) before tax from each of business segments of the Group's continuing operations for the periods indicated.

	<b>For the six months ended June 30,</b>			Change in percentage
	<b>2023</b>	2022	Change	
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	<b>4,183.3</b>	(15,404.5)	19,587.8	127.2%
Financial services segment	<b>325.4</b>	675.2	(349.8)	(51.8%)
Asset management and investment segment	<b>(9,052.9)</b>	(9,034.4)	(18.5)	(0.2%)
Inter-segment elimination	<b>(176.0)</b>	(267.5)	91.5	(34.2%)
<b>Total</b>	<b><u>(4,720.2)</u></b>	<u>(24,031.2)</u>	<u>19,311.0</u>	<u>80.4%</u>

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

	<b>As at June 30, 2023</b>	As at December 31, 2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	<b>679,419.4</b>	710,394.2	(30,974.8)	(4.4%)
Financial services segment	<b>111,203.2</b>	107,094.8	4,108.4	3.8%
Asset management and investment segment	<b>197,764.1</b>	212,630.5	(14,866.4)	(7.0%)
Inter-segment elimination	<b>(68,803.9)</b>	(90,653.9)	21,850.0	(24.1%)
<b>Total</b>	<b><u>919,582.8</u></b>	<u>939,465.6</u>	<u>(19,882.8)</u>	<u>(2.1%)</u>

Note: The total assets of each business segment exclude deferred income tax assets, the same below.

The distressed asset management business is the core business of the Group and the significant source of the Group's income and profits. The total income from the distressed asset management segment of the Group increased by 133.9% from RMB13,967.3 million in the first half of 2022 to RMB32,664.8 million in the first half of 2023; the profit before tax increased by 127.2% from RMB-15,404.5 million in the first half of 2022 to RMB4,183.3 million in the first half of 2023; and the total assets decreased by 4.4% from RMB710,394.2 million as at December 31, 2022 to RMB679,419.4 million as at June 30, 2023.

The financial service business is mainly financial leasing business. The total income from the financial services segment of the Group decreased by 7.2% from RMB3,216.8 million in the first half of 2022 to RMB2,985.7 million in the first half of 2023; the profit before tax decreased by 51.8% from RMB675.2 million in the first half of 2022 to RMB325.4 million in the first half of 2023; and the total assets increased by 3.8% from RMB107,094.8 million as at December 31, 2022 to RMB111,203.2 million as at June 30, 2023.

Asset management and investment business is mainly international business and other business. The total income from asset management and investment segment of the Group increased by 211.0% from RMB-1,062.9 million in the first half of 2022 to RMB1,179.6 million in the first half of 2023; the loss before tax increased by 0.2% from RMB9,034.4 million in the first half of 2022 to RMB9,052.9 million in the first half of 2023; and the total assets decreased by 7.0% from RMB212,630.5 million as at December 31, 2022 to RMB197,764.1 million as at June 30, 2023.

## 4.2.2 Financial Positions of the Group

As at June 30, 2023, the total assets and total liabilities of the Group amounted to RMB934,968.2 million and RMB895,645.9 million, representing decreases of 2.1% and 1.2% as compared with the end of the previous year, respectively.

In the first half of 2023, the Group earnestly implemented the financial work plans of the Central Party Committee by conscientiously honoring the responsibility and duty of AMCs to service real economy, accurately locating direction in risk prevention and resolution, and acting proactively. **Firstly, the business of state-owned enterprises reform gradually indicated scale effects.** The Group implemented 9 projects of state-owned enterprises reform with a total size of RMB3.32 billion to help the restructuring and revitalization of ineffective and lapsed assets of state-owned enterprises, effectively supporting the reform process of state-owned enterprises. **Secondly, supporting business for the crisis real estate enterprises continued to achieve breakthroughs.** The Group implemented a series of the bailout projects for real estate enterprises with a total size of RMB8.313 billion, effectively implemented the national policy of “ensure the real estate delivery, people’s livelihood and social stability” to maintain the stability of real estate market. **Thirdly, reform and risk mitigation of small and medium-sized financial institutions were supported.** The Group took the lead last year in implementing pilot projects of the disposal of distressed assets in small and medium-sized banks with increased efforts and innovated disposal methods. In the first half of 2023, a total of RMB23.4 billion of distressed assets and debts were acquired from small and medium-sized banks, to support and promote the pilot project of disposal in local small and medium-sized banks of 6 provinces and municipalities and help prevent and resolve regional financial risks. **Fourth, difficulties of large private enterprises were relieved.** We actively supported the bankruptcy reorganization and asset restructuring of real enterprises, which played good economic and social effects. **Fifth, the acquisition business of default debt was continuously promoted,** with a total size of RMB3.842 billion, which effectively prevented and mitigated risks in the capital market. **Sixth, high-quality business synergies were continuously deepened.** Taking CITIC Group’s advantages in simultaneously development of industry and finance, we gave play to the unique functions of AMCs, which effectively enhanced the market influence of “CITIC United Fleet”. 29 synergy projects with a size of RMB19.5 billion were implemented in the first half of 2023. While actively promoting high-quality transformation of the core business, it continued to increase efforts for the disposal and recovery of existing assets, maintained stability with a slight decline in the scale of assets and liabilities.



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

	As at <b>June 30,</b> <b>2023</b>	As at December 31, 2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Cash and balances with central bank	113.7	23.2	90.5	390.1%
Deposits with financial institutions	84,352.5	97,578.2	(13,225.7)	(13.6%)
Placements with financial institutions	—	1,300.2	(1,300.2)	(100.0%)
Financial assets at FVTPL	301,520.0	309,455.9	(7,935.9)	(2.6%)
Financial assets held under resale agreements	274.5	706.7	(432.2)	(61.2%)
Contract assets	5,562.8	5,530.1	32.7	0.6%
Finance lease receivables	11,591.7	14,528.3	(2,936.6)	(20.2%)
Debt instruments at FVTOCI	23,053.8	25,318.4	(2,264.6)	(8.9%)
Equity instruments at FVTOCI	2,043.1	2,038.6	4.5	0.2%
Inventories	23,864.1	23,051.9	812.2	3.5%
Debt instruments at amortised cost	392,856.5	415,352.7	(22,496.2)	(5.4%)
Interests in associates and joint ventures	41,257.7	9,572.8	31,684.9	331.0%
Investment properties	7,175.8	7,158.6	17.2	0.2%
Property and equipment	5,975.8	7,164.9	(1,189.1)	(16.6%)
Right-of-use assets	995.3	1,098.7	(103.4)	(9.4%)
Deferred tax assets	15,385.4	15,860.4	(475.0)	(3.0%)
Goodwill	18.2	18.2	—	—
Other assets	18,927.3	19,568.2	(640.9)	(3.3%)
<b>Total assets</b>	<b>934,968.2</b>	<b>955,326.0</b>	<b>(20,357.8)</b>	<b>(2.1%)</b>
Placements from financial institutions	2,651.2	6,215.8	(3,564.6)	(57.3%)
Financial assets sold under repurchase agreements	10,830.0	6,744.8	4,085.2	60.6%
Borrowings	635,695.4	629,496.0	6,199.4	1.0%
Financial liabilities at FVTPL	431.8	768.1	(336.3)	(43.8%)
Tax payable	486.8	2,695.1	(2,208.3)	(81.9%)
Contract liabilities	627.2	720.4	(93.2)	(12.9%)
Lease liabilities	595.1	683.3	(88.2)	(12.9%)
Deferred tax liabilities	1,035.5	895.7	139.8	15.6%
Bonds and notes issued	182,958.8	189,859.8	(6,901.0)	(3.6%)
Other liabilities	60,334.1	68,867.6	(8,533.5)	(12.4%)
<b>Total liabilities</b>	<b>895,645.9</b>	<b>906,946.6</b>	<b>(11,300.7)</b>	<b>(1.2%)</b>

	As at <b>June 30,</b> <b>2023</b>	As at December 31, 2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Share capital	<b>80,246.7</b>	80,246.7	—	—
Other equity instruments	<b>19,900.0</b>	19,900.0	—	—
Capital reserve	<b>16,397.7</b>	16,414.3	(16.6)	(0.1%)
Surplus reserve	<b>8,564.2</b>	8,564.2	—	—
General reserve	<b>13,002.5</b>	13,002.5	—	—
Other reserves	<b>(2,849.8)</b>	(919.3)	(1,930.5)	210.0%
Accumulated losses	<b>(95,961.0)</b>	(90,181.6)	(5,779.4)	6.4%
<b>Equity attributable to equity holders of the Company</b>	<b>39,300.3</b>	47,026.8	(7,726.5)	(16.4%)
Perpetual capital instruments	<b>1,752.6</b>	1,752.6	—	—
Non-controlling interests	<b>(1,730.6)</b>	(400.0)	(1,330.6)	332.7%
<b>Total equity</b>	<b>39,322.3</b>	48,379.4	(9,057.1)	(18.7%)
<b>Total equity and liabilities</b>	<b>934,968.2</b>	955,326.0	(20,357.8)	(2.1%)

#### 4.2.2.1 Assets

As at December 31, 2022 and June 30, 2023, the total assets of the Group amounted to RMB955,326.0 million and RMB934,968.2 million, respectively. As at June 30, 2023, the Group's assets mainly consisted of (i) deposits with financial institutions; (ii) financial assets at FVTPL; (iii) debt instruments at FVTOCI; (iv) inventories; (v) debt instruments at amortised cost; and (vi) interests in associates and joint ventures.

##### 4.2.2.1.1 Deposits with financial institutions

As at December 31, 2022 and June 30, 2023, the Group's deposits with financial institutions amounted to RMB97,578.2 million and RMB84,352.5 million, respectively, representing a decrease of 13.6%.

##### 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 amortised 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, 2023	As at December 31, 2022	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Distressed debt assets				
— Acquisition-and-disposal	174,009.9	178,770.1	(4,760.2)	(2.7%)
— Acquisition-and-restructuring	656.4	955.5	(299.1)	(31.3%)
Equity instruments				
— Listed	33,470.0	32,612.2	857.8	2.6%
— Unlisted	22,962.5	21,828.2	1,134.3	5.2%
Funds	39,748.5	39,205.1	543.4	1.4%
Trust products	12,688.6	13,918.5	(1,229.9)	(8.8%)
Debt securities				
— Corporate bonds	4,411.8	5,734.4	(1,322.6)	(23.1%)
— Financial institution bonds	300.5	295.9	4.6	1.6%
Convertible bonds	1,508.7	1,765.3	(256.6)	(14.5%)
Derivatives and structured product	3,120.3	3,632.1	(511.8)	(14.1%)
Asset management plans	941.2	979.6	(38.4)	(3.9%)
Entrusted loans	637.3	660.4	(23.1)	(3.5%)
Wealth management products	206.8	1,680.5	(1,473.7)	(87.7%)
Asset-backed securities	22.3	27.1	(4.8)	(17.7%)
Other debt assets	6,835.2	7,391.0	(555.8)	(7.5%)
<b>Total</b>	<b>301,520.0</b>	<b>309,455.9</b>	<b>(7,935.9)</b>	<b>(2.6%)</b>

As at December 31, 2022 and June 30, 2023, the financial assets at FVTPL of the Group amounted to RMB309,455.9 million and RMB301,520.0 million, respectively, representing a decrease of 2.6%.

Distressed debt assets at FVTPL are the Group's acquisition-and-disposal distressed debt assets and acquisition-and-restructuring distressed debt assets. In the first half of 2023, the Group actively served the real economy by extending more high-quality investments, and also enhanced efforts on disposal and recovery of existing distressed debt assets. However, affected by the economic environment and the overall industry conditions, the Group recognized unrealized losses from fair value changes on acquisition-and-disposal assets. As at December 31, 2022 and June 30, 2023, the Group's acquisition-and-disposal distressed debt assets at FVTPL amounted to RMB178,770.1 million and RMB174,009.9 million, respectively, representing a decrease of 2.7%.

As at December 31, 2022 and June 30, 2023, the Group's equity instruments at FVTPL amounted to RMB54,440.4 million and RMB56,432.5 million, respectively, representing an increase of 3.7%, mainly because the Group enhanced business synergies and strengthened equity asset management coupled with the impact of the capital market rebound resulting in an increase in the fair value changes of equity instruments.

As at June 30, 2023, the Group's bonds, trust products, wealth management products at FVTPL and other assets decreased as compared with the end of last year, mainly because (i) the Group increased its efforts in the disposal and recovery of existing assets, which resulted in a corresponding decrease in asset balance; (ii) affected by the economic environment and the overall industry conditions, the Group recognized unrealized losses from fair value changes on the aforementioned assets.

#### 4.2.2.1.3 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 objectives are 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.

	<b>As at June 30, 2023</b>	As at December 31, 2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed debt assets	<b>14,664.2</b>	16,683.8	(2,019.6)	(12.1%)
Debt securities				
— Public sector and quasi-government bonds	<b>2,740.3</b>	1,394.0	1,346.3	96.6%
— Government bonds	<b>1,224.4</b>	1,219.9	4.5	0.4%
— Corporate bonds	<b>394.2</b>	806.5	(412.3)	(51.1%)
— Financial institution bonds	<b>—</b>	656.0	(656.0)	(100.0%)
Entrusted loans	<b>1,770.3</b>	2,174.6	(404.3)	(18.6%)
Asset management plans	<b>1,459.5</b>	1,459.5	—	—
Debt instruments	<b>644.8</b>	757.3	(112.5)	(14.9%)
Trust products	<b>150.1</b>	154.4	(4.3)	(2.8%)
Asset-backed securities	<b>6.0</b>	12.4	(6.4)	(51.6%)
<b>Total</b>	<b><u>23,053.8</u></b>	<u>25,318.4</u>	<u>(2,264.6)</u>	<u>(8.9%)</u>

As at December 31, 2022 and June 30, 2023, debt instruments at FVTOCI of the Group were RMB25,318.4 million and RMB23,053.8 million, respectively, representing a decrease of 8.9%.

The distressed debt assets at FVTOCI were acquisition-and-restructuring distressed debt assets of the Group. In the first half of 2023, the Group stepped up the disposal of inefficient assets, resulting in a decrease in the balance of distressed debt assets at FVTOCI. As at December 31, 2022 and June 30, 2023, the Group's distressed debt assets at FVTOCI amounted to RMB16,683.8 million and RMB14,664.2 million, respectively, representing a decrease of 12.1%.

Debt instruments at FVTOCI other than distressed debt assets primarily included various bonds, entrusted loans, asset management plans and other financial assets invested by the Group. As at December 31, 2022 and June 30, 2023, debt instruments at FVTOCI other than distressed debt assets of the Group amounted to RMB8,634.6 million and RMB8,389.6 million, respectively, representing a decrease of 2.8%.

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 recognized in other comprehensive income (“OCI”) and accumulated under the investment revaluation reserve, while the allowance for impairment is recognized in profit or loss with corresponding adjustments to OCI without reducing the carrying amounts of these debt instruments. As at December 31, 2022 and June 30, 2023, the allowance for impairment for debt instruments at FVTOCI presented under the investment revaluation reserve amounted to RMB9,800.9 million and RMB10,827.0 million, respectively, representing an increase of 10.5%.

#### 4.2.2.1.4 Inventories

The table below sets forth the major components of the inventories of the Group as at the dates indicated.

	As at <b>June 30,</b> <b>2023</b>	As at December 31, 2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Property development costs	<b>22,371.6</b>	21,815.4	556.2	2.5%
Properties held for sale	<b>2,493.4</b>	2,220.2	273.2	12.3%
<b>Subtotal</b>	<b>24,865.0</b>	24,035.6	829.4	3.5%
Allowance for impairment losses	<b>(1,000.9)</b>	(983.7)	(17.2)	1.7%
<b>Total</b>	<b>23,864.1</b>	23,051.9	812.2	3.5%

As at December 31, 2022 and June 30, 2023, the Group’s inventories amounted to RMB23,051.9 million and RMB23,864.1 million respectively, representing an increase of 3.5%. The increase was primarily attributed to higher real estate development costs from Huarong Industrial.

#### 4.2.2.1.5 Debt instruments at amortised cost

Debt instruments at amortised 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; (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 amortised cost of the Group as at the dates indicated.

	As at <b>June 30,</b> <b>2023</b>	As at December 31, 2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed debt assets				
Loans acquired from financial institutions	<b>31,613.9</b>	34,834.3	(3,220.4)	(9.2%)
Other debt assets acquired from non-financial institutions	<b>210,940.1</b>	225,908.5	(14,968.4)	(6.6%)
<b>Subtotal</b>	<b>242,554.0</b>	260,742.8	(18,188.8)	(7.0%)
Less: Allowance for ECL				
— 12-month ECL	<b>(1,569.8)</b>	(2,419.6)	849.8	(35.1%)
— Lifetime ECL	<b>(48,722.2)</b>	(42,204.3)	(6,517.9)	15.4%
<b>Subtotal</b>	<b>(50,292.0)</b>	(44,623.9)	(5,668.1)	12.7%
<b>Carrying amount of distressed debt assets</b>	<b>192,262.0</b>	216,118.9	(23,856.9)	(11.0%)
Other debt assets				
Debt instruments	<b>88,998.7</b>	92,152.3	(3,153.6)	(3.4%)
Receivables arising from sales and leaseback arrangements	<b>84,413.2</b>	75,112.7	9,300.5	12.4%
Entrusted loans	<b>45,795.9</b>	46,437.2	(641.3)	(1.4%)
Trust products	<b>39,044.4</b>	39,425.0	(380.6)	(1.0%)
Debt securities	<b>8,808.2</b>	7,891.8	916.4	11.6%
Asset management plans	<b>5,808.6</b>	6,373.3	(564.7)	(8.9%)
Others	<b>621.6</b>	1,934.0	(1,312.4)	(67.9%)
<b>Subtotal</b>	<b>273,490.6</b>	269,326.3	4,164.3	1.5%
Less: Allowance for ECL				
— 12-month ECL	<b>(887.2)</b>	(772.9)	(114.3)	14.8%
— Lifetime ECL	<b>(72,008.9)</b>	(69,319.6)	(2,689.3)	3.9%
<b>Subtotal</b>	<b>(72,896.1)</b>	(70,092.5)	(2,803.6)	4.0%
<b>Carrying amount of other debt assets</b>	<b>200,594.5</b>	199,233.8	1,360.7	0.7%
<b>Total</b>	<b>392,856.5</b>	415,352.7	(22,496.2)	(5.4%)

As at December 31, 2022 and June 30, 2023, the Group's debt instruments at amortised cost were RMB415,352.7 million and RMB392,856.5 million, respectively, representing a decrease of 5.4%.

The distressed debt assets at amortised cost were acquisition-and-restructuring distressed debt assets of the Group. As at December 31, 2022 and June 30, 2023, the Group's balance of distressed debt assets at amortised cost amounted to RMB260,742.8 million and RMB242,554.0 million, respectively, representing a decrease of 7.0%.

Debt instruments at amortised cost other than distressed debt assets included debt instruments, receivables arising from sales and leaseback arrangements and entrusted loans invested by the Group. As at December 31, 2022 and June 30, 2023, the Group's balance of debt assets at amortised cost other than distressed debt assets amounted to RMB269,326.3 million and RMB273,490.6 million, respectively, representing an increase of 1.5%, mainly due to the increase in receivables arising from sales and leaseback arrangements and bonds.

Affected by the economic environment and the overall industry conditions, to further strengthen the assets, the Group made allowances for impairment for debt instruments at amortised cost, with relevant balance amounting to RMB123,188.1 million as at June 30, 2023, representing an increase of 7.4% as compared to that at the end of last year. In particular, the balance of allowances for impairment for distressed debt assets at amortised cost amounted to RMB50,292.0 million, representing an increase of 12.7% as compared to that at the end of last year; the balance of allowances for impairment for debt assets at amortised cost other than distressed debt assets amounted to RMB72,896.1 million, representing an increase of 4.0% as compared to that at the end of last year.

#### **4.2.2.1.6 Interests in associates and joint ventures**

The table below sets forth the major components of the interests of the Group in associates and joint ventures as at the dates indicated.

	<b>As at June 30, 2023</b>	As at December 31, 2022	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Interests in associates				
Cost of investments in associates	<b>43,691.0</b>	11,134.1	32,556.9	292.4%
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	<b>(552.3)</b>	(589.1)	36.8	(6.2%)
Less: Allowance for impairment losses	<b>(3,654.7)</b>	(2,927.2)	(727.5)	24.9%
<b>Subtotal</b>	<b>39,484.0</b>	7,617.8	31,866.2	418.3%

	<b>As at June 30, 2023</b>	As at December 31, 2022	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Interests in joint ventures				
Cost of investments in joint ventures	<b>6,181.7</b>	6,064.4	117.3	1.9%
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	<b>(459.4)</b>	(292.7)	(166.7)	57.0%
Less: Allowance for impairment losses	<b>(3,948.6)</b>	(3,816.7)	(131.9)	3.5%
<b>Subtotal</b>	<b>1,773.7</b>	1,955.0	(181.3)	(9.3%)
<b>Total</b>	<b>41,257.7</b>	9,572.8	31,684.9	331.0%

As at December 31, 2022 and June 30, 2023, the interests of the Group in associates and joint ventures amounted to RMB9,572.8 million and RMB41,257.7 million, respectively, representing an increase of 331.0%, mainly because the Group recognised interests in associates accordingly following the successful implementation of significant investments by grasping special opportunities.

#### **4.2.2.2 Liabilities**

As at December 31, 2022 and June 30, 2023, the total liabilities of the Group amounted to RMB906,946.6 million and RMB895,645.9 million respectively, mainly include: (i) borrowings, including those from banks and other financial institutions; and (ii) bonds and notes issued.

##### **4.2.2.2.1 Borrowings**

As at December 31, 2022 and June 30, 2023, the balance of borrowings of the Group amounted to RMB629,496.0 million and RMB635,695.4 million, respectively, representing an increase of 1.0%. Among them, the proportion of long-term borrowing increased by 0.8 percentage point compared with the end of last year, and the liability structure was further optimized.

##### **4.2.2.2.2 Bonds and notes issued**

As at December 31, 2022 and June 30, 2023, the balance of the Group's bonds and notes issued amounted to RMB189,859.8 million and RMB182,958.8 million, respectively, representing a decrease of 3.6%, mainly due to maturity of bonds payable.



### ***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 makes provision, in proper time 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 does 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 legal liability is remote or that any legal liability incurred will not have a material adverse effect on its financial condition or operating results.

As at June 30, 2023, total claim amount of pending litigations was RMB6,377 million (December 31, 2022: RMB6,459 million) for the Group (as defendant). The Group made no provision for estimated liabilities (December 31, 2022: RMB10.28 million) based on court judgments and lawyer's opinions. The Company believes that the final result of these legal proceedings 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 shareholders' 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 following table sets forth the total income and profit/(loss) before tax from each of business segments of the Group's continuing operations for the periods indicated.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<i>(in millions of RMB, except for percentages)</i>			
	<b>Amount</b>	<b>Percentage</b>	Amount	Percentage
<b>Total income</b>				
Distressed asset management segment	<b>32,664.8</b>	<b>91.6%</b>	13,967.3	94.7%
Financial services segment	<b>2,985.7</b>	<b>8.4%</b>	3,216.8	21.8%
Asset management and investment segment	<b>1,179.6</b>	<b>3.3%</b>	(1,062.9)	(7.2%)
Inter-segment elimination	<b>(1,181.3)</b>	<b>(3.3%)</b>	(1,379.4)	(9.3%)
<b>Total</b>	<b><u>35,648.8</u></b>	<b><u>100.0%</u></b>	<u>14,741.8</u>	<u>100.0%</u>
<b>Profit/(loss) before tax</b>				
Distressed asset management segment	<b>4,183.3</b>	<b>(88.6%)</b>	(15,404.5)	64.1%
Financial services segment	<b>325.4</b>	<b>(6.9%)</b>	675.2	(2.8%)
Asset management and investment segment	<b>(9,052.9)</b>	<b>191.8%</b>	(9,034.4)	37.6%
Inter-segment elimination	<b>(176.0)</b>	<b>3.7%</b>	(267.5)	1.1%
<b>Total</b>	<b><u>(4,720.2)</u></b>	<b><u>100.0%</u></b>	<u>(24,031.2)</u>	<u>100.0%</u>

#### 4.3.1 Distressed Asset Management

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

Distressed asset management business is the core business of the Group and the primary source of income. In the first half of 2023, total assets from the distressed asset management segment were RMB679,419.4 million, accounting for 73.9% of the total assets of the Group's segments; total income from the distressed asset management segment was RMB32,664.8 million, accounting for 91.6% of the Group's total income.

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	2022
	<i>(in millions of RMB)</i>	
<b>Distressed debt asset management business of the Company</b>		
Acquisition cost of newly added distressed debt assets	<b>19,661.4</b>	22,408.3
Total income from distressed debt assets		
Operating income from distressed debt assets <sup>(1)</sup>	<b>8,073.3</b>	13,730.2
Financial advisory income from acquisition-and-restructuring business	<b>6.8</b>	17.0
	<u>8,080.1</u>	<u>13,747.2</u>
<b>Total</b>	<b><u>8,080.1</u></b>	<b><u>13,747.2</u></b>
<b>Policy-based DES business through commercial buyout of the Company</b>		
Dividend income from DES Assets	<b>121.8</b>	116.0
Net gains from the equity disposal of DES Assets	<b>111.7</b>	(29.0)
<b>Market-oriented DES business and special situations investment business of the Group<sup>(2)</sup></b>		
Income from market-oriented DES business and special situations investment business	<b>20,165.4</b>	(2,003.3)
<b>Distressed debt asset management business conducted by our subsidiaries</b>		
Income from distressed debt assets of		
Huarong Huitong Asset Management Co., Ltd.	<b>19.8</b>	23.3
<b>Distressed asset-based property development business conducted by our subsidiaries</b>		
Income from property sales and primary land development of		
Huarong Industrial	<b>237.4</b>	90.9

	As at <b>June 30,</b> <b>2023</b>	As at December 31, 2022
	<i>(in millions of RMB)</i>	
<b>Distressed debt asset management business of the Company</b>		
Gross amount of distressed debt assets <sup>(3)</sup>	<b>420,118.6</b>	444,874.1
Less: Allowance for impairment losses for distressed debt assets <sup>(4)</sup>	<b>46,312.8</b>	40,109.6
Net carrying amount of distressed debt assets	<b>378,523.8</b>	409,110.3

#### **Policy-based DES business through commercial buyout of the Company**

Carrying amount of DES Assets	<b>13,902.4</b>	13,601.8
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- (1) Operating income from distressed debt assets equals the sum of the Company's income from distressed debt assets and fair value changes on distressed debt assets, as shown in the consolidated financial statements.
- (2) Market-oriented DES business and special situations investment 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**”), Huarong Rongde and other subsidiaries.
- (3) Gross amount of distressed debt assets equals the sum of the Company's balance of distressed debt assets presented under financial assets at FVTPL, debt instruments at amortised costs and debt instruments at FVTOCI, as shown in the consolidated financial statements.
- (4) 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 amortised costs and at FVTOCI, as shown in the consolidated financial statements, of which, the allowance for impairment losses for distressed debt assets is presented under the debt instruments at FVTOCI as a part of the investment revaluation reserve, which 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 bidding, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of 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 maintains and increases the value of assets through disposal or restructuring to obtain cash proceeds or retain assets with operational value. The Company primarily finances its acquisition of distressed debt assets through its own fund, commercial bank borrowings and bond issuance.

#### 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 from financial institutions ("FI Distressed Assets"); and (ii) distressed assets 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.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
	<i>(in millions of RMB, except for percentages)</i>			
<b>Acquisition cost of newly added distressed debt assets</b>				
FI Distressed Assets	<b>10,837.0</b>	<b>55.1%</b>	20,174.3	90.0%
NFE Distressed Assets	<b>8,824.4</b>	<b>44.9%</b>	2,234.0	10.0%
<b>Total</b>	<b><u>19,661.4</u></b>	<b><u>100.0%</u></b>	<b><u>22,408.3</u></b>	<b><u>100.0%</u></b>
<b>Operating income from distressed debt assets for the period<sup>(1)</sup></b>				
FI Distressed Assets	<b>(148.6)</b>	<b>(1.8%)</b>	3,482.7	25.4%
NFE Distressed Assets	<b>8,221.9</b>	<b>101.8%</b>	10,247.5	74.6%
<b>Total</b>	<b><u>8,073.3</u></b>	<b><u>100.0%</u></b>	<b><u>13,730.2</u></b>	<b><u>100.0%</u></b>
<b>As at June 30, 2023</b> <b>As at December 31, 2022</b>				
<i>(in millions of RMB, except for percentages)</i>				
<b>Gross amount of distressed debt assets at the end of the period<sup>(2)</sup></b>				
FI Distressed Assets	<b>195,074.1</b>	<b>46.4%</b>	202,321.0	45.5%
NFE Distressed Assets	<b>225,044.5</b>	<b>53.6%</b>	242,553.1	54.5%
<b>Total</b>	<b><u>420,118.6</u></b>	<b><u>100.0%</u></b>	<b><u>444,874.1</u></b>	<b><u>100.0%</u></b>

(1) Operating income from distressed debt assets equals the sum of the Company's income from distressed debt assets and fair value changes on distressed debt assets, as shown in the consolidated financial statements.

(2) Gross amount of distressed debt assets equals the sum of the Company's balance of distressed debt assets presented under financial assets at FVTPL, debt instruments at amortised costs and debt instruments at FVTOCI, 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 sold by 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 types of financial institution based on acquisition costs for the dates indicated.

	<b>For the six months ended June 30,</b>			
	<b>2023</b>		<b>2022</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
	<i>(in millions of RMB, except for percentages)</i>			
<b>Banking</b>				
Large commercial banks	<b>1,786.9</b>	<b>16.5%</b>	1,745.2	8.7%
Joint stock commercial banks	<b>5,691.3</b>	<b>52.5%</b>	4,625.4	22.9%
City and rural commercial banks	<b>1,874.9</b>	<b>17.3%</b>	2,050.7	10.2%
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Subtotal</b>	<b>9,353.1</b>	<b>86.3%</b>	8,421.3	41.8%
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Non-banking financial institutions</b>	<b>1,483.9</b>	<b>13.7%</b>	11,753.0	58.2%
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Total</b>	<b>10,837.0</b>	<b>100.0%</b>	20,174.3	100.0%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

#### 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 debt assets 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

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

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,				
	2023		2022		
	Amount	Percentage	Amount	Percentage	
	<i>(in millions of RMB, except for percentages)</i>				
<b>Acquisition cost of newly added distressed debt assets</b>					
Acquisition-and-disposal	11,380.8	57.9%	17,460.1	77.9%	
Acquisition-and-restructuring	8,280.6	42.1%	4,948.2	22.1%	
<b>Total</b>	<b>19,661.4</b>	<b>100.0%</b>	<b>22,408.3</b>	<b>100.0%</b>	
<b>Income from distressed debt assets for the period</b>					
Acquisition-and-disposal <sup>(1)</sup>	(1,277.1)	(15.8%)	2,875.5	20.9%	
Acquisition-and-restructuring <sup>(2)</sup>	9,357.2	115.8%	10,871.7	79.1%	
<b>Total</b>	<b>8,080.1</b>	<b>100.0%</b>	<b>13,747.2</b>	<b>100.0%</b>	
		<b>As at June 30, 2023</b>	<b>As at December 31, 2022</b>		
		<i>(in millions of RMB, except for percentages)</i>			
<b>Gross amount of distressed debt assets at the end of the period</b>					
Acquisition-and-disposal <sup>(3)</sup>	178,160.3	42.4%	182,951.0	41.1%	
Acquisition-and-restructuring <sup>(4)</sup>	241,958.3	57.6%	261,923.1	58.9%	
<b>Total</b>	<b>420,118.6</b>	<b>100.0%</b>	<b>444,874.1</b>	<b>100.0%</b>	

(1) The income from acquisition-and-disposal distressed debt assets is the Company's fair value changes on acquisition-and-disposal 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, financial advisory income from acquisition-and-restructuring business presented under commission and fee income, and fair value changes on acquisition-and-restructuring distressed debt assets, 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 acquisition-and-disposal 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 balance of acquisition-and-restructuring distressed debt assets presented under debt instruments at amortised cost, financial assets at FVTPL and debt instruments at FVTOCI, as shown in the consolidated financial statements.

#### 4.3.1.1.2.1 Acquisition-and-disposal business

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 flexibly 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, DES, 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 a professional distressed asset management company, the Company's core competitive advantage under the acquisition-and-disposal business is our ability to price and professionally dispose of distressed assets, which has been accumulated from the long-term market operation.

Employing CITIC Group's superiority in parallel development of industry and finance, the Company has explored more opportunities in deepening collaborative risk mitigation and the transformation of the core business, actively participated in the primary market, and maintained a leading market share.

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(in millions of RMB, except for percentages)</i>	
Gross amount of distressed debt assets at the beginning of the period	<b>182,951.0</b>	179,934.8
Acquisition cost of newly added distressed debt assets	<b>11,380.8</b>	17,460.1
Gross amount of distressed debt assets disposed	<b>12,971.4</b>	13,019.9
Gross amount of distressed debt assets at the end of the period <sup>(1)</sup>	<b>178,160.3</b>	183,472.7
Net gains or losses from distressed debt assets <sup>(2)</sup>		
Realized gains	<b>1,923.0</b>	3,777.8
Unrealized fair value changes	<b>(3,200.1)</b>	(902.3)
<b>Total</b>	<b><u>(1,277.1)</u></b>	<b><u>2,875.5</u></b>
IRR on completed projects <sup>(3)</sup>	<b>6.2%</b>	10.2%

(1) Gross amount of distressed debt assets at the end of the period is the gross amount of the Company's acquisition-and-disposal distressed debt assets presented under financial assets at FVTPL, as shown in the consolidated 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, 2023		As at December 31, 2022	
	Amount	Percentage	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Yangtze River Delta <sup>(1)</sup>	39,763.1	22.3%	39,562.0	21.6%
Pearl River Delta <sup>(2)</sup>	31,653.0	17.8%	30,493.3	16.7%
Bohai Rim Region <sup>(3)</sup>	29,466.3	16.5%	30,744.3	16.8%
Central Region <sup>(4)</sup>	19,996.5	11.2%	21,776.5	11.9%
Western Region <sup>(5)</sup>	46,129.2	25.9%	48,952.1	26.8%
Northeastern Region <sup>(6)</sup>	11,152.2	6.3%	11,422.8	6.2%
<b>Total</b>	<b>178,160.3</b>	<b>100.0%</b>	<b>182,951.0</b>	<b>100.0%</b>

(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 and Inner Mongolia.

(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

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

#### 4.3.1.1.2.2 Acquisition-and-restructuring business

The Company's acquisition-and-restructuring business mainly includes liquidity support business and substantial restructuring operations. In particular, liquidity support business means focusing on enterprises with temporary liquidity issues, the Company adopts personalized and professional customized restructuring approaches to restructure the debt elements, match the debtor's solvency with the conditions of the elements of the adjusted debts, shift and mitigate credit risks, grant time and space for debt relief of enterprises, and help enterprises repair credit. Substantial restructuring operations mean focusing on enterprises suffering severe difficulty in finance or operation, the Company, alone or with other institutions, uses multiple methods to actually restructure and revitalize the assets, liabilities, equity, talents, technology, management and other elements of the enterprises, and builds a new production and operation model, in order to help the enterprises get rid of operational and financial difficulties, restore production and operation capacity and solvency, and pursue restructuring premiums under the premise of risk control. The Company's core competitive advantage under the acquisition-and-restructuring business is the ability to discover, reassess and enhance the overall value of the debts for the debtors through professional operation.

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	2022
	<i>(in millions of RMB, except for percentages)</i>	
Acquisition cost of newly added distressed debt assets	<b>8,280.6</b>	4,948.2
Income from distressed debt assets		
Operating income from distressed debt assets <sup>(1)</sup>	<b>9,350.4</b>	10,854.7
Financial advisory income	<b>6.8</b>	17.0
<b>Total</b>	<b><u>9,357.2</u></b>	<b><u>10,871.7</u></b>

Annualized return on monthly average gross amount of distressed debt assets (excluding financial advisory income) <sup>(2)</sup>	<b>7.4%</b>	7.2%
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	<b>As at</b>	As at
	<b>June 30,</b>	December 31,
	<b>2023</b>	2022
	<i>(in millions of RMB, except for percentages)</i>	

***Distressed debt assets presented under debt instruments at amortised cost and at FVTOCI***

Number of existing projects as of the end of the period (quantity)	<b>1,073</b>	1,171
Gross amount of distressed debt assets <sup>(3)</sup>	<b>241,301.9</b>	260,967.6
Allowance for impairment losses <sup>(4)</sup>	<b>(46,312.8)</b>	(40,109.6)
Net carrying amount of distressed debt assets <sup>(5)</sup>	<b>199,707.1</b>	225,203.9
Allowance to distressed debt assets ratio <sup>(6)</sup>	<b>19.2%</b>	15.4%
Gross amount of stage 3 distressed debt assets <sup>(7)</sup>	<b>106,436.8</b>	96,757.6
Allowance for impairment losses for stage 3 distressed debt assets <sup>(8)</sup>	<b>(37,475.7)</b>	(32,683.9)
Distressed debt assets collateral ratio <sup>(9)</sup>	<b>41.9%</b>	41.7%

***Acquisition-and-restructuring distressed debt assets presented under financial assets at FVTPL***

Number of existing projects as of the end of the period (quantity)	<b>1</b>	1
Balance of carrying amount of distressed debt assets <sup>(10)</sup>	<b>656.4</b>	955.5
Distressed debt assets collateral ratio <sup>(9)</sup>	<b>40.8%</b>	30.9%

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

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

(3) Gross amount of distressed debt assets is the sum of the Company's balance of distressed debt assets presented under debt instruments at amortised 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 amortised cost and at FVTOCI, as shown in the consolidated financial statements, of which, allowance for impairment losses for distressed debt assets presented under debt instruments at FVTOCI is presented 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 amortised costs 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 the balance of distressed debt assets which are classified as stage 3 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 are classified as stage 3.
- (9) Distressed debt assets collateral ratio equals the percentage of the total amount of distressed debt assets with collateral to the total appraised value of the collateral securing these assets.
- (10) The balance of carrying amount of distressed debt assets equals the Company's balance of acquisition-and-restructuring distressed debt assets presented under financial assets at FVTPL, as shown in the consolidated financial statements.

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.

	<b>As at June 30, 2023</b>		<b>As at December 31, 2022</b>	
	<b>Amount</b>	<b>Percentage</b>	<b>Amount</b>	<b>Percentage</b>
	<i>(in millions of RMB, except for percentages)</i>			
Yangtze River Delta <sup>(1)</sup>	<b>35,592.0</b>	<b>14.7%</b>	41,725.9	15.9%
Pearl River Delta <sup>(2)</sup>	<b>45,101.8</b>	<b>18.6%</b>	48,175.4	18.4%
Bohai Rim Region <sup>(3)</sup>	<b>32,498.1</b>	<b>13.4%</b>	35,740.5	13.6%
Central Region <sup>(4)</sup>	<b>54,211.8</b>	<b>22.4%</b>	56,469.1	21.6%
Western Region <sup>(5)</sup>	<b>62,572.9</b>	<b>25.9%</b>	66,157.7	25.3%
Northeastern Region <sup>(6)</sup>	<b>11,981.7</b>	<b>5.0%</b>	13,654.5	5.2%
<b>Total</b>	<b><u>241,958.3</u></b>	<b><u>100.0%</u></b>	<b><u>261,923.1</u></b>	<b><u>100.0%</u></b>

(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 and Inner Mongolia.

(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.

	<b>As at June 30, 2023</b>		As at December 31, 2022	
	<b>Amount</b>	<b>Percentage</b>	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Real estate	<b>110,934.6</b>	<b>45.8%</b>	119,273.5	45.6%
Construction	<b>26,233.6</b>	<b>10.8%</b>	29,878.3	11.4%
Leasing and commercial services	<b>25,245.8</b>	<b>10.4%</b>	27,080.9	10.3%
Manufacturing	<b>25,160.5</b>	<b>10.4%</b>	26,450.6	10.1%
Water, environment and public utilities management	<b>17,274.1</b>	<b>7.1%</b>	18,986.4	7.2%
Mining	<b>3,170.1</b>	<b>1.3%</b>	2,457.0	0.9%
Transportation, logistics and postal services	<b>1,629.5</b>	<b>0.7%</b>	2,194.9	0.8%
Others	<b>32,310.1</b>	<b>13.5%</b>	35,601.5	13.7%
<b>Total</b>	<b><u>241,958.3</u></b>	<b><u>100.0%</u></b>	<u>261,923.1</u>	<u>100.0%</u>

#### 4.3.1.2 Policy-based DES business through commercial buyout 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, mergers and acquisitions, restructuring and listing of DES Companies and realizes the appreciation of DES Assets. The Company's DES Assets are classified as Unlisted DES Assets and Listed DES Assets. As at June 30, 2023, the Company held Unlisted DES Assets in 94 DES Companies, with carrying amount of RMB10,209.8 million; and Listed DES Assets in 7 DES Companies, with carrying amount of RMB3,692.5 million.

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

	<b>As at June 30, 2023</b>	As at December 31, 2022
	<i>(in millions of RMB, except for number of companies)</i>	
Composition of existing DES Assets portfolio		
Number of DES companies	<b>101</b>	105
Unlisted	<b>94</b>	96
Listed	<b>7</b>	9
Carrying amount	<b>13,902.3</b>	13,601.8
Unlisted	<b>10,209.8</b>	9,676.3
Listed	<b>3,692.5</b>	3,925.5

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(in millions of RMB, except for number of companies)</i>	
Number of DES Companies disposed	<b>4</b>	4
Net gains on DES Assets disposed	<b>111.7</b>	(29.0)
Acquisition cost of DES Assets disposed	<b>97.8</b>	565.9
Exit multiple of DES Assets disposed <sup>(1)</sup>	<b>2.1 times</b>	0.9 time
Dividend income from DES Companies	<b>121.8</b>	116.0

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

#### **4.3.1.3 Market-oriented DES business and special situations investment business of the Group**

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: (i) The model of "issuing shares for repaying debts": The Group subscribes for shares issued by target companies and the proceeds arising therefrom are used exclusively for the purpose of repaying the debts of target companies, to effectively support the development of the real economy. (ii) The model of "changing debt collection to equity": The Group helps real enterprise clients ease liquidity problems and helped enterprises "de-leverage" by changing debt collection to equity. (iii) The model of "offsetting debts with equity": An enterprise implements debt restructuring to help real enterprises reduce debts and ease liquidity problems through offsetting debts with high-quality equity assets including equity of listed companies.

The Group conducts our special situations investment business through the Company, Huarong Rongde and other subsidiaries. The Group's special situations investment business invests through debt, equity, mezzanine capital or convertible bonds in assets with value appreciation potential and enterprises with short-term liquidity issues or high leverage ratios or capital to be supplemented, which the Group has identified during the course of its distressed asset management business. Through debt restructuring, asset restructuring, business restructuring, management restructuring and strategic cooperation, 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.

In the first half of 2023, the Group successfully implemented significant investments by grasping special opportunities, deepened business synergy, and strengthened equity asset management. Coupled with the impact of capital market rebound, the Group's revenue from market-oriented DES business and special situations investment business increased by RMB22,168.7 million from RMB-2,003.3 million in the first half of 2022 to RMB20,165.4 million in the first half of 2023.

#### 4.3.1.4 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 2022 and the first half of 2023, revenue from property development business of Huarong Industrial amounted to RMB90.9 million and RMB237.4 million, respectively.

#### 4.3.2 Financial Services

The Group's continuing operations financial services segment is financial leasing business. Huarong Financial Leasing focuses on five major advantageous businesses including "green energy, environmental engineering, shipping, equipment manufacturing and manufacturer leasing", strengthens marketing, adjusts structure and controls risks to maintain a leading position in the industry in terms of operation and management level. As at December 31, 2022 and June 30, 2023, the total assets of Huarong Financial Leasing amounted to RMB107,899.6 million and RMB112,308.8 million, respectively; in the first half of 2022 and the first half of 2023, the profit before tax of Huarong Financial Leasing amounted to RMB674.0 million and RMB325.4 million, respectively.

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
Profitability indicators		
Annualized ROAA <sup>(1)</sup>	<b>0.5%</b>	0.9%
Annualized ROAE <sup>(2)</sup>	<b>2.9%</b>	5.5%

	<b>As at June 30, 2023</b>	As at December 31, 2022
Asset quality indicators		
Distressed asset ratio <sup>(3)</sup>	<b>2.12%</b>	2.10%
Provision coverage ratio <sup>(4)</sup>	<b>193.6%</b>	167.9%
Capital adequacy indicators		
Core capital adequacy ratio <sup>(5)</sup>	<b>15.6%</b>	16.5%
Capital adequacy ratio <sup>(5)</sup>	<b>16.7%</b>	17.6%

- (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) Distressed asset ratio equals the balance of distressed assets divided by the sum of the finance lease receivables and receivables arising from sales and leaseback arrangements. Distressed assets are defined as those initially recognised finance lease receivables or receivables arising from sales and leaseback arrangements 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 or receivables arising from sales and leaseback arrangements 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 the NAFR.

The business of Huarong Financial Leasing mainly involves water, environment and public utilities management, manufacturing, leasing and commercial services, transportation, logistics, postal services and other industries. The table below sets forth the components of the finance lease receivables and receivables arising from sales and leaseback arrangements of Huarong Financial Leasing by industry as at the dates indicated.

	<b>As at June 30, 2023</b>		As at December 31, 2022	
	<b>Amount</b>	<b>Percentage</b>	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Manufacturing	<b>16,153.0</b>	<b>16.4%</b>	13,835.6	15.1%
Water, environment and public utilities management	<b>44,769.4</b>	<b>45.4%</b>	39,888.2	43.6%
Transportation, logistics and postal services	<b>8,645.8</b>	<b>8.8%</b>	9,153.8	10.0%
Construction	<b>2,682.1</b>	<b>2.7%</b>	3,153.3	3.5%
Mining	<b>1,764.6</b>	<b>1.8%</b>	1,788.6	2.0%
Leasing and commercial services	<b>11,300.8</b>	<b>11.5%</b>	9,375.3	10.3%
Others	<b>13,230.7</b>	<b>13.4%</b>	14,196.6	15.5%
<b>Total</b>	<b><u>98,546.4</u></b>	<b><u>100.0%</u></b>	<b><u>91,391.4</u></b>	<b><u>100.0%</u></b>

### 4.3.3 Asset Management and Investment Business

In the first half of 2022 and the first half of 2023, the income from asset management and investment segment was RMB-1,062.9 million and RMB1,179.6 million, respectively, and the profit before tax was RMB-9,034.4 million and RMB-9,052.9 million, respectively.

The Group conducts its international business mainly through Huarong International and other overseas subsidiaries. As at December 31, 2022 and June 30, 2023, the total assets of Huarong International amounted to RMB164,230.9 million and RMB160,239.4 million, respectively. In the first half of 2023, the total income from Huarong International amounted to RMB3,619.4 million, representing a year-on-year increase of 30.0%.

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

	<b>For the six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	<i>(in millions of RMB)</i>	
<b>International business</b>		
Total income of Huarong International	<b>3,619.4</b>	2,783.8
	<b>As at</b>	<b>As at</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2023</b>	<b>2022</b>
	<i>(in millions of RMB)</i>	
<b>International business</b>		
Total assets of Huarong International	<b>160,239.4</b>	164,230.9

### 4.3.4 Business Synergy

In the first half of 2023, focusing on the “One-Three-Five” strategic objectives, the Company fully integrated into the overall development pattern of CITIC Group, deeply implemented the synergy strategy of CITIC Group and gave full play to its functions. The Company deepened the development of the business synergy mechanism, innovated the business synergy model and continued to expand the depth and width of business synergy based on the preliminary results achieved from previous business synergy. Leveraging CITIC Group’s advantages in parallel development of industry and finance, the Company improved the quality and effectiveness of business synergy, promoted the implementation of a series of core business synergy projects, reinforced the synergy between the industry and the finance sector, helped enterprises relieve their difficulties and served the high-quality development of the real economy while achieving integrated and synergetic development.



### 4.3.5 Human Resources Management

#### Human resources management

In the first half of 2023, the Group closely focused on business operation and development, and strived to strengthen the construction of teams of high-quality and professional talents. The Group has been constantly improving the construction of the organization and personnel mechanism, continuously deepening the reform of systems and mechanisms, effectively stimulating the endogenous development motivation, promoting and implementing the institutional reform of the headquarters and the optimization and integration of non-financial subsidiaries in a smooth and orderly manner. Also, the Group improved the positive incentive and restraint mechanism featuring openness, transparency, scientificity and rationality, enhanced the cultivation and training of employees, promoted resource coordination, enriched training methods and paid attention to improving the ability of cadres and employees to perform their duties and their professional quality so as to provide strong personnel guarantee for achieving the “One-Three-Five” strategic objectives. Caring for cadres and employees, the Company actively responded to employees’ concerns, protected employees’ individual interests, encouraged employees to take responsibility, and constantly enhanced the cohesiveness and combat effectiveness of our team, showing new atmosphere, new actions and new progress of the Company.

#### Employees

As of June 30, 2023, the Group had a total of 4,061 employees. The Group’s employees have more than 50 types of professional qualifications, including certified public accountant, sponsor representative, attorney, financial risk manager, asset appraiser, tax accountant, chartered financial analyst, banking practice qualification, securities practice qualification and fund practice qualification.

The table below sets forth the number of employees of the Group by age as of June 30, 2023.

	<b>Number</b>	<b>Proportion (%)</b>
Aged 35 and below	1,606	39.5%
Aged 36–45	1,456	35.9%
Aged 46–55	735	18.1%
Aged 56 and above	264	6.5%
<b>Total</b>	<b>4,061</b>	<b>100%</b>

The table below sets forth the number of employees of the Group by education level as of June 30, 2023.

	<b>Number</b>	<b>Proportion (%)</b>
Doctoral degree or doctoral candidate, and above	93	2.3%
Master’s degree or master candidate	1,958	48.2%
Bachelor’s degree or undergraduate	1,821	44.8%
Junior college and below	189	4.7%
<b>Total</b>	<u>4,061</u>	<u>100%</u>

### **Remuneration policy**

The Group’s remuneration management is combined with the Company’s strategies, business development and talent introduction, based on business performance, coordinating the external competitiveness and internal fairness of compensation, strengthening the correlation between employee compensation and performance, effectively stimulating employee enthusiasm and cohesion, and promoting the Company’s sustainable and healthy development. We improved the business performance appraisal system, continued to strengthen the incentive and restraint mechanism oriented by 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 principles of matching revenue and risks, and coordinating long-term and short-term incentives.

### **Education and training**

The Group implemented the “14th Five-Year” *Talent Development Plan of China Huarong*, intensified talent cultivation, and carried out professional ability training such as customer marketing, business review, risk, finance, audit through off-the-job training, thematic lectures, video training, etc., so as to enhance the operational skills of business personnel in the whole process. We continued to deepen ideological and political education and learning, covering various aspects such as theoretical training, ideals and beliefs, so as to effectively improve the ability of solving practical problems. We made efforts to cultivate two types of key talents, namely, excellent young management talents and excellent young backbone talents, so as to strengthen the reserve of talents. We revised the *Management Measures for Staff Education and Training of China Huarong* to improve the mechanism of training management, and regulate the organization and implementation of education and training. We strengthened the construction of the online learning platform, broadened the channels of learning, enriched the forms of learning, and facilitated the sharing of experience, so as to create a learning organization.

#### **4.3.6 No Material Changes**

Save as disclosed in the previous annual report, there are no material events affecting the Company’s performance that are required to be disclosed under Appendix 16 of the Listing Rules.

## **4.4 Risk Management**

In the first half of 2023, in accordance with the general idea of “consolidating foundation, seeking progress while maintaining stability and improving quality and efficiency”, the Group actively integrated into CITIC Group’s comprehensive risk management system, strengthened the asset quality management and control and risk disposal and resolution, optimized the risk management mechanism and tools, and made every effort to improve risk management and control capabilities in line with the objectives and requirements of the “One-Three-Five” strategic planning.

### ***4.4.1 Comprehensive Risk Management System***

Comprehensive risk management refers to, centering on the overall operational objectives, the process and method for the establishment of a risk governance structure with effective checks and balances, the fostering of excellent risk concepts, and the formation and implementation of unified risk management strategies, risk appetite, risk limits and risk management policies by adoption of both qualitative and quantitative methods to effectively identify, measure, assess, monitor, report, control or mitigate various risks, in order to provide a guarantee for achieving the operational and strategical objectives.

In the first half of 2023, the Group continuously enhanced the construction of risk management system and capabilities and the foundation of comprehensive risk management, further optimized the organizational structure of risk management, established the Evaluation Management Department (post-investment management department) to strengthen post-project management, and further clarified the management structure of “risk, law, compliance, review, post-investment and assessment” in the comprehensive middle office risk sector. Through the implementation of vertical management by the risk director, the independence, professionalism and authority of the risk director will be enhanced, and the risk management mechanism will be extended downward; improved the mechanism of risk appetite policy formulation and transmission implementation, implemented differentiated authorization based on the standards of location, quality, and people, gave play to the role of the “professional, expert-based and specialized” independent review and approval mechanism, and implemented project approval and filing, re-examination, pre-review mechanism for review and post-investment programs, refined the requirements for revisiting management of business units; increased risk mitigation efforts, optimized the settings of the Asset Preservation Department, strengthened overall management of risk disposal work, carried out solid collection and resolution of assets with hidden risks, and implemented the work mechanism of preventing assets quality from deterioration; strengthened capital and liquidity management, adhered to the bottom lines of capital compliance and liquidity safety; continued to promote risk data governance and system construction, so as to improve data quality and efficiency.

### ***4.4.2 Credit Risk Management***

Credit risk refers to the loss due to the failure of debtors or counterparties to perform their contractual obligations or adverse changes in their credit status. Credit risk of the Group mainly involves the distressed debt acquisition and restructuring business, financial leasing business, etc.

In accordance with the regulatory requirements and the actual development, the Group has always attached great importance to the construction of credit risk management system, continuously improved the credit risk management system, mechanism construction and tool expansion, and improved the quality of credit risk identification, monitoring, measurement, analysis and reporting by virtue of post-evaluation. At the same time, the Group improved management functions and promoted management efficiency by promoting the development of credit risk management information system.

In the first half of 2023, the Group continuously strengthened the whole-process management and control before, during and after investment, and improved management systems and mechanisms. The Group improved the requirements of access management according to business types and promoted the unification of risk appetite in the front, middle and back office; actively responded to internal and external risk challenges, constantly strengthened risk monitoring and asset quality control, defined short-term and medium and long-term risk control objectives, formulated differentiated management policies, strengthened the supervisory function of the line management departments at headquarters, resolved and implemented the tasks on the principle of one policy for one account, and strictly prevented the asset quality from deterioration; further optimized the impairment measurement and internal rating model, and improved the system functions such as the early warning and project inspection, so as to provide support and guarantee for the risk management.

In the first half of 2023, the Group actively carried out the risk disposal and resolution work, and developed guidance on promoting high-quality risk resolution focusing on the tasks of “reducing exposure, receiving cash, controlling distressed assets, and reducing losses”. The Group implemented risk asset inventory management, promoted risk resolution based on the risk profile classification of projects, and further strengthened the risk resolution. Meanwhile, the Group continuously improved the incentive mechanism for assessment, intensified efforts on synergy and resolution, and improved the effectiveness of risk disposal and resolution. In the first half of the year, the Group achieved positive results in risk disposal, with new highs recorded in the scale of risk reduction and cash settlement as compared with the same period of previous years, and ultimate disposal conducted for a number of key projects.

#### ***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 Group’s market risk primarily relates to such investment business as stocks and bonds and changes in exchange rates.

In the first half of 2023, the Group continuously enhanced the market risk management, improved the market risk management mechanism, strengthened the tracking analysis and monitoring reports on market changes in stocks, bonds and foreign exchange, and provided early warning and reminders for major risks.

With regard to stock risk, the Group comprehensively analyzed and judged the capital market and the development trends of listed companies, conducted compliance and effective management of stock investment, and strictly complied with the regulatory requirements for disposal operations and public information disclosure. Through various means, including real-time market value monitoring, regular stress tests, market-oriented management via entrusting professional bodies and improvement of emergent risk disposal mechanism, the Group effectively managed and controlled risks to promote value preservation and appreciation of state-owned assets.

With regard to interest rate risk, the Group continuously improved the interest risk management mechanism, revised the Guideline on Management of Interest Rate Risks of Non-trading Accounts of China Huarong (《中國華融非交易賬簿利率風險管理指引》) and other management system, further defined the organizational structure and responsibility system, optimized management process and method and carried out the measurement, monitoring and analysis of interest rate risks on a regular basis to continuously enhance its capability to cope with interest rate risks.

With regard to exchange rate risk, the Group, operating mainly in China, adopted Renminbi as the recording currency. The foreign exchange funds raised were settled and used flexibly according to the use of funds. Some overseas subsidiaries issued USD bonds and carried out overseas businesses, and relevant investments were mainly stated in USD or HK\$ linked with the USD exchange rate. The Group regularly monitored its foreign exchange risk exposure, effectively controlled foreign exchange risks mainly by means of currency matching of assets and liabilities, and hedged foreign exchange risks through hedging instruments.

#### ***4.4.4 Liquidity Risk Management***

Liquidity risk refers to the risk associated with the failure to promptly obtain sufficient funds at a reasonable cost to repay mature debts, perform other payment obligations, and support other funding requirements for normal business development. The Group's liquidity risks arise primarily from the delay in payment by its debtors, mismatch of asset and liability term structure, difficulty in asset monetization, operational loss, lack of quality liquidity reserves, and the inability of financing capacity to meet the needs of business development.

In the first half of 2023, the Group reasonably grasped the guidance of monetary and regulatory policies, closely monitored the market liquidity situation, and strictly carried out risk monitoring and control, and the overall liquidity was sufficient and the liquidity risk was basically under control. The methods for monitoring and controlling liquidity risks of the Group mainly include indicator monitoring, early warning management, stress test and contingency plans. The Group set up and monitored liquidity risk indicators according to regulatory requirements and the Company's actual situation to dynamically monitor, analyze and control liquidity risks; strictly implemented the liquidity risk limit management policy; conducted regular stress tests for liquidity risks, improved hypothetical scenarios and test models; optimized and improved liquidity risk contingency plans, and continuously optimized early-warning management and mitigation mechanisms for liquidity risks.

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 the terms 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 liquidity safety through the setup of target leverage ratio complying with regulatory requirements. The Group improved a working capital planning system, refined the way of fund position management, rationalized the scale and structure of provision, and made full use of the internal fund transfer pricing system to speed up turnover of funds and improve the fund utilization efficiency. Besides, the Group constantly expanded financing channels and consolidated multi-term, multi-variety and market-oriented financing methods, which were mainly inter-bank loans and bond issuance, and complemented by interbank borrowing and pledge-style repo, to continuously optimize the financing structure and lengthen the duration of liabilities.

#### ***4.4.5 Operational Risk Management***

Operational 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 2023, the Group reasonably determined operational risk appetite and limit policy, strengthened process management and control, conducted identification and evaluation work of operational risk in combination with the actual work, and promoted the Company's realization of the objectives for operational risks management 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 legal risk prevention and control system covering all processes, all systems and all directions, continuously improved the legal work system, kept optimizing the legal review process, continuously strengthened contract management, intensified legal risk prevention and control, promoted the innovation of case management mechanism, and comprehensively prevented and controlled legal risks in business management activities.

The Group continued to improve the prevention mechanism of information technology risks to ensure network security and stable operation of information system, and there was no material network security event occurred. The Group firmly specified the main responsibility of network security and data security management, and started to improve the level of security management in sectors including outsourcing management, network security and application, data security, development security, and operation and maintenance management. The Group built up the network security operation system, and carried out network security operation work, such as security monitoring, on duty, penetration test, risk assessment, security enhancement and vulnerability fix.

#### ***4.4.6 Reputational Risk Management***

Reputational risk refers to the risk of receiving negative comments of relevant interested parties such as customers, employees, Shareholders, investors, media and regulators on the Group resulting from operations, management and other activities or external events.

In the first half of 2023, the Group's reputational risk management has been carried out in an orderly manner, enhanced the sensitivity and initiative of reputational risk management based on the management principles of proactiveness, prudence, full process and full coverage, identified potential reputational risks in a timely manner, proactively took measures to prevent, control and resolve reputational risks, and maintained the overall stability of the public opinion environment, which practically maintained the reputation and brand image of the Company.

#### ***4.4.7 Internal Audit***

The Company has established an independent internal audit department, which effectively performs its internal audit and supervision duties under the leadership of the Company's Party Committee, the Board and its Audit Committee. The internal audit department is responsible for independent and objective supervision, evaluation and suggestions on conditions such as financial revenues and expenditures, operations, internal control, risk management, and the performance of economic responsibilities by relevant personnel, and reports to the Party Committee, the Board or the Audit Committee of the Board and the Board of Supervisors if material problems are discovered during the audits.

In the first half of 2023, the Company's internal audit department continued to focus on the Company's strategic deployment, carrying 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 with regard to their performance. The Company's internal audit system continued to improve, line management continued to strengthen, research-based audit was deeply practiced, audit rectification continued to deepen, audit team construction was further strengthened, and internal audit work achieved new development.

#### ***4.4.8 Anti-money Laundering Work***

The Group, in compliance with the anti-money laundering laws and regulations, actively fulfilled its statutory obligations of anti-money laundering, and continuously improved its anti-money laundering management system and working mechanism to promote and ensure the effective enforcement of the laws and regulations regarding anti-money laundering and relevant rules of the Company.

In the first half of 2023, the Group implemented the regulatory requirements and completed the 2022 Annual Report on Anti-Money Laundering and Anti-Terrorist Financing, the 2022 Annual Self-assessment Report on Money Laundering Risks, the 2022 Report on Anti-money Laundering and Anti-terrorist Financing Work and the 2023 Work Plan Report. The Group continued to strengthen the construction of the anti-money laundering system, formulated the first version of the list of customer types and embedded it into the information system to promote the improvement of system rigidity control. The Group conducted anti-money laundering training in accordance with regulatory requirements to enhance anti-money laundering awareness and money laundering risk prevention and control capacities among all staff, and submitted the relevant training publicity information to the regulatory authorities on a quarterly basis.

### **4.5 Capital Management**

In the first half of 2023, the Company earnestly implemented the spirit of the regulation, adhered to "focusing on the core business and returning to the source", accurately and effectively allocated resources, actively seized special investment opportunities, accelerated mitigation of risk, and continuously optimized business layout and asset structure. According to the Capital Management Measures for Financial Asset Management Companies (Trial) (Yin Jian Fa [2017] No. 56) (《金融資產管理公司資本管理辦法(試行)》(銀監發[2017]56號)) and other relevant regulations, the Company continuously deepened the concept of capital constraint, optimized the capital management system and strived to improve the efficiency of capital utilization.

As at December 31, 2022 and June 30, 2023, the capital adequacy ratios of the Company were 15.07% and 14.96%, respectively.

As at December 31, 2022 and June 30, 2023, the leverage ratios<sup>1</sup> of the Company were 16.1:1 and 16.6:1, respectively.

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

## 4.6 Development Outlook

Looking ahead to the second half of the year, the inflation in developed economies is expected to ease; the tightened policies adopted by central banks in countries to fight inflation and the resulting contraction in demand continue to be a drag on the global economy. Lying ahead of the global economic recovery are risks and challenges, some sovereigns' exposure to potential increase in debt stress, and the increased uncertainty about the Russia-Ukraine war.

Despite the increasingly complex and severe external environment, the Chinese economy enjoys strong resilience, tremendous potential and wide room for maneuver. The fundamentals sustaining its long-term growth have remained strong. To put the spirit of the meeting of the Political Bureau of the Central Committee into practice, China will adhere to the general principle of seeking progress while maintaining stability, intensify control through macroeconomic policy, strengthen coordination between the policies implemented by various departments, implement proactive fiscal policy and prudent monetary policy, and promote a sustained improvement of economic operation in a coordinated manner. With the proactive fiscal policy reinforced, China will maintain a relatively high fiscal expenditure, continuously improve the effectiveness and efficiency of the fiscal policy, focus on the key tasks for achieving Chinese modernization, and further enhance the precision of the policy efforts to advance the high-quality development of the economy. With the prudent monetary policy becoming more precise and operative, China will enhance cross-cycle adjustment and give better play to the functions of structural monetary policy tools in adjusting total credit amount and credit structure. It will also support domestic demand expansion, to further prop up the real economy.

Through the lens of the distressed asset industry, the overall operation of China's financial industry remains stable and the risks are generally controllable; however, the imbalances in regional economic development are further highlighted, and small and medium-sized financial institutions are exposed to regional concentration risk. In the second half of the year, the regulators will lead financial institutions to increase efforts for disposal of distressed assets, coordinate the reform of small and medium-sized banks, insurance and trust institutions, and enhance management of the debt owed by local governments to strictly control the new hidden debts, in a bid to nip risk in the bud and promptly prevent the spreading of risks. Regulators are expected to further strengthen guidance and support for AMCs through favorable policies, which help financial asset managers to enhance risk mitigation capability and efficiency. Meanwhile, AMCs are further required to resolve risks in a global, overall, and timely manner, which has imposed higher requirements for them to build their core competence.

In the second half of 2023, guided by the spirit of the 20th National Congress of the Communist Party of China, the Company will resolutely follow the important spirit of the Central Economic Work Conference and stay focused on the general idea of "consolidating foundation, seeking progress while maintaining stability and improving quality and efficiency" and the "One-Three-Five" strategical objectives. With a strong emphasis on party building, development, reform, quality, and work style, the Company is committed to proactively implementing its strategies, transforming its business philosophy, enhancing its management efficiency, and fostering team collaboration. These efforts will enable Huarong to evolve into a "trustworthy, professional and esteemed" enterprise. The Company will capitalize on the momentum with unshakeable confidence, fully leverage CITIC Group's advantages in the parallel development of industry and finance, and cultivate specialized strengths in niche markets to build a distinctive and differentiated AMC and effectively improve the effectiveness of its support for the real economy.



## 5 Changes in Share Capital and Information on Substantial Shareholders

### 5.1 Changes in Share Capital

As at June 30, 2023, the share capital of the Company was as follows:

Class of Shares	Number of Shares	Approximate percentage to the total issued share capital
Domestic Share(s)	44,884,417,767	55.93%
H Share(s)	35,362,261,280	44.07%
Total	80,246,679,047	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, 2023, the Company received notices from the following persons about their disclosable 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 (%) <sup>(1)</sup>	Approximate percentage to the total share capital of the Company (%) <sup>(2)</sup>
CITIC Group Corporation <sup>(3)</sup> MOF <sup>(3)</sup>	Domestic Shares	Beneficial owner	21,230,929,783 (L)	47.30 (L)	26.46 (L)
	Domestic Shares	Beneficial owner	7,493,684,063 (L)	16.70 (L)	9.34 (L)
	H Shares	Beneficial owner	12,376,355,544 (L)	35.00 (L)	15.42 (L)
China Life Insurance (Group) Company <sup>(4)</sup>	Domestic Shares	Beneficial owner	1,650,000,000 (L)	3.68 (L)	2.06 (L)
	H Shares	Beneficial owner	1,960,784,313 (L)	5.54 (L)	2.44 (L)
China Life Franklin Asset Management Co., Limited <sup>(4)</sup>	H Shares	Investment manager	1,960,784,313 (L)	5.54 (L)	2.44 (L)
Warburg Pincus & Co. <sup>(5), (6)</sup>	H Shares	Interest of controlled corporation	2,060,000,000 (L)	5.83 (L)	2.57 (L)
Warburg Pincus Financial International Ltd <sup>(5), (6)</sup>	H Shares	Beneficial owner	2,060,000,000 (L)	5.83 (L)	2.57 (L)
China Insurance Rongxin Private Fund Co., Ltd.	Domestic Shares	Beneficial owner	14,509,803,921 (L)	32.33 (L)	18.08 (L)
China Cinda Asset Management Co., Ltd.	H Shares	Beneficial owner	3,921,568,627 (L)	11.09 (L)	4.89 (L)
National Council for Social Security Fund	H Shares	Beneficial owner	2,475,271,109 (L)	7.00 (L)	3.08 (L)
Central Huijin Investment Ltd. <sup>(7)</sup>	H Shares	Interest of controlled corporation	1,960,784,313 (L)	5.54 (L)	2.44 (L)
ICBC Financial Asset Investment Co., Ltd. <sup>(7)</sup>	H Shares	Beneficial owner	1,960,784,313 (L)	5.54 (L)	2.44 (L)

Note: (L) refers to long position

Notes:

- (1) Calculated based on 44,884,417,767 Domestic Shares or 35,362,261,280 H Shares in issue of the Company as at June 30, 2023.
- (2) Calculated based on a total of 80,246,679,047 Shares in issue of the Company as at June 30, 2023.
- (3) References are made to the Company's announcements dated March 28, 2022, November 18, 2022 and March 7, 2023 in relation to the changes in shareholders' equity interests. The MOF intended to make a capital contribution with 2,407,400,372 Domestic Shares it held in the Company (representing 3% of the total issued shares of the Company) to the CITIC Group (the "**Changes in Equity Interests**"). According to the Corporate Substantial Shareholder Notices from the CITIC Group filed with the Hong Kong Stock Exchange on March 10, 2023, the Changes in Equity Interests have been completed as at March 6, 2023.
- (4) According to the Corporate Substantial Shareholder Notice from China Life Franklin Asset Management Co., Limited filed with the Hong Kong Stock Exchange on February 15, 2023 and to the knowledge of the Company, China Life Franklin Asset Management Co., Limited was appointed as an investment manager to manage 1,960,784,313 H Shares of the Company held by China Life Insurance (Group) Company.
- (5) According to the Corporate Substantial Shareholder Notices 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 24, 2022, 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., therefore, 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.
- (6) The Shares are under pledge for the purpose of financing from the bank.
- (7) According to the Corporate Substantial Shareholder Notices from Central Huijin Investment Ltd., Industrial and Commercial Bank of China Limited and ICBC Financial Asset Investment Co., Ltd. filed with the Hong Kong Stock Exchange, respectively on November 28, 2022, ICBC Financial Asset Investment Co., Ltd. directly holds 1,960,784,313 H Shares of the Company. As ICBC Financial Asset Investment Co., Ltd. is the corporation directly or indirectly controlled by Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited, therefore, for the purpose of the SFO, both Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited are deemed to be interested in the long positions held by ICBC Financial Asset Investment Co., Ltd.

### ***5.2.2 Substantial Shareholders***

During the Reporting Period, details of the Substantial Shareholders holding more than 5% of class of Shares of the Company are as follows:

#### **CITIC Group Corporation**

As a company incorporated in the PRC with limited liability, CITIC Group is a large state-owned comprehensive multinational corporation operating in 5 business sectors: comprehensive financial service, advanced intelligent manufacturing, advanced materials, new consumption and new-type urbanization. The ultimate beneficial owner of CITIC Group is MOF.

## **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 Insurance Rongxin Private Fund Co., Ltd.**

China Insurance Rongxin Private Fund Co., Ltd. (“**China Insurance Rongxin Fund**”) is a fund established by China Insurance Investment (Beijing) Co., Ltd. (as the fund manager). The shareholders of China Insurance Rongxin Fund include China Insurance Investment Co., Ltd. and other 17 insurance institutions operating in equity investment with private equity funds, investment management, asset management and other activities. China Insurance Investment (Beijing) Co., Ltd. is the wholly-owned subsidiary of China Insurance Investment Co., Ltd.

### **China Cinda Asset Management Co., Ltd.**

Established in April 1999, China Cinda Asset Management Co., Ltd. (“**China Cinda**”) (formerly known as China Cinda Asset Management Corporation) was a pilot entity designated by the State Council for the reform of AMCs as well as the first PRC AMC trading in the international capital market. The core business of China Cinda is distressed asset management. China Cinda upholds the high-quality development concept of “professional management, efficiency first, and value creation” and aims to further develop its primary responsibility and core business of distressed asset management, prevent and mitigate financial risk, improve the quality and efficiency of supporting the real economy and safeguard financial security.

### **China Life Insurance (Group) Company**

It is a wholly state-owned financial insurance company under the MOF. China Life Insurance (Group) Company (“**China Life Insurance**”) and its subsidiaries constitute the largest commercial insurance group in China. Their business scope includes various areas such as life insurance, property insurance, pension insurance (annuity business), asset management, alternative investment, overseas business and e-commerce.

### **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, healthcare, technology, media and telecommunications (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.

## **ICBC Financial Asset Investment Co., Ltd.**

ICBC Financial Asset Investment Co., Ltd. (“**ICBC Investment**”) is one of the first pilot banks in China to conduct debt-to-equity swaps established with the approval of the CBIRC, and was officially established on September 26, 2017. It is a wholly-owned subsidiary of Industrial and Commercial Bank of China, and is one of the commercial banks to conduct debt-to-equity swaps with maximum registered capital at present. ICBC Investment holds the full-chain business license for debt-to-equity swap business covering establishment, collection, investment, management and withdrawal, and the market-based equity investment business license for a specific range. It focuses on helping customers in trouble resolve the crisis and get over the difficulties and creating value for customers in accordance with the diversified needs of high-quality customers such as reducing leverage, promoting mixed reform and introducing strategy.

## **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. Liu Zhengjun (chairman) and Mr. Li Zimin as executive Directors; Ms. Zhao Jiangping, Mr. Zheng Jiangping, Mr. Xu Wei and Mr. Tang Hongtao as non-executive Directors; and Mr. Tse Hau Yin, Mr. Shao Jingchun, Mr. Zhu Ning and Ms. Chen Yuanling as independent non-executive Directors.

#### **6.1.2 Supervisors**

As of the publication date of this Interim Results Announcement, the Board of Supervisors of the Company comprised Mr. Hu Jianzhong (chairman) as a Shareholder representative Supervisor; Mr. Cheng Fengchao and Mr. Han Xiangrong as external Supervisors; and Ms. Sun Hongbo and Ms. Guo Jinghua 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 Mr. Li Zimin (president), Mr. Xu Yongli, Mr. Zhu Wenhui, Mr. Wen Jinxiang<sup>2</sup>, Mr. Gao Gan, Mr. Cao Yan, Mr. Yuan Caiping<sup>3</sup> and Mr. Wang Yongjie<sup>4</sup>.

<sup>2</sup> On July 11, 2023, the Board of the Company appointed Mr. Wen Jinxiang as the chief risk officer of the Company, and his term of office shall commence from the date of approval by the NAFR and is subject to the Company’s announcement.

<sup>3</sup> On July 11, 2023, the Board of the Company appointed Mr. Yuan Caiping as the assistant to the President of the Company, and his term of office shall commence from the date of approval by the NAFR and is subject to the Company’s announcement.

<sup>4</sup> On July 11, 2023, the Board of the Company appointed Mr. Wang Yongjie as the secretary to the Board of the Company, and his term of office shall commence from the date of approval by the NAFR and is subject to the Company’s announcement.

## **6.2 Changes**

### **6.2.1 Directors**

On March 4, 2022, Mr. Tang Hongtao was nominated as a non-executive Director of the Company by the Board of the Company. On March 25, 2022, Mr. Tang Hongtao was elected as a non-executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company. On April 1, 2022, Mr. Tang Hongtao was appointed as a member of each of the Strategy and Development Committee and the Audit Committee of the Board. On April 28, 2023, Mr. Tang Hongtao performed his duties upon the approval of his qualification as a non-executive Director by the CBIRC. For details, please refer to the announcements and circulars of the Company published on March 4, 2022, March 10, 2022, March 25, 2022, April 1, 2022 and May 8, 2023.

On September 30, 2022, Mr. Li Zimin was nominated as an executive Director of the Company by the Board of the Company. On October 21, 2022, Mr. Li Zimin was elected as the executive Director of the Company as considered and approved by the sixth extraordinary general meeting of Shareholders for 2022 of the Company. On January 19, 2023, Mr. Li Zimin performed his duties upon the approval of his qualification as a Director by the CBIRC. On March 13, 2023, Mr. Li Zimin was appointed as a member of each of the Strategy and Development Committee and the Risk Management Committee of the Board. For details, please refer to the announcements and circulars of the Company published on September 30, 2022, October 3, 2022, October 21, 2022, January 20, 2023 and March 13, 2023.

Upon nomination by the Board of the Company on May 25, 2023 and approval at the annual general meeting for 2022 of the Company on June 28, 2023, Ms. Zhao Jiangping and Mr. Zheng Jiangping were reappointed as non-executive Directors of the Company; Mr. Zhu Ning and Ms. Chen Yuanling were reappointed as independent non-executive Directors of the Company. For details, please refer to the announcement and circular of the Company published on May 25, 2023 and June 28, 2023.

On May 25, 2023, Mr. Lo Mun Lam, Raymond was nominated as an independent non-executive Director of the Company by the Board of the Company. On June 28, 2023, Mr. Lo Mun Lam, Raymond was elected as an independent non-executive Director of the Company as considered and approved by the annual general meeting for 2022 of the Company. Mr. Lo Mun Lam, Raymond performed his duties upon the approval of his qualification as a Director by the NAFR. For details, please refer to the announcement and circular of the Company published on May 25, 2023 and June 28, 2023.

### **6.2.2 Senior Management**

On July 11, 2023, the Board of the Company appointed Mr. Wen Jinxiang as the chief risk officer of the Company, and his term of office shall commence from the date of approval by the NAFR. For details, please refer to the announcement of the Company published on July 11, 2023.

On July 11, 2023, the Board of the Company appointed Mr. Yuan Caiping as the assistant to the President of the Company, and his term of office shall commence from the date of approval by the NAFR. For details, please refer to the announcement of the Company published on July 11, 2023.

On July 11, 2023, the Board of the Company appointed Mr. Wang Yongjie as the secretary to the Board of the Company, and his term of office shall commence from the date of approval by the NAFR. Mr. Xu Yongli will cease to concurrently serve as the Secretary of the Board of Directors of the Company on the date on which Mr. Wang Yongjie takes office. For details, please refer to the announcement of the Company published on July 11, 2023.

On May 12, 2023, Ms. Yang Pei resigned as the assistant to the President and the chief risk officer of the Company as she has reached the age of retirement. Her resignation became effective on May 12, 2023. For details, please refer to the announcement of the Company published on May 18, 2023.

In accordance with the work arrangement, Mr. Xu Yongli will cease to concurrently serve as the joint company secretary of the Company on June 30, 2023. For details, please refer to the announcement of the Company published on June 28, 2023.

### **6.3 Changes of the Information during the Reporting Period**

According to Rule 13.51B of the Listing Rules, the changes of the information of Directors and Supervisors of the Company during the Reporting Period are set out below:

Mr. Tse Hau Yin resigned as an independent non-executive director of China Telecom Corporation Limited, which had become effective on January 6, 2023. Mr. Tse resigned as an independent non-executive director of CNOOC Limited, which had become effective on May 31, 2023.

Save as disclosed above, no other information of Directors or Supervisors of the Company is required to be disclosed according to Rule 13.51B of the Listing Rules.

## **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 situations, 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 stability and protect the interests of all Shareholders.

## **7.2 Board**

As of the publication date of this Interim Results Announcement, the Board of the Company comprised 10 members, including 2 executive Directors, 4 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 3 Board meetings in total, at which 27 resolutions were considered and passed, including 2022 Annual Results Announcement and 2022 Annual Report, Work Report of the President for 2022, the Evaluation Report of Internal Control for 2022, and the election of Mr. Li Zimin as a member of special committees of the Board. Meanwhile, 15 reports were debriefed, including comprehensive risk management for 2022, the implementation of the focus on main business and reduction of the organizational levels, capital management for 2022 and internal capital adequacy assessment report for 2022.

## **7.3 Board of Supervisors**

As of the publication date of this Interim Results Announcement, the Board of Supervisors of the Company comprised 5 members, including 1 Shareholder representative Supervisor, 2 external Supervisors and 2 employee representative Supervisors.

During the Reporting Period, the Board of Supervisors of the Company 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 relevant national laws, regulations, regulatory provisions and the Articles of Association, adhered to problem-orientated and result-oriented principles, optimized the direction of daily supervision, improved key supervision content, continued to strengthen self-construction, continuously improved the quality and effectiveness of supervision, effectively gave play to the supervisory organization function of the Board of Supervisors, 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 held 2 meetings in total, at which 9 resolutions were considered and passed.

## **7.4 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 Company's senior management actively responded to the new internal and external situation, and stuck to the overall idea of "consolidating foundation, seeking progress while maintaining stability, and improving quality and efficiency". With a close focus on the Company's "One-Three-Five" strategy, the senior management strived to promote high-quality development, studied and formulated the "One Company, One Policy", actively expanded the market, innovated business models, promoted the transformation of the business, continuously optimized asset structure, strengthened the synergy of the Group and devoted more efforts to serving the real economy. The senior management intensified efforts to promote risk resolution, conducted a comprehensive review for the current status of assets, strengthened

classified management, implemented key institutions and projects supervision, actively disposed of and revitalized inefficient assets, and resolutely sought benefits from the stock. The senior management strived to promote reform and innovation, improved comprehensive risk management system, optimized risk control mechanism, strengthened pre-investment, in-investment and post-investment management, deepened compliance construction, enhanced the level of information construction and consolidated the foundation of internal management. The senior management strived to stabilize corporate liquidity and ensure liquidity safety. The senior management enhanced the Company's transparency, and shaped a good corporate image; performed duties faithfully and diligently, strengthened implementation, and promoted various management and operations in a smooth and orderly manner.

During the Reporting Period, the Company held 9 presidential office meetings and 18 special meetings in total to study and review 58 important resolutions on the Company's management and operation.

## **7.5 Corporate Governance Code**

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

## **7.6 Internal Control**

### ***7.6.1 Development of Internal Control System***

The Company 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 2023, the Company carried out the system self-assessment for 2023, comprehensively evaluated the compliance, applicability, effectiveness, cohesion and problems in the implementation of the systems at all levels, formulated and implemented the system improvement plan and the system implementation inspection plan for this year. It continued to improve the new Huarong institutional system, strengthened the supervision and inspection of system implementation, and effectively transformed institutional achievements into corporate governance efficiency. The Company actively promoted the construction of information-based system management, and facilitated the use of new version of system review, system reading and visual query functions. The Company initiated the self-assessment of the internal control system for 2023 to comprehensively sort out various business and management activities by the corresponding processes and evaluate the applicability of internal control process framework, the rationality of management and control responsibilities, the adequacy of risk identification, and the effectiveness of control measures, to promote the realization of the Company's internal control objectives.



### ***7.6.2 Internal Control Measures for Sanctions Risks***

In order to ensure that the Company complies with the commitments to the Hong Kong Stock Exchange as disclosed in the Prospectus that it will not expose the Company or Relevant Persons to sanctions risks, the Company has implemented the following measures:

1. It specified that the Legal Compliance Department should be responsible for the training and publicity on prevention and control of sanctions risks.
2. The Company established a blacklist database and updated the blacklist information in a timely manner.
3. The Company produced the Due Diligence Questionnaire for Sanctions and the Due Diligence Questionnaire for Export Controls as the basic tools for due diligence of sanctions risks in the units of the Company.
4. The Company produced the Commitment Letter on International Sanctions Risk Control, which was sent to the units of the Company as the basic tool for control of sanctions risks.
5. The Company has engaged lawyers to assist in providing relevant staff of the Company with necessary training on sanctions risk knowledge every six months.

### **7.7 Distribution of Profit and Dividend**

The Company does not declare any interim dividend for 2023.

### **7.8 Use of Proceeds**

#### ***7.8.1 Proceeds from Initial Public Offering of Shares***

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

The proceeds from initial public offering of shares have all been utilized in 2022.

The use of proceeds from initial public offering of shares was consistent with the committed use of proceeds set out in the Prospectus as well as the use of proceeds approved at the Company's first extraordinary general meeting for 2021.

#### ***7.8.2 Proceeds from Non-public and Directional Issuance of Domestic Shares and H Shares***

The Group completed non-public issuance of Domestic Shares and H Shares on December 30, 2021, and the total proceeds amounted to RMB40,000 million and HK\$2,449 million, respectively.

The proceeds have all been used to replenish the Company's core tier-1 capital in 2021.

## **7.9 Future Businesses of DES Companies and Investment Plans Involving DES Companies**

The disposal and revitalization of buyout equity assets. The Company focused on key areas of deepened reform of state-owned enterprises, and seized the opportunities of enterprise mergers and acquisitions and restructuring to continuously optimize asset liquidity and strive to achieve reasonable gains from equity restructuring. In addition, the Company stepped up efforts for disposing and revitalizing of buyout equity assets, proactively disinvested from highly competitive industries or reduced such equity assets with limited potential for asset appreciation, with a view to achieving better exit returns.

Market-oriented DES business expansion. The Company closely followed the national strategies and the Company's development plan orientation, strengthened market research and industry analysis, focused on key industries and fields, further optimized investment layout, actively promoted the implementation of the market-oriented DES projects and reserved high-quality resources to better exert the bailout and rescue functions of AMCs, effectively help DES Companies to reduce leverage, stabilize growth and improve efficiency, and at the same time, continuously improve the level of investment returns on the Company's DES business.

### **7.10 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 conditions or operating results.

### **7.11 Major Acquisition and Disposal of Assets and Merger**

During the Reporting Period, the Company was not involved in any material acquisition and disposal of assets and mergers of enterprises.

### **7.12 Implementation of Share Incentive Scheme**

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

### **7.13 Major Connected Transactions**

During the Reporting Period, the Company did not enter into connected transactions which were required to be disclosed pursuant to Chapter 14A of the Listing Rules.

### **7.14 Major Contracts and Their Implementation**

#### ***7.14.1 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.

### **7.14.2 Material Guarantees**

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

### **7.15 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 Balance Sheet Date”.

### **7.16 Purchase, Sale and Redemption of Listed Securities**

During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company or its subsidiaries.

### **7.17 Securities Transactions by Directors, Supervisors and Senior Management**

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Related 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**”) 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 set out therein during the Reporting Period.

### **7.18 Directors’, Supervisors’ and Chief Executive’s Interests and Short Positions in Shares and Underlying Shares**

As of June 30, 2023, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares and 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 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.

### **7.19 Review of the Interim Results Announcement**

Ernst & Young has reviewed and issued an unqualified review report on the interim condensed consolidated financial information for the six months ended June 30, 2023 prepared by the Company according to IFRSs.

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**

### **INDEPENDENT REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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# INDEPENDENT REVIEW REPORT

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 comprises the condensed consolidated statement of financial position as at 30 June 2023 and the related condensed consolidated statements 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 this 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.

## 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

29 August 2023

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
<b>Continuing operations</b>			
Income from distressed debt assets	2	<b>9,298,069</b>	10,869,438
Fair value changes on distressed debt assets	3	<b>(776,358)</b>	2,877,464
Fair value changes on other financial assets and liabilities	4	<b>(2,246,497)</b>	(8,819,718)
Interest income	5	<b>6,124,598</b>	5,580,726
Finance lease income		<b>450,122</b>	638,129
Gains from derecognition of financial assets measured at amortised cost		<b>49,973</b>	209,694
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income		<b>15,035</b>	(25,708)
Commission and fee income	6	<b>83,690</b>	160,976
Net (losses)/gains on disposals of subsidiaries, associates and joint ventures		<b>(9,449)</b>	675,989
Dividend income		<b>229,666</b>	425,277
Other income and other net gains or losses	7	<b>22,429,973</b>	2,149,507
Total		<b>35,648,822</b>	14,741,774
Interest expense	8	<b>(16,897,860)</b>	(19,178,598)
Commission and fee expense		<b>(107,353)</b>	(130,090)
Operating expenses	9	<b>(2,280,315)</b>	(2,642,296)
Impairment losses under expected credit loss model	10	<b>(20,408,570)</b>	(16,900,399)
Impairment losses on other assets	11	<b>(740,121)</b>	(463,949)
Total		<b>(40,434,219)</b>	(39,315,332)
Change in net assets attributable to other holders of consolidated structured entities		<b>134,368</b>	312,423
Share of results of associates and joint ventures		<b>(69,162)</b>	229,905
Loss before tax from continuing operations		<b>(4,720,191)</b>	(24,031,230)
Income tax (expense)/credit	12	<b>(1,268,059)</b>	2,662,194
Loss for the period from continuing operations		<b>(5,988,250)</b>	(21,369,036)

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
<b>Discontinued operations</b>			
Profit after tax for the period from discontinued operations		—	2,759,715
Loss for the period		<u>(5,988,250)</u>	<u>(18,609,321)</u>
Loss attributable to:			
Equity holders of the Company		(4,915,700)	(18,866,359)
Holders of perpetual capital instruments		37,234	418,887
Non-controlling interests		<u>(1,109,784)</u>	<u>(161,849)</u>
		<u>(5,988,250)</u>	<u>(18,609,321)</u>
Loss per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	13		
— Basic		(0.061)	(0.235)
— Diluted		<u>(0.061)</u>	<u>(0.235)</u>
Loss per share attributable to equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	13		
— Basic		(0.061)	(0.254)
— Diluted		<u>(0.061)</u>	<u>(0.254)</u>

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 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
Loss for the period		<u>(5,988,250)</u>	<u>(18,609,321)</u>
Other comprehensive expenses:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains on defined benefit obligations		584	2,491
Fair value losses on investments in equity instruments at fair value through other comprehensive income		(65,728)	(238,166)
Income tax effect		12,307	12,802
		<u>(52,837)</u>	<u>(222,873)</u>
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(2,075,491)	(2,473,914)
Fair value changes on hedging instruments designated in cash flow hedges	17	(52,623)	231,843
Financial assets measured at fair value through other comprehensive income			
— fair value changes		(940,804)	(2,374,849)
— amounts reclassified to profit or loss upon disposals		(15,035)	148,846
— impairment provided		1,026,103	1,851,733
Share of other comprehensive income of associates and joint ventures		5,552	—
Income tax effect		(38,452)	64,810
		<u>(2,090,750)</u>	<u>(2,551,531)</u>
Other comprehensive expenses for the period, net of income tax		<u>(2,143,587)</u>	<u>(2,774,404)</u>
Total comprehensive expenses for the period		<u>(8,131,837)</u>	<u>(21,383,725)</u>
Total comprehensive expenses for the period attributable to:			
Equity holders of the Company		(6,846,216)	(21,448,581)
Holders of perpetual capital instruments		37,234	418,887
Non-controlling interests		(1,322,855)	(354,031)
		<u>(8,131,837)</u>	<u>(21,383,725)</u>

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 30 June 2023	As at 31 December 2022
	Notes IV	(Unaudited)	(Audited)
<b>Assets</b>			
Cash and balances with central bank	15	113,679	23,172
Deposits with financial institutions	16	84,352,457	97,578,243
Placements with financial institutions		—	1,300,243
Financial assets at fair value through profit or loss	17	301,520,015	309,455,886
Financial assets held under resale agreements	18	274,504	706,711
Contract assets		5,562,801	5,530,061
Finance lease receivables	19	11,591,688	14,528,340
Debt instruments at fair value through other comprehensive income	20	23,053,836	25,318,414
Equity instruments at fair value through other comprehensive income	21	2,043,102	2,038,595
Inventories	22	23,864,101	23,051,908
Debt instruments at amortised cost	23	392,856,465	415,352,728
Interests in associates and joint ventures	24	41,257,680	9,572,767
Investment properties	25	7,175,781	7,158,594
Property and equipment	25	5,975,787	7,164,861
Right-of-use assets		995,315	1,098,704
Deferred tax assets		15,385,446	15,860,379
Goodwill		18,222	18,222
Other assets	26	18,927,365	19,568,168
<b>Total assets</b>		<b>934,968,244</b>	<b>955,325,996</b>
<b>Liabilities</b>			
Placements from financial institutions		2,651,243	6,215,802
Financial assets sold under repurchase agreements	27	10,830,035	6,744,795
Borrowings	28	635,695,421	629,495,975
Financial liabilities at fair value through profit or loss	17	431,802	768,146
Tax payable	29	486,779	2,695,061
Contract liabilities		627,176	720,357
Lease liabilities		595,130	683,387
Deferred tax liabilities		1,035,513	895,661
Bonds and notes issued	30	182,958,813	189,859,771
Other liabilities	31	60,334,038	68,867,667
<b>Total liabilities</b>		<b>895,645,950</b>	<b>906,946,622</b>

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 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 30 June 2023	As at 31 December 2022
	Notes IV	(Unaudited)	(Audited)
Equity			
Share capital	32	80,246,679	80,246,679
Other equity instruments	33	19,900,000	19,900,000
Capital reserve		16,397,628	16,414,328
Surplus reserve		8,564,210	8,564,210
General reserve	34	13,002,514	13,002,514
Other reserves		(2,849,792)	(919,314)
Accumulated losses		(95,960,965)	(90,181,567)
Equity attributable to equity holders of the Company		39,300,274	47,026,850
Perpetual capital instruments		1,752,649	1,752,562
Non-controlling interests		(1,730,629)	(400,038)
Total equity		39,322,294	48,379,374
Total equity and liabilities		934,968,244	955,325,996

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

The interim condensed consolidated financial information is authorised for issue by the board of directors and signed on its behalf by:

*Chairman: Liu Zhengjun*

*Executive Director: Li Zimin*

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

Note IV	Equity attributable to equity holders of the Company											Perpetual capital instruments	Non- controlling interests	Total	
	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves					Accumulated losses				Subtotal
						Investment revaluation reserve	Translation reserve	Hedging reserve	Others						
As at 1 January 2023 (audited)	80,246,679	19,900,000	16,414,328	8,564,210	13,002,514	(132,432)	(912,909)	176,678	(50,651)	(90,181,567)	47,026,850	1,752,562	(400,038)	48,379,374	
(Loss)/profit for the period	—	—	—	—	—	—	—	—	—	(4,915,700)	(4,915,700)	37,234	(1,109,784)	(5,988,250)	
Other comprehensive (expenses)/income for the period	—	—	—	—	—	(22,806)	(1,861,223)	(52,623)	6,136	—	(1,930,516)	—	(213,071)	(2,143,587)	
Total comprehensive (expenses)/income for the period	—	—	—	—	—	(22,806)	(1,861,223)	(52,623)	6,136	(4,915,700)	(6,846,216)	37,234	(1,322,855)	(8,131,837)	
Distribution relating to perpetual capital instruments	—	—	—	—	—	—	—	—	—	(863,660)	(863,660)	(37,147)	—	(900,807)	
Change in ownership interests in subsidiaries	—	—	167	—	—	—	—	—	—	—	167	—	(7,736)	(7,569)	
Others	—	—	(16,867)	—	—	38	—	—	—	(38)	(16,867)	—	—	(16,867)	
As at 30 June 2023 (unaudited)	<u>80,246,679</u>	<u>19,900,000</u>	<u>16,397,628</u>	<u>8,564,210</u>	<u>13,002,514</u>	<u>(155,200)</u>	<u>(2,774,132)</u>	<u>124,055</u>	<u>(44,515)</u>	<u>(95,960,965)</u>	<u>39,300,274</u>	<u>1,752,649</u>	<u>(1,730,629)</u>	<u>39,322,294</u>	

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(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														
	Note IV	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment				Accumulated				
							revaluation reserve	Translation reserve	Hedging reserve	Others	losses				Subtotal
As at 1 January 2022 (audited)	80,246,679	—	16,431,847	8,564,210	17,888,551	1,036,951	3,026,448	(99,301)	(57,538)	(67,693,975)	59,343,872	22,377,908	22,262,647	103,984,427	
(Loss)/profit for the period	—	—	—	—	—	—	—	—	—	(18,866,359)	(18,866,359)	418,887	(161,849)	(18,609,321)	
Other comprehensive (expenses)/income for the period	—	—	—	—	—	(564,137)	(2,252,419)	231,843	2,491	—	(2,582,222)	—	(192,182)	(2,774,404)	
Total comprehensive (expenses)/income for the period	—	—	—	—	—	(564,137)	(2,252,419)	231,843	2,491	(18,866,359)	(21,448,581)	418,887	(354,031)	(21,383,725)	
Capital contribution by other equity instrument holders	33	—	19,900,000	—	—	—	—	—	—	—	19,900,000	—	—	19,900,000	
Redemption of perpetual capital instruments		—	—	—	—	—	—	—	—	—	—	(9,561,670)	—	(9,561,670)	
Distribution relating to perpetual capital instruments		—	—	—	—	—	—	—	—	—	—	(809,065)	—	(809,065)	
Disposals of subsidiaries		—	—	—	(4,473,284)	1,931	—	—	—	4,471,353	—	(5,297,799)	(20,712,121)	(26,009,920)	
Realised loss of equity instruments at fair value through other comprehensive income		—	—	—	—	(24,411)	—	—	—	24,411	—	—	—	—	
Others		—	—	2,697	—	—	—	—	—	—	2,697	—	—	2,697	
As at 30 June 2022 (unaudited)	<u>80,246,679</u>	<u>19,900,000</u>	<u>16,434,544</u>	<u>8,564,210</u>	<u>13,415,267</u>	<u>450,334</u>	<u>774,029</u>	<u>132,542</u>	<u>(55,047)</u>	<u>(82,064,570)</u>	<u>57,797,988</u>	<u>7,128,261</u>	<u>1,196,495</u>	<u>66,122,744</u>	

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 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	For the six months ended	
		2023	2022
		(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>			
Loss before tax from continuing operations		<b>(4,720,191)</b>	(24,031,230)
Profit before tax from discontinued operations		—	6,751,793
Total non-cash adjustments		<b>3,718,086</b>	20,734,959
Total working capital adjustments		<b>18,753,791</b>	(62,855,401)
Cash generated/(used in) from operations		<b>17,751,686</b>	(59,399,879)
Income tax paid		<b>(4,117,123)</b>	(1,079,359)
<b>NET CASH FLOWS FROM/(USED IN)</b>			
<b>OPERATING ACTIVITIES</b>		<b>13,634,563</b>	(60,479,238)
<b>INVESTING ACTIVITIES</b>			
Cash receipts from interest income arising			
from investments other than held for trading		<b>2,636,022</b>	10,226,918
Cash receipts from dividend income		<b>91,623</b>	294,865
Cash receipts from disposals/liquidation of associates			
and joint ventures		<b>25,611</b>	2,960,608
Cash receipts from disposals of property and equipment			
and other assets		<b>781,265</b>	228,844
Cash receipts for pledge deposits in bank		<b>1,397,118</b>	—
Net cash outflow on disposals of subsidiaries		—	(4,663,357)
Net (increase)/decrease in investment securities		<b>(3,094,546)</b>	5,840,222
Cash payments for investments in associates			
and joint ventures		<b>(14,753,723)</b>	(2,518)
Cash payments for purchases of property and equipment,			
investment properties and other assets		<b>(41,463)</b>	(311,118)
<b>NET CASH FLOWS (USED IN)/FROM INVESTING</b>			
<b>ACTIVITIES</b>		<b>(12,958,093)</b>	14,574,464

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 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	For the six months ended	
		2023	2022
		(Unaudited)	(Unaudited)
<b>FINANCING ACTIVITIES</b>			
Cash payments for consolidated structured entities		<b>(570,962)</b>	(19,904,582)
Issuance of perpetual capital instruments		—	19,900,000
Redemption of perpetual capital instruments		—	(9,561,670)
Proceeds of borrowings of non-financial institution subsidiaries		<b>9,227,288</b>	25,317,375
Repayment of borrowings of non-financial institution subsidiaries		<b>(9,292,835)</b>	(28,259,543)
Repayments of lease liabilities		<b>(141,439)</b>	(352,069)
Cash receipts from bonds and notes issued		<b>800,000</b>	71,570,743
Cash repayments for bonds and notes redeemed		<b>(9,537,946)</b>	(84,824,622)
Interest paid for bonds and notes issued and other borrowings		<b>(4,452,752)</b>	(6,227,322)
Dividends paid		—	(64,747)
Cash payments for distribution to holders of perpetual capital instruments		<b>(900,807)</b>	(809,066)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(14,869,453)</b>	(33,215,503)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(14,192,983)</b>	(79,120,277)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>96,754,497</b>	179,637,223
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>450,234</b>	136,365
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	35	<b>83,011,748</b>	100,653,311
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Interest received		<b>9,270,409</b>	20,838,872
Interest paid		<b>(11,853,236)</b>	(17,714,981)
		<b>(2,582,827)</b>	3,123,891

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(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 Company has financial services certificate No. J0001H11000001 issued by the former China Banking and Insurance Regulatory Commission (the “Former CBIRC”, which is now the National Financial Regulatory Administration), 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, including debt-to-equity swap assets; 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 banking regulatory body of the State Council.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

## II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 1. Basis of preparation

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board and 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 does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2022.

#### *Going concern basis*

The Group’s interim condensed consolidated financial information has been prepared on a going concern basis. In the first half of 2023, the Company adhered to the general principle of “consolidating the foundation, seeking progress while maintaining stability, and improving quality and efficiency”, and implemented its strategic goals of striving to return to normal operation within one year. The Group’s net loss attributable to shareholders of the parent company for the six months ended 30 June 2023 amounted to RMB4,916 million, which was a much smaller loss than the same period last year. However, due to continued operating losses, the Company’s certain indicators are still under pressure to meet regulatory requirements and its liquidity risk management is still facing challenges.

As at 30 June 2023, the Group’s bonds payable amounted to RMB182,959 million, of which RMB14,612 million were due within one year, and the Group had borrowings of RMB635,695 million, of which RMB438,000 million were due within one year.

To address the above circumstances, the Group’s management took actions to carefully consider and assess its future operation plans, sources of working capital and financing, and determines whether the Group can continue operating as a going concern within the next 12 months. These actions include:

- i. With support from its substantial shareholders, the Company further promoted the execution of its “One-Three-Five” strategic goals, comprehensively emphasized the role of strategies, and strengthened operation management, reform and innovation, further concentrated on its core business, and continued to promote organizational streamlining, so as to lay a solid foundation for achieving transformation and development in three years and becoming a leading industry player in five years.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

## II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — continued

### 1. Basis of preparation — continued

#### *Going concern basis — continued*

- ii. Leveraging on the advantages of CITIC Group Corporation (“CITIC Group”) in the integration of industry and finance, the Company has enhanced its cooperation with its substantial shareholders. The Company has signed Financing and Asset Transactions Framework Agreement and Comprehensive Service Agreement with CITIC Group, integrated the strengths and resources of the Company and CITIC Group, gave full play to the synergistic effect of CITIC Group’s comprehensive financial platform, promoted its cooperation and collaboration with CITIC Group in project development, business innovation, investments and financing.
- iii. Maintaining stable liquidity. The Group closely monitors market liquidity conditions and strictly carries out risk monitoring and control. Domestic and foreign bonds are following the repayment schedule. At present, the Group maintains stable fundings and active communications with financial institutions on refinancing and therefore the management is of the view that its liquidity risk is under control.

The Company has maintained active communication with its substantial shareholders and relevant authorities regarding the above measures and future business plans and has prepared a cash flow forecast for the next year. The Company’s directors have reviewed this cash flow forecast. The Company’s management are of the view that it can obtain adequate working capital to finance its operations and to meet its financial obligations as they fall due within the next 12 months. Accordingly, the Company considers it appropriate to use the going concern basis for the preparation of these financial statements.

### 2. Changes in material accounting policy information

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 2023 are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2022.

The Group has adopted the following amendments for the first time for the current period:

Amendments to IAS 1 and  
IFRS Practice Statement 2  
Amendments to IAS 8

*Disclosure of Accounting Policies*

*Definition of Accounting Estimates*

The adoption of the above amendments did not have any significant impact on the operating results, financial position and comprehensive income of the Group’s interim condensed consolidated financial information.

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

## **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 applied to the preparation of the Group's consolidated financial statements for the year ended 31 December 2022.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

## 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 focusing on the types of goods provided or services delivered.

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 businesses operated by the Company and certain of its subsidiaries, including distressed asset management, debt equity swap asset management, distressed asset-based property development and special situation investment.

#### *Financial service operations*

The financial services segment comprises finance lease service which is mainly carried out by a subsidiary of the Company.

#### *Asset management and investment operations*

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

The 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 consolidated financial statements of the Group.

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

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

### **1. Segment information — continued**

Revenue and assets of the Group are generated primarily from operating units located in the Chinese Mainland and Hong Kong. As disclosed in Note IV.7 and Note IV.24, the investment in China Everbright Bank Company Limited (“CEB Bank”) has been recognised as investment in associates on 21 June 2023. The excess of the Company’s share of the net identifiable assets and liabilities of CEB Bank over the cost of the investment has been recognised in profit or loss. Apart from that, there was no significant customer concentration in the Group’s operations, and the Group had no single customer contributing to 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 1. Segment information — continued

<u>For the six months ended 30 June 2023 (Unaudited)</u>	<u>Distressed asset management</u>	<u>Financial services</u>	<u>Asset management and investment</u>	<u>Elimination</u>	<u>Consolidated</u>
Income from distressed debt assets	9,298,069	—	—	—	9,298,069
Fair value changes on distressed debt assets	(776,358)	—	—	—	(776,358)
Fair value changes on other financial assets and liabilities	1,381,028	9,926	(3,637,451)	—	(2,246,497)
Interest income	2,503,272	2,136,586	2,651,321	(1,166,581)	6,124,598
Finance lease income	—	404,466	45,656	—	450,122
(Losses)/gains from derecognition of financial assets measured at amortised cost	(279,143)	—	329,116	—	49,973
Gains from derecognition of debt instruments at fair value through other comprehensive income	10,836	—	4,199	—	15,035
Commission and fee income	69,633	—	22,604	(8,547)	83,690
Net gains/(losses) on disposals of subsidiaries, associates and joint ventures	5,339	—	(14,788)	—	(9,449)
Dividend income	127,659	—	102,007	—	229,666
Other income and other net gains or losses	20,324,429	434,745	1,676,960	(6,161)	22,429,973
<b>Total</b>	<b>32,664,764</b>	<b>2,985,723</b>	<b>1,179,624</b>	<b>(1,181,289)</b>	<b>35,648,822</b>
Interest expense	(10,554,601)	(1,392,126)	(5,945,811)	994,678	(16,897,860)
Commission and fee expense	(75,315)	—	(32,038)	—	(107,353)
Operating expenses	(1,586,055)	(349,246)	(355,742)	10,728	(2,280,315)
Impairment losses under expected credit loss model	(16,148,464)	(901,711)	(3,358,395)	—	(20,408,570)
Impairment losses on other assets	(176,034)	(17,264)	(546,823)	—	(740,121)
<b>Total</b>	<b>(28,540,469)</b>	<b>(2,660,347)</b>	<b>(10,238,809)</b>	<b>1,005,406</b>	<b>(40,434,219)</b>
Change in net assets attributable to other holders of consolidated structured entities	175,119	—	(40,751)	—	134,368
Share of results of associates and joint ventures	(116,152)	—	46,990	—	(69,162)
Profit/(loss) before tax from continuing operations	4,183,262	325,376	(9,052,946)	(175,883)	(4,720,191)
Income tax expense	—	—	—	—	(1,268,059)
Loss for the period from continuing operations	—	—	—	—	(5,988,250)
Profit after tax for the period from discontinued operations	—	—	—	—	—

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 1. Segment information — continued

As at 30 June 2023 (Unaudited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Segment assets	679,419,358	111,203,236	197,764,103	(68,803,899)	919,582,798
Including: Interests in associates and joint ventures	35,542,154	—	5,715,526	—	41,257,680
Deferred tax assets					15,385,446
Total assets					934,968,244
Segment liabilities	577,066,269	92,382,212	291,432,377	(66,757,200)	894,123,658
Deferred tax liabilities					1,035,513
Tax payable					486,779
Total liabilities					895,645,950

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 1. Segment information — continued

For the six months ended 30 June 2022 (Unaudited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	10,869,438	—	—	—	10,869,438
Fair value changes on distressed debt assets	2,877,464	—	—	—	2,877,464
Fair value changes on other financial assets and liabilities	(3,099,464)	712	(5,720,966)	—	(8,819,718)
Interest income	2,331,513	2,109,443	2,508,301	(1,368,531)	5,580,726
Finance lease income	—	617,200	20,929	—	638,129
Gains from derecognition of financial assets measured at amortised cost	82,142	—	127,552	—	209,694
Losses from derecognition of debt instruments at fair value through other comprehensive income	(3,016)	—	(22,692)	—	(25,708)
Commission and fee income	135,061	1,179	52,789	(28,053)	160,976
Net gains on disposals of subsidiaries, associates and joint ventures	22,120	—	653,869	—	675,989
Dividend income	321,328	—	69,306	34,643	425,277
Other income and other net gains or losses	430,747	488,234	1,248,037	(17,511)	2,149,507
<b>Total</b>	<b>13,967,333</b>	<b>3,216,768</b>	<b>(1,062,875)</b>	<b>(1,379,452)</b>	<b>14,741,774</b>
Interest expense	(12,929,553)	(1,596,288)	(5,756,956)	1,104,199	(19,178,598)
Commission and fee expense	(102,750)	—	(50,552)	23,212	(130,090)
Operating expenses	(1,675,121)	(366,865)	(584,922)	(15,388)	(2,642,296)
Impairment losses under expected credit loss model	(14,724,478)	(461,816)	(1,714,105)	—	(16,900,399)
Impairment losses on other assets	(1,087)	(116,641)	(346,221)	—	(463,949)
<b>Total</b>	<b>(29,432,989)</b>	<b>(2,541,610)</b>	<b>(8,452,756)</b>	<b>1,112,023</b>	<b>(39,315,332)</b>
Change in net assets attributable to other holders of consolidated structured entities	61,962	—	250,461	—	312,423
Share of results of associates and joint ventures	(821)	—	230,726	—	229,905
(Loss)/profit before tax from continuing operations	(15,404,515)	675,158	(9,034,444)	(267,429)	(24,031,230)
Income tax credit	—	—	—	—	2,662,194
Loss for the period from continuing operations	—	—	—	—	(21,369,036)
Profit after tax for the period from discontinued operations	—	—	—	—	2,759,715

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 1. Segment information — continued

As at 31 December 2022 (Audited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Segment assets	710,394,206	107,094,813	212,630,487	(90,653,889)	939,465,617
Including: Interests in associates and joint ventures	2,493,334	—	7,079,433	—	9,572,767
Deferred tax assets					15,860,379
Total assets					955,325,996
Segment liabilities	593,910,626	88,261,235	309,935,470	(88,751,431)	903,355,900
Deferred tax liabilities					895,661
Tax payable					2,695,061
Total liabilities					906,946,622



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 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 (“FVOCI”) and debt instruments at amortised cost, which include loans acquired from financial institutions and distressed debt assets acquired from non-financial institutions (see Notes IV.20 and IV.23).

### 3. Fair value changes on distressed debt assets

The amount represents fair value changes on distressed debt assets 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	
	2023 (Unaudited)	2022 (Unaudited)
Convertible bonds	(1,961,700)	(105,489)
Derivatives and structured product	(1,109,637)	(567,952)
Listed and unlisted shares and funds	598,678	(7,305,899)
Debt instruments	(42,264)	(352,929)
Trust products	37,963	(205,815)
Wealth management products	34,184	9,960
Other investments and financial liabilities	196,279	(291,594)
Total	<u>(2,246,497)</u>	<u>(8,819,718)</u>

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 5. Interest income

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Debt instruments at amortised cost other than distressed debt assets	2,575,363	2,488,813
Receivables arising from sales and leaseback arrangements	2,023,069	1,942,504
Deposits with financial institutions	1,224,359	860,997
Debt instruments at FVOCI other than distressed debt assets	204,632	102,123
Placements with financial institutions	80,330	86,711
Others	16,845	99,578
Total	<u>6,124,598</u>	<u>5,580,726</u>

### 6. Commission and fee income

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Asset management business	48,979	85,399
Securities and futures brokerage business	34,678	49,295
Fund management business	33	8
Trust business	—	26,274
Total	<u>83,690</u>	<u>160,976</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 7. Other income and other net gains or losses

	<b>For the six months ended 30 June</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Income from investment in associates <sup>(i)</sup>	<b>19,663,907</b>	—
Net gains on exchange differences	<b>1,617,775</b>	1,292,027
Income arising from operating leases	<b>468,471</b>	420,815
Revenue from the development of properties <sup>(ii)</sup>	<b>244,221</b>	96,169
Government grants	<b>17,726</b>	21,463
Others	<b>417,813</b>	319,033
<b>Total</b>	<b><u>22,429,973</u></b>	<b><u>2,149,507</u></b>

(i) Income from investment in associates includes income recognised by the Company for the excess of its share of the net fair value of the identifiable assets and liabilities of the major associate over the cost of the investment. Please refer to Note IV.24 for details.

(ii) Revenue from the development of properties is recorded in “Distressed asset management” segment and “Asset management and investment” segment as disclosed in Note IV.1.

### 8. Interest expense

	<b>For the six months ended 30 June</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Borrowings	<b>(12,822,439)</b>	(14,676,810)
Bonds and notes issued	<b>(3,939,870)</b>	(4,367,281)
Financial assets sold under repurchase agreements	<b>(73,162)</b>	(24,196)
Placements from financial institutions	<b>(41,448)</b>	(23,677)
Lease liabilities	<b>(17,629)</b>	(16,509)
Other liabilities	<b>(3,312)</b>	(70,125)
<b>Total</b>	<b><u>(16,897,860)</u></b>	<b><u>(19,178,598)</u></b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 9. Operating expenses

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Employee benefits	(702,867)	(939,102)
Tax and surcharges	(189,495)	(245,375)
Others	(1,387,953)	(1,457,819)
Including:		
Depreciation of property and equipment	(263,417)	(297,313)
Depreciation of investment properties	(134,807)	(123,941)
Depreciation of right-of-use assets	(131,036)	(160,551)
Cost of properties development and sales	(99,929)	(60,978)
Management fee for realty	(46,587)	(30,475)
Amortisation	(24,973)	(23,795)
Rental for short-term leases	(9,086)	(25,258)
Total	<u>(2,280,315)</u>	<u>(2,642,296)</u>

### 10. Impairment losses under expected credit loss model

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Debt instruments at amortised cost	(17,765,873)	(13,652,372)
Debt instruments at FVOCI	(1,816,256)	(2,179,797)
Financial lease receivables	(594,686)	(549,293)
Loans and advances to customers	(8,815)	(6,344)
Financial assets held under resale agreements	9	(284,349)
Other financial assets	(222,949)	(228,244)
Total	<u>(20,408,570)</u>	<u>(16,900,399)</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 11. Impairment losses on other assets

	<b>For the six months ended 30 June</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Interests in associates and joint ventures	<b>(659,903)</b>	(161,552)
Foreclosed assets	<b>(44,241)</b>	(86,605)
Others	<b>(35,977)</b>	(215,792)
Total	<b><u>(740,121)</u></b>	<u>(463,949)</u>

### 12. Income tax (expense)/credit

	<b>For the six months ended 30 June</b>	
	<b>2023 (Unaudited)</b>	<b>2022 (Unaudited)</b>
Current income tax		
PRC enterprise income tax	<b>(636,190)</b>	(1,121,021)
PRC land appreciation tax	<b>(11,045)</b>	(20,185)
Profits tax of Hong Kong SAR and Macau SAR	<b>(13,017)</b>	(25,811)
Deferred income tax	<b>(607,807)</b>	3,829,211
Total tax (charge)/credit for the period from continuing operations	<b><u>(1,268,059)</u></b>	<u>2,662,194</u>
Total tax charge for the period from discontinued operations	<b><u>—</u></b>	<u>(3,992,078)</u>
Total	<b><u>(1,268,059)</u></b>	<u>(1,329,884)</u>

# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

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

### **12. Income tax (expense)/credit — continued**

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended 30 June 2022: 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 2022:15%).

The preferential income tax rate applicable to PRC high-tech enterprises was 15% for the period (for the six months ended 30 June 2022:15%).

On 21 March 2018, The Inland Revenue (Amendment) (No. 7) Bill 2017 which introduces the two-tiered profits tax rates regime was passed by the Hong Kong Legislative Council.

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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 13. Loss per share

The calculation of (loss)/earnings per share attributable to equity holders of the Company is as follows:

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
(Loss)/earnings:		
Loss for the period attributable to equity holders of the Company	(4,915,700)	(18,866,359)
Continuing operations	(4,915,700)	(20,384,657)
Discontinued operations	—	1,518,298
Number of shares:		
Weighted average number of shares for the period (in thousand)	80,246,679	80,246,679
Basic loss per share (RMB Yuan)	(0.061)	(0.235)
Diluted loss per share (RMB Yuan)	(0.061)	(0.235)
Basic loss per share from continuing operations (RMB Yuan)	(0.061)	(0.254)
Diluted loss per share from continuing operations (RMB Yuan)	(0.061)	(0.254)
Basic earnings per share from discontinued operations (RMB Yuan)	—	0.019
Diluted earnings per share from discontinued operations (RMB Yuan)	—	0.019

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 14. Dividends

#### *Dividends for Ordinary Shares*

In view of the fact that the Company's distributable profit as at the end of 2022 was negative, upon approval by the annual general meeting on 28 June 2023, the Company did not distribute any dividend for the year ended 31 December 2022 (Year ended 31 December 2021: Nil).

The Company did not declare any interim dividend for the period ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

#### *Interest on Perpetual Bonds*

The Company distributed interest on the 2022 Undated Capital Bonds amounting to RMB864 million on 29 June 2023.

### 15. Cash and balances with central bank

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Cash	88	122
Mandatory reserve deposits with central bank <sup>(i)</sup>	106,712	7,588
Surplus reserve deposits with central bank <sup>(ii)</sup>	6,877	15,460
Other deposits with central bank	<u>2</u>	<u>2</u>
Total	<u><u>113,679</u></u>	<u><u>23,172</u></u>

The balance of the Group mainly arises from its financial leasing 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.
- (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.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 16. Deposits with financial institutions

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Banks <sup>(i)</sup>	79,761,874	93,313,613
Clearing settlement funds <sup>(ii)</sup>	3,876,139	3,292,653
Other financial institutions	731,054	991,112
Subtotal	<u>84,369,067</u>	<u>97,597,378</u>
Less: Allowance for ECL <sup>(iii)</sup>	<u>(16,610)</u>	<u>(19,135)</u>
Total	<u><u>84,352,457</u></u>	<u><u>97,578,243</u></u>

(i) The Group maintains bank accounts to hold customers' deposits arising from its brokerage business. As at 30 June 2023, the bank balances and clearing settlement funds held on behalf of customers by the Group amounted to RMB3,613 million (31 December 2022 RMB3,324 million). The Group has recognised the corresponding amount in other liabilities (see Note IV.31).

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

(iii) As at 30 June 2023 and 31 December 2022, the Group's deposits with financial institutions are all in Stage I.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 17. Financial assets and financial liabilities at FVTPL

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Distressed debt assets	174,666,308	179,725,620
Equity instruments		
— Listed	33,470,022	32,612,310
— Unlisted	22,962,545	21,828,176
Funds	39,748,471	39,205,127
Trust products	12,688,556	13,918,510
Debt securities		
— Corporate bonds	4,411,801	5,734,413
— Financial institution bonds	300,516	295,860
Convertible bonds	1,508,665	1,765,254
Derivatives and structured product <sup>(i)</sup>	3,120,323	3,632,050
Asset management plans	941,206	979,607
Entrusted loans	637,341	660,350
Wealth management products <sup>(ii)</sup>	206,760	1,680,502
Asset-backed securities	22,315	27,148
Other debt assets	6,835,186	7,390,959
Total	<u>301,520,015</u>	<u>309,455,886</u>
Financial liabilities mandatorily measured at FVTPL		
Derivatives financial instruments <sup>(iii)</sup>	<u>431,802</u>	<u>744,397</u>
Financial liabilities designated as at FVTPL		
Interest of other holders of consolidated structured entities	<u>—</u>	<u>23,749</u>
Total	<u>431,802</u>	<u>768,146</u>

(i) 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 2023, the fair value of these hedging instruments amounted to RMB206 million and these instruments had been included in derivatives financial instruments classified as financial assets at FVTPL (31 December 2022: RMB268 million hedging instruments had been included in derivatives financial instruments classified as financial assets at FVTPL).

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

(iii) As at 30 June 2023, the fair value of the Group's forward contracts amounted to RMB407 million (31 December 2022: RMB741 million).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 18. Financial assets held under resale agreements

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
By collateral type:		
Securities	<u>274,504</u>	<u>706,720</u>
Subtotal	<u>274,504</u>	<u>706,720</u>
Less: Allowance for ECL		
— 12-month ECL	<u>—</u>	<u>(9)</u>
Subtotal	<u>—</u>	<u>(9)</u>
Net financial assets held under resale agreements	<u><u>274,504</u></u>	<u><u>706,711</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 19. Finance lease receivables

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	7,623,557	8,525,468
1 year to 5 years (inclusive)	8,780,328	10,265,224
Over 5 years	<u>1,218,529</u>	<u>1,406,723</u>
Gross amount of finance lease receivables	17,622,414	20,197,415
Less: Unearned finance income	<u>(2,759,823)</u>	<u>(2,914,440)</u>
Net amount of finance lease receivables	<u>14,862,591</u>	<u>17,282,975</u>
Less: Allowance for ECL		
— 12-month ECL	(143,949)	(146,380)
— Lifetime ECL	<u>(3,126,954)</u>	<u>(2,608,255)</u>
Subtotal	<u>(3,270,903)</u>	<u>(2,754,635)</u>
Carrying amount of finance lease receivables	<u>11,591,688</u>	<u>14,528,340</u>
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	6,497,249	7,368,348
1 year to 5 years (inclusive)	7,345,884	8,721,230
Over 5 years	<u>1,019,458</u>	<u>1,193,397</u>
Total	<u>14,862,591</u>	<u>17,282,975</u>

The movements of expected credit loss on finance lease receivables during the current period and the prior year are detailed in Note IV.39. (2).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 20. Debt instruments at FVOCI

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Distressed debt assets	14,664,242	16,683,796
Debt securities		
— Public sector and quasi-government bonds	2,740,339	1,393,996
— Government bonds	1,224,395	1,219,882
— Corporate bonds	394,215	806,497
— Financial institution bonds	—	655,961
Entrusted loans <sup>(i)</sup>	1,770,340	2,174,677
Asset management plans	1,459,518	1,459,518
Debt instruments	644,752	757,299
Trust products	150,055	154,400
Asset-backed securities	5,980	12,388
	<u>23,053,836</u>	<u>25,318,414</u>
Total	<u>23,053,836</u>	<u>25,318,414</u>

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

The movements of expected credit loss on debt instruments at FVOCI during the current period and the prior year are detailed in Note IV.39. (2).

### 21. Equity instruments at FVOCI

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Listed equity investments	1,522,115	1,405,358
Unlisted equity investments	520,987	633,237
	<u>2,043,102</u>	<u>2,038,595</u>
Total	<u>2,043,102</u>	<u>2,038,595</u>

(i) The above listed and unlisted equity investments represent equity instruments listed in the Chinese mainland or Hong Kong and unlisted equity investments established in the Chinese mainland or incorporated in Hong Kong. These investments are not held for trading.

(ii) The Group received dividends of RMB73 million from equity instruments at FVOCI during the current period (for the six months ended 30 June 2022: RMB71 million).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 22. Inventories

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Property development costs	22,371,569	21,815,427
Properties held for sale	<u>2,493,451</u>	<u>2,220,181</u>
Subtotal	<u>24,865,020</u>	<u>24,035,608</u>
Allowance for impairment losses	<u>(1,000,919)</u>	<u>(983,700)</u>
Total	<u><u>23,864,101</u></u>	<u><u>23,051,908</u></u>

### 23. Debt instruments at amortised cost

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Distressed debt assets		
Loans acquired from financial institutions	31,613,932	34,834,318
Other debt assets acquired from non-financial institutions	<u>210,940,136</u>	<u>225,908,531</u>
Subtotal	<u>242,554,068</u>	<u>260,742,849</u>
Less: Allowance for ECL		
— 12-month ECL	(1,569,774)	(2,419,646)
— Lifetime ECL	<u>(48,722,264)</u>	<u>(42,204,297)</u>
Subtotal	<u>(50,292,038)</u>	<u>(44,623,943)</u>
Carrying amount of distressed debt assets	<u><u>192,262,030</u></u>	<u><u>216,118,906</u></u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 23. Debt instruments at amortised cost — continued

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Other debt assets		
Debt instruments	88,998,732	92,152,347
Receivables arising from sales and leaseback arrangements	84,413,156	75,112,705
Entrusted loans <sup>(i)</sup>	45,795,920	46,437,189
Trust products	39,044,434	39,424,849
Debt securities	8,808,201	7,891,847
Asset management plans	5,808,600	6,373,333
Others	621,488	1,934,021
Subtotal	<u>273,490,531</u>	<u>269,326,291</u>
Less: Allowance for ECL		
— 12-month ECL	(887,247)	(772,838)
— Lifetime ECL	(72,008,849)	(69,319,631)
Subtotal	<u>(72,896,096)</u>	<u>(70,092,469)</u>
Carrying amount of other debt assets	<u>200,594,435</u>	<u>199,233,822</u>
Total	<u><u>392,856,465</u></u>	<u><u>415,352,728</u></u>

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

During the six months ended 30 June 2023, the Group disposed of certain financial assets measured at amortised cost, primarily because the Company had to manage its credit risk.

The movements of expected credit loss on debt instruments at amortised cost during current period and the prior year are detailed in Note IV.39.(2).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 24. Interests in associates and joint ventures

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Interests in associates		
Cost of investments in associates	43,690,986	11,134,112
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	(552,324)	(589,059)
Less: Allowance for impairment losses	(3,654,720)	(2,927,219)
Subtotal	<u>39,483,942</u>	<u>7,617,834</u>
Interests in joint ventures		
Cost of investments in joint ventures	6,181,741	6,064,408
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	(459,444)	(292,677)
Less: Allowance for impairment losses	(3,948,559)	(3,816,798)
Subtotal	<u>1,773,738</u>	<u>1,954,933</u>
Total	<u>41,257,680</u>	<u>9,572,767</u>
Fair value of listed companies	<u>14,344,095</u>	<u>1,605,200</u>

During the six months ended 30 June 2023, the Group acquired interests in 2 (for the six months ended 30 June 2022: Nil) associates with an aggregate initial cost of RMB32,403 million (for the six months ended 30 June 2022: Nil).

During the six months ended 30 June 2023, the Group disposed of interests in 2 (for the six months ended 30 June 2022: 3) associates with an aggregate carrying value of RMB46 million (for the six months ended 30 June 2022: RMB1,952 million) at the dates of disposal and recognised a net loss of RMB9 million (net gain for the six months ended 30 June 2022: RMB654 million).



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 24. Interests in associates and joint ventures — continued

Particulars of the Group's major associate as at 30 June 2023 are as follows:

Name of associate	Place of incorporation and business	Registered capital (in RMB millions)	Proportion of ownership interest held by the Group	Principal activities
CEB BANK	China	59,086	7.08%	Commercial banking

In March 2023, the Company purchased convertible corporate bonds (“Everbright Convertible Bonds”) which had been publicly issued by CEB Bank in 2017. Upon approval by the regulatory authorities, the Company converted the Everbright Convertible Bonds held by it into ordinary A shares of CEB Bank on 16 March 2023. Upon completion of this conversion, the Company held 4,184,682,388 ordinary A shares of CEB Bank, accounting for 7.08% of total share capital of CEB Bank. On 21 June 2023, the shareholders’ meeting of CEB Bank reviewed and approved the proposal of the nomination of a representative by the Company as a non-executive director of the ninth board of directors of CEB Bank. Accordingly, the Company had the power to participate in the financial and operating decisions of CEB Bank and was able to exert significant influence over CEB Bank. As such, the investment in CEB Bank had been accounted for as interests in associates using the equity method. The Company assessed the net fair value of CEB Bank’s identifiable assets and liabilities. The excess of its share of the net fair value of CEB Bank’s identifiable assets and liabilities over the cost of investment in CEB Bank amounted to RMB19,664 million. The Company had adjusted its cost of investment in CEB Bank.

The following table provides key information from the financial statements of CEB Bank, a major associate of the Group, which had been adjusted based on the fair value of net identifiable assets and liabilities at initial recognition of investment in associates, the amounts is expressed in millions of Renminbi.

**For the  
six months  
ended  
30 June 2023**

Operating income	<b>76,531</b>
Profit before tax	<b>29,413</b>
Net profit	<b>24,219</b>
Other comprehensive income	<b>3,311</b>
Total Comprehensive income	<b>27,530</b>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 24. Interests in associates and joint ventures — continued

	As at 30 June 2023
Total assets	6,757,928
Total liabilities	6,217,251
Total equity	540,677
— Equity attributable to ordinary shareholders	433,499

Reconciliation between the carrying amount of owner's equity of the associate and the Group's share of owner's equity of associate:

	As at 30 June 2023
Equity attributable to ordinary shareholders	433,499
Group's equity ratio	7.08%
Group's share of equity of the associate	30,692
Adjustments to the fair value of identifiable net assets	<u>1,693</u>
The carrying amount	<u>32,385</u>

As at 30 June 2023, the market value of the Company's investment in CEB Bank was RMB12,847 million.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 25. Movement of investment properties, property and equipment

For the six months ended 30 June 2023, the Group acquired and disposed of property and equipment with aggregate amounts of RMB39 million at cost and RMB1,012 million at net book value, respectively (for the six months ended 30 June 2022: RMB247 million at cost and RMB2,267 million at net book value, respectively).

For the six months ended 30 June 2023, the Group transferred a balance of RMB55 million (for the six months ended 30 June 2022: RMB341 million) from inventories to investment properties.

### 26. Other assets

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Other receivables	20,162,964	22,153,058
Foreclosed assets <sup>(i)</sup>	4,318,737	4,184,097
Prepaid income tax	1,334,477	87,245
Payments in advance	1,052,990	1,022,132
Deductible value-added tax	384,896	145,260
Continuing involvement assets	247,805	177,534
Dividends receivable	162,766	89,033
Loans and advances to customers	108,361	112,805
Intangible assets	81,087	85,969
Prepaid expenses	58,695	53,855
Notes receivable	11,210	13,815
Clearing and settlement receivables	326	97,366
Others	1,177,557	1,155,559
Subtotal	<u>29,101,871</u>	<u>29,377,728</u>
Allowance for other assets	<u>(10,174,506)</u>	<u>(9,809,560)</u>
Total	<u><u>18,927,365</u></u>	<u><u>19,568,168</u></u>

(i) The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 27. Financial assets sold under repurchase agreements

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Bonds	<u>10,830,035</u>	<u>6,744,795</u>
Total	<u><u>10,830,035</u></u>	<u><u>6,744,795</u></u>

### 28. Borrowings

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Unsecured loans	612,407,706	605,161,892
Pledged loans	14,035,117	14,302,941
Guaranteed loans <sup>(i)</sup>	6,347,342	6,468,222
Loans secured by properties	<u>2,905,256</u>	<u>3,562,920</u>
Total	<u><u>635,695,421</u></u>	<u><u>629,495,975</u></u>

(i) Among the balance of guaranteed loans, a balance of RMB6,347 million (31 December 2022: RMB6,468 million) was borrowed by subsidiaries of the Company and guaranteed by the Company.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 28. Borrowings — continued

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Carrying amount repayable <sup>(i)</sup> :		
Within 1 year (inclusive)	420,299,082	401,334,625
1 year to 2 years (inclusive)	177,405,944	121,403,901
2 years to 5 years (inclusive)	14,220,113	79,217,437
More than 5 years	183,772	545,938
	<u>612,108,911</u>	<u>602,501,901</u>
Subtotal		
Carrying amount of borrowings that contain a repayment on demand clause repayable <sup>(i)</sup> :		
Within 1 year (inclusive)	17,701,382	19,720,946
1 year to 2 years (inclusive)	2,202,090	2,218,590
2 years to 5 years (inclusive)	2,211,560	3,218,560
More than 5 years	1,471,478	1,835,978
	<u>23,586,510</u>	<u>26,994,074</u>
Subtotal		
Total	<u>635,695,421</u>	<u>629,495,975</u>

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

As at 30 June 2023, the Group failed to comply with certain financial or non-financial conditions stipulated in certain lending and borrowing agreements between banks and non-bank financial institutions, and the relevant amount of these borrowings was RMB4,192 million (31 December 2022: RMB4,114 million). The Group is in active dialogue with the relevant institutions, these institutions still provide normal borrowings to the Group and have not yet requested early repayments of borrowings.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 29. Tax payable

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
PRC enterprise income tax	201,145	2,412,582
PRC land appreciation tax	183,674	182,318
Profits tax of Hong Kong SAR and Macau SAR	101,960	100,161
Total	<u>486,779</u>	<u>2,695,061</u>

### 30. Bonds and notes issued

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	Term	Coupon rate per annum	Interest payment terms
Mid-term U.S. dollar notes	72,427,988	76,633,782	3–30 years	2.13%–5.50% fixed rate	Interest payable semi-annually
Financial bonds	60,430,033	60,995,693	3–5 years	3.75%–4.75% fixed rate	Interest payable annually
Tier II capital bonds	40,866,148	40,088,172	10 years	3.58%–5.00% fixed rate	Interest payable annually
				3 months LIBOR+1.25%–1.325%	
Mid-term U.S. dollar notes	6,329,865	8,825,582	5 years	floating rate	Interest payable quarterly
Mid-term SGD notes	2,083,169	2,020,417	8 years	3.80% fixed rate	Interest payable quarterly
Corporate bonds	821,610	843,397	1 year	5.50% fixed rate	Interest payable annually
Asset-backed securities	—	452,728	495–938 days	4.18%–4.50% fixed rate	Interest payable semi-annually
Total	<u>182,958,813</u>	<u>189,859,771</u>			

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 31. Other liabilities

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Guarantee deposits received from customers	17,916,195	15,780,820
Other payables	17,151,037	20,719,112
Amounts received in advance <sup>(i)</sup>	6,834,199	7,303,058
Letter of credit	6,418,343	5,067,798
Payables to interest holders of consolidated structured entities	3,707,503	10,556,691
Margin deposits received from securities customers	3,486,168	3,218,209
Employee benefits payable	2,860,170	2,994,396
Sundry taxes payable	565,399	519,598
Bills payable <sup>(ii)</sup>	484,704	955,140
Dividends payable <sup>(iii)</sup>	112,924	112,924
Account payable to brokerage clients	103,985	113,074
Provisions	—	10,275
Others	693,411	1,516,572
Total	<u>60,334,038</u>	<u>68,867,667</u>

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

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

(iii) As at 30 June 2023, the Group's dividend payable was due to Deutsche Bank AG.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 32. Share capital

	<b>For the six months ended 30 June 2023 (Unaudited)</b>	<b>For the year ended 31 December 2022 (Audited)</b>
Authorised, issued and fully paid At beginning and end of the period/year	<b><u>80,246,679</u></b>	<b><u>80,246,679</u></b>
	<b>2023</b>	
	<b>As at 1 January (Audited)</b>	<b>As at 30 June (Unaudited)</b>
Registered, issued and fully paid		
Domestic shares	<b>44,884,418</b>	<b>44,884,418</b>
H shares	<b>35,362,261</b>	<b>35,362,261</b>
Total	<b><u>80,246,679</u></b>	<b><u>80,246,679</u></b>
	<b>2022</b>	
	<b>As at 1 January (Audited)</b>	<b>As at 31 December (Audited)</b>
Registered, issued and fully paid		
Domestic shares	53,242,042	44,884,418
H shares	27,004,637	35,362,261
Total	<b><u>80,246,679</u></b>	<b><u>80,246,679</u></b>

As at 30 June 2023, 33,333,334 thousand of the Company's domestic shares and 1,960,784 thousand of the Company's H shares were subject to lock-up restrictions.

As at 6 March 2023, the MOF and CITIC had completed the registration procedures for a capital injection made by the MOF in the form of 2,407,400,372 domestic shares of the Company into CITIC Group. After the above change in equity interests, the MOF's percentage shareholding in the Company was 24.76%, while CITIC Group's percentage shareholding in the Company was 26.46%, making it the largest shareholder of the Company.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 33. Other equity instruments

	2023		
	As at 1 January (Audited)	Issuance	As at 30 June (Unaudited)
Perpetual Bonds			
2022 undated capital bonds	<u>19,900,000</u>	<u>—</u>	<u>19,900,000</u>
Total	<u>19,900,000</u>	<u>—</u>	<u>19,900,000</u>

Upon approvals by relevant regulators in China, the Company issued RMB19,900 million undated capital bonds (the “bonds”) in the domestic interbank bond market on 29 June 2022 and completed the issuance on 30 June 2022. The denomination of the bonds is RMB100 each, and the annual coupon rate of the bonds for the first five years is 4.34%, which is reset every 5 years. The coupon rate will be reset on the date when the benchmark rate is adjusted. The reset coupon rate will be determined by adding the fixed spread determined at the time of issuance to the updated benchmark rate on the date when the benchmark rate is adjusted.

The duration of the bonds is the same as the period of the Company’s continuing operation. Subject to satisfaction of redemption conditions and having obtained prior approval of the Former CBIRC, the Company may redeem the bonds in whole or in part on each payment date 5 years after the issuance date of the bonds. Upon the occurrence of a Non-Viability Trigger Event, the Company has the right to write down the principal amount of the bonds in whole or in part, without the need for consent of the holders of the bonds. The claims in respect of the bonds, in the event of a Winding-Up of the Company, will be subordinated to the claims of general creditors, and subordinated indebtedness that ranks senior to the bonds; will rank in priority to all classes of shares held by the Company’s shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Company that rank pari passu with the bonds.

The bonds are paid with non-cumulative interest. The Company has the right to cancel distributions of interests on the bonds in whole or in part and such cancellation shall not constitute a default. The Company may, at its sole discretion, use the interest from the cancelled distributions of the bonds to meet other obligations as they fall due. The Company shall not make any distributions to the ordinary shareholders, until it resumes the Distribution Payments in whole to the holders of the bonds. Proceeds raised from the issuance of the bonds, after deduction of transaction costs, were wholly used to replenish the Company’s additional tier 1 capital and to increase its capital adequacy ratios.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 34. General reserve

Starting from 1 July 2012, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai jin [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 PRC Generally Accepted Accounting Principles, 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 a distribution of retained earnings.

For the six months ended 30 June 2023, the Group did not transfer any amount to general reserve (for the six months ended 30 June 2022: Nil).

### 35. Cash and cash equivalents

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Deposits with financial institutions	82,730,279	94,731,660
Financial assets held under resale agreements	274,504	706,720
Balances with central bank	6,877	15,460
Cash on hand	88	122
Placements with financial institutions	—	1,300,535
Total	<u>83,011,748</u>	<u>96,754,497</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 36. 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 2023, the total claim amount of pending litigations was RMB6,377 million (31 December 2022: RMB6,459 million) for the Group, and no provision (31 December 2022: RMB10.28 million) for the Group was made based on court judgements or the advice of legal counsels. The Company believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

### 37. Commitments

#### (1) *Credit enhancement*

As at 30 June 2023, the Group did not provide credit enhancement for counterparties involving in borrowing arrangements (31 December 2022: Nil).

#### (2) *Other commitments*

	<b>As at 30 June 2023 (Unaudited)</b>	<b>As at 31 December 2022 (Audited)</b>
Contracted but not provided for		
— Commitments for the acquisition of intangible assets and property and equipment	<u>27,325</u>	<u>108,687</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 38. Related party transactions

#### (1) The MOF

As at 30 June 2023, the MOF directly owned 24.76% (31 December 2022: 27.76%) of the 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.

The Group had 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 2023 (Unaudited)	As at 31 December 2022 (Audited)
Debt instruments at FVOCI	621,988	610,347
Other assets	152,111	152,295
Other liabilities	<u>12,395</u>	<u>12,349</u>

The Group had the following transactions with the MOF:

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest income	7,928	241,931
Fair value changes on other financial assets and liabilities	<u>—</u>	<u>32,813</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 38. Related party transactions — continued

#### (2) CITIC Group

As at 30 June 2023, CITIC Group owned 26.46% of the share capital of the Company (31 December 2022: 23.46%). Transactions between the Group and CITIC Group were carried out under normal commercial terms, in ordinary course of business and priced at market rate.

The Group had the following balances with CITIC Group:

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Borrowings	40,649,985	36,473,355
Deposits with financial institutions	18,240,936	3,295,999
Financial assets sold under repurchase agreements	5,739,000	—
Bonds and notes issued	3,242,000	3,242,000
Other liabilities	2,861,279	1,440,222
Other assets	481,144	182,022
Financial assets at fair value through profit or loss	120,500	162,288
Placements from financial institutions	—	1,001,161
Debt instruments at fair value through other comprehensive income	—	153,396

The Group had the following transactions with CITIC Group:

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Interest expense	864,275	948,634
Interest income	24,668	7,539
Commission and fee expense	11,925	115
Operating expenses	1,379	608

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 38. Related party transactions — continued

#### (2) *CITIC Group — continued*

During the six months ended 30 June 2023, the Group acquired RMB2,653 million financial assets from CITIC Group, and disposed of RMB400 million financial assets to CITIC Group.

#### (3) *Shareholder holding 5% and more than 5% of the Company's share capital*

As at 30 June 2023, China Insurance Rongxin Private Fund Co., Ltd. (“China Insurance Rongxin Fund”) owned 18.08% of the share capital of the Company (31 December 2022: 18.08%).

As at 30 June 2023, the Group had no related party transaction with China Insurance Rongxin Fund (31 December 2022: Nil).

#### (4) *Government related entities*

Other than those disclosed above, the Group also entered into transactions with government-related entities. These transactions were entered into under normal commercial terms and conditions.

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 take account of whether the customers are government-related entities or not.

#### (5) *Associates and joint ventures*

The Group had 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 38. Related party transactions — continued

#### (5) Associates and joint ventures — continued

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Debt instruments at amortised cost	2,295,954	2,015,543
Deposits with financial institutions	2,024,795	—
Borrowings	1,801,736	—
Bonds and notes issued	1,197,000	—
Other assets-other receivables	511,569	501,977
Other liabilities	254,894	228,217
Other assets-trade receivables	6,795	7,734

On 21 June 2023, CEB Bank became an associate of the Group. The Group's balances with CEB Bank have been included in the above balances with associates and joint ventures.

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

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
Other income and other net gains or losses	9,311	5,969
Interest income	2,948	55,826
Interest expense	1,736	—
Operating expenses	421	261

#### (6) Annuity scheme

In addition to normal contributions into the annuity schemes set up by the Company and certain other subsidiaries of the Group, there were no other related party transactions for the six months ended 30 June 2023.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 38. Related party transactions — continued

#### (7) Key management personnel

Key management personnel are those persons 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	
	2023 (Unaudited)	2022 (Unaudited)
Emoluments of key management personnel		
— Salaries and other benefits	1,768	2,007
— Fees	720	720
— Discretionary and performance-related incentive payments	718	844
— Employer's contribution to pension scheme	313	250
Total (before tax)	<u>3,519</u>	<u>3,821</u>

The number of key managers in the current period decreased compared to the same period in 2022. The total compensation packages of the above key management personnel for the six months ended 30 June 2023 and 2022 have not yet been finalised in accordance with regulations of the relevant authorities in the PRC.



# **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

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

### **39. 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 2022.

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 relate 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 2023 and comprehensively considered the impacts of current economic conditions on expected credit losses, including performing forward-looking forecasts to key macroeconomic indicators and assessments of scenario weights.

As at 30 June 2023, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for the macroeconomic development of management.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. Credit risk — continued

#### (1) Risk concentration of distressed debt assets at amortised cost and at FVOCI and finance lease receivables

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)
Distressed debt assets at amortised cost	242,554,068	260,742,849
Finance lease receivables	14,862,591	17,282,975
Distressed debt assets at FVOCI	<u>14,664,242</u>	<u>16,683,796</u>
Subtotal	<u>272,080,901</u>	<u>294,709,620</u>
Allowance for ECL		
Distressed debt assets at amortised cost	(50,292,038)	(44,623,943)
Finance lease receivables	<u>(3,270,903)</u>	<u>(2,754,635)</u>
Subtotal	<u>(53,562,941)</u>	<u>(47,378,578)</u>
Net carrying amount		
Distressed debt assets at amortised cost	192,262,030	216,118,906
Finance lease receivables	11,591,688	14,528,340
Distressed debt assets at FVOCI	<u>14,664,242</u>	<u>16,683,796</u>
Total	<u>218,517,960</u>	<u>247,331,042</u>

As at 30 June 2023, the loss allowance of distressed debt assets at FVOCI was RMB6,006 million (31 December 2022: RMB5,637 million).

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. Credit risk — continued

#### (1) Risk concentration of distressed debt assets at amortised cost and at FVOCI and finance lease receivables — continued

##### Analysed by geographical area

	As at 30 June 2023		As at 31 December 2022	
	Gross amount (Unaudited)	%	Gross amount (Audited)	%
Western Region	76,398,707	28.2	80,571,797	27.3
Central Region	61,468,030	22.6	64,499,367	21.9
Pearl River Delta	45,710,438	16.8	48,264,325	16.4
Yangtze River Delta	39,586,146	14.5	46,593,179	15.8
Bohai Rim	37,407,282	13.7	41,430,938	14.1
Northeastern Region	10,935,833	4.0	12,728,229	4.3
Overseas	574,465	0.2	621,785	0.2
<b>Total</b>	<b>272,080,901</b>	<b>100.0</b>	<b>294,709,620</b>	<b>100.0</b>

Note:

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. Credit risk — continued

#### (1) Risk concentration of distressed debt assets at amortised cost and at FVOCI and finance lease receivables — continued

##### Analysed by industry

	As at 30 June 2023		As at 31 December 2022	
	Gross amount (Unaudited)	%	Gross amount (Audited)	%
Real estate	112,244,653	41.2	120,513,649	40.9
Manufacturing	34,712,313	12.8	35,831,758	12.2
Construction	27,869,164	10.2	31,603,514	10.7
Leasing and commercial services	27,031,064	9.9	29,261,887	9.9
Water, environment and public utilities management	21,666,694	8.0	23,884,377	8.1
Wholesale and retail trade	21,184,685	7.8	23,076,405	7.8
Production and supply of power, heat, gas and water	6,724,495	2.5	8,164,706	2.8
Mining	3,925,835	1.4	3,272,732	1.1
Transportation, logistics and postal services	3,167,306	1.2	4,452,367	1.5
Others	13,554,692	5.0	14,648,225	5.0
Total	<u>272,080,901</u>	<u>100.0</u>	<u>294,709,620</u>	<u>100.0</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. 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 2023 (Unaudited)	As at 31 December 2022 (Audited)
Debt instruments at amortised cost	123,188,134	114,716,412
Debt instruments at FVOCI	10,827,010	9,800,907
Finance lease receivables	3,270,903	2,754,635
Loans and advances to customers	85,889	74,345
Financial assets held under resale agreements	—	9
Total	<u>137,371,936</u>	<u>127,346,308</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. 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.

#### Finance lease receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022 (Audited)	190,654	667,711	1,863,149	2,721,514
Changes in the loss allowance				
— Transfer to Stage 1	109,594	(109,594)	—	—
— Transfer to Stage 2	(2,080)	74,355	(72,275)	—
— Transfer to Stage 3	(3,607)	(224,787)	228,394	—
— Charge for the year	41,799	404,718	1,077,154	1,523,671
— Reversal for the year	(198,521)	(122,542)	(287,873)	(608,936)
— Write-offs	—	—	(884,758)	(884,758)
— Others	8,541	—	(5,397)	3,144
As at 31 December 2022 (Audited)	<u>146,380</u>	<u>689,861</u>	<u>1,918,394</u>	<u>2,754,635</u>
Changes in the loss allowance				
— Transfer to Stage 1	63,821	(63,821)	—	—
— Transfer to Stage 2	—	75,098	(75,098)	—
— Transfer to Stage 3	(6,247)	(275,083)	281,330	—
— Charge for the period	18,388	35,818	862,664	916,870
— Reversal for the period	(81,585)	(82,703)	(157,896)	(322,184)
— Write-offs	—	—	(85,764)	(85,764)
— Others	3,192	—	4,154	7,346
As at 30 June 2023 (Unaudited)	<u>143,949</u>	<u>379,170</u>	<u>2,747,784</u>	<u>3,270,903</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. Credit risk — continued

#### (2) Credit quality — continued

#### (ii) Movements of loss allowance — continued

##### Debt instruments at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022 (Audited)	106,828	843,474	10,249,192	11,199,494
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(13,691)	175,711	(162,020)	—
— Transfer to Stage 3	(61,974)	(276,854)	338,828	—
— Charge for the year	29,283	233,848	3,317,950	3,581,081
— Reversal for the year	(8,428)	(323,990)	(310,773)	(643,191)
— Write-offs	—	—	(638,943)	(638,943)
— Transfer out	—	(5,194)	(2,704,196)	(2,709,390)
— Disposal of subsidiaries	(5,519)	—	(156,853)	(162,372)
— Others	(181)	2,159	(827,750)	(825,772)
As at 31 December 2022 (Audited)	46,318	649,154	9,105,435	9,800,907
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(27,982)	27,982	—	—
— Transfer to Stage 3	(13,432)	(138,226)	151,658	—
— Charge for the period	7,495	277,506	1,645,555	1,930,556
— Reversal for the period	(1,126)	(36,593)	(76,581)	(114,300)
— Write-offs	—	—	(483,805)	(483,805)
— Others	(296)	(1,623)	(304,429)	(306,348)
As at 30 June 2023 (Unaudited)	10,977	778,200	10,037,833	10,827,010

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. 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 2022 (Audited)	4,052,694	5,965,899	116,449,936	126,468,529
Changes in the loss allowance				
— Transfer to Stage 1	16,200	(16,200)	—	—
— Transfer to Stage 2	(419,543)	1,126,645	(707,102)	—
— Transfer to Stage 3	(835,906)	(2,336,389)	3,172,295	—
— Charge for the year	1,277,128	3,197,578	25,531,182	30,005,888
— Reversal for the year	(730,440)	(1,295,147)	(3,376,295)	(5,401,882)
— Write-offs	—	—	(10,093,828)	(10,093,828)
— Transfer in and transfer out	(4,800)	(113,505)	(15,079,646)	(15,197,951)
— Unwinding of discount on allowance	—	—	(7,624,711)	(7,624,711)
— Disposal of subsidiaries	(164,183)	(151,632)	(5,998,869)	(6,314,684)
— Exchange differences and others	1,334	16,689	2,857,028	2,875,051
As at 31 December 2022 (Audited)	3,192,484	6,393,938	105,129,990	114,716,412
Changes in the loss allowance				
— Transfer to Stage 1	75,303	(75,303)	—	—
— Transfer to Stage 2	(1,169,865)	1,321,191	(151,326)	—
— Transfer to Stage 3	(155,140)	(2,527,253)	2,682,393	—
— Charge for the period	939,070	3,338,553	16,019,581	20,297,204
— Reversal for the period	(403,849)	(616,817)	(1,510,665)	(2,531,331)
— Write-offs	—	—	(4,453,516)	(4,453,516)
— Transfer in and transfer out	—	(3,022)	(1,281,308)	(1,284,330)
— Unwinding of discount on allowance	—	—	(4,252,986)	(4,252,986)
— Exchange differences and others	(20,982)	52,484	665,179	696,681
As at 30 June 2023 (Unaudited)	2,457,021	7,883,771	112,847,342	123,188,134



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 39. Credit risk — continued

#### (2) *Credit quality — continued*

#### (ii) Movements of loss allowance — continued

##### Debt instruments at amortised cost — continued

The most significant movements of loss allowances during the reporting period in respect of debt instruments at amortised cost arose from the downgrade of financial assets to Stage 2 or Stage 3 as a result of the deterioration of credit quality of these financial assets.

### 40. Risk management of distressed assets

The risk of distressed assets includes 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. The risk of distressed assets can also arise from operational failures due to unauthorised or inappropriate purchases, disposals or management activities, which result in the recoverable amount of the distressed assets being 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 and at FVOCI or equity instruments at FVTPL and at FVOCI.

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 2022.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments

#### 41.1 Fair values 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 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	31,759,645	7,336,537	262,423,833	301,520,015
Debt instruments at FVOCI	—	4,315,319	18,738,517	23,053,836
Equity instruments at FVOCI	220,870	1,514,573	307,659	2,043,102
Total assets	<u>31,980,515</u>	<u>13,166,429</u>	<u>281,470,009</u>	<u>326,616,953</u>

	As at 30 June 2023 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	<u>(1,777)</u>	<u>(408,648)</u>	<u>(21,377)</u>	<u>(431,802)</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

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

	As at 31 December 2022 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	27,052,882	11,425,123	270,977,881	309,455,886
Debt instruments at FVOCI	—	4,039,114	21,279,300	25,318,414
Equity instruments at FVOCI	252,683	1,466,985	318,927	2,038,595
Total	<u>27,305,565</u>	<u>16,931,222</u>	<u>292,576,108</u>	<u>336,812,895</u>
	As at 31 December 2022 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	<u>(138)</u>	<u>(767,546)</u>	<u>(462)</u>	<u>(768,146)</u>

There were no significant transfers between Level 1 and Level 2 within the Group for the six months ended 30 June 2023 and for the year ended 31 December 2022.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

#### 41.1 Fair values 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 values of the financial assets and financial liabilities and their fair value hierarchy.

<u>Financial assets</u>	Fair value as at		Fair value hierarchy
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	
1) Financial assets at FVTPL			
Distressed debt assets	<b>174,666,308</b>	179,725,620	Level 3
Funds			
— Listed	<b>450,801</b>	491,937	Level 1
— Investing in the underlying assets with open or active quotations	<b>2,099,655</b>	3,316,070	Level 2
— Investing in the underlying assets without open or active quotations	<b>37,198,015</b>	35,397,120	Level 3
Trust products			
— Investing in the underlying assets with open or active quotations	<b>123,129</b>	177,363	Level 2
— Investing in the underlying assets without open or active quotations	<b>12,565,427</b>	13,741,147	Level 3
Equity instruments			
— Listed shares			
— Unrestricted shares	<b>31,308,844</b>	26,560,945	Level 1
— Restricted shares	<b>2,161,178</b>	6,051,365	Level 3
— Unlisted shares	<b>22,962,545</b>	21,828,176	Level 3
Debt securities			
— Traded in inter-bank markets	<b>4,481,573</b>	5,722,246	Level 2
— Traded over the counter	<b>230,744</b>	308,027	Level 3
Wealth management products			
— Investing in the underlying assets with open or active quotations	<b>206,760</b>	1,680,502	Level 2
Convertible bonds			
— Unlisted	<b>1,508,665</b>	1,765,254	Level 3

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

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

<u>Financial assets</u>	Fair value as at		Fair value hierarchy
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	
Asset management plans			
— Investing in the underlying assets with open or active quotations	134,354	162,803	Level 2
— Investing in the underlying assets without open or active quotations	806,852	816,804	Level 3
Derivatives and structured product	291,066	366,139	Level 2
Derivatives and structured product	2,829,257	3,265,911	Level 3
Other debt assets			
— Investing in the underlying assets without open or active quotations	6,835,186	7,390,959	Level 3
Entrusted loans	637,341	660,350	Level 3
Asset-backed securities	22,315	27,148	Level 3
Subtotal	<u>301,520,015</u>	<u>309,455,886</u>	
2) Debt instruments at FVOCI			
Distressed debt assets	14,664,242	16,683,796	Level 3
Debt securities			
— Traded in inter-bank markets	4,309,339	4,026,726	Level 2
— Traded over the counter	49,610	49,610	Level 3
Entrusted loans	1,770,340	2,174,677	Level 3
Asset management plans			
— Investing in the underlying assets without open or active quotations	1,459,518	1,459,518	Level 3
Debt instruments	644,752	757,299	Level 3
Trust products	150,055	154,400	Level 3
Asset-backed securities			
— Investing in the underlying assets with open or active quotations	5,980	12,388	Level 2
Subtotal	<u>23,053,836</u>	<u>25,318,414</u>	

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

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

	Fair value as at		Fair value hierarchy
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	
<b>Financial assets</b>			
3) Equity instruments at FVOCI			
Shares			
— Listed shares	220,870	252,683	Level 1
— Listed shares	1,301,245	1,152,675	Level 2
— Unlisted shares	213,328	314,310	Level 2
— Unlisted shares	307,659	318,927	Level 3
Subtotal	2,043,102	2,038,595	
Total	326,616,953	336,812,895	
<b>Financial liabilities</b>			
Financial liabilities mandatorily measured as at FVTPL			
— Derivatives financial instruments	(1,777)	(138)	Level 1
— Derivatives financial instruments	(408,648)	(743,797)	Level 2
— Derivatives financial instruments	(21,377)	(462)	Level 3
Financial liabilities designated as at FVTPL			
— Interests of other holders in consolidated structured entities	—	(23,749)	Level 2
Total	(431,802)	(768,146)	

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

#### *41.1 Fair values 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 and 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, 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

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

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

<b>Business</b>	<b>Valuation technique(s) and key input(s)</b>	<b>Significant unobservable input(s)</b>	<b>The effect of unobservable inputs on fair value</b>
Distressed debt assets	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Estimated recoverable amount, estimated recovery date and discount rate in line with estimated risk level</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
Unlisted equity instruments	<ul style="list-style-type: none"> <li>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</li> <li>Comparable listed company method, comparable transaction cases, etc.</li> <li>Asset-based approach</li> </ul>	<ul style="list-style-type: none"> <li>Estimated recoverable amount, estimated recovery date and discount rate in line with estimated risk level</li> <li>Market multiplier, discount for lack of marketability (DLOM)</li> <li>Adjusted net assets and discount for lack of marketability (DLOM)</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> <li>The higher market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.</li> <li>The higher the adjusted net assets, the higher the fair value. The lower the DLOM, the higher the fair value.</li> </ul>
Listed equity instruments (restricted)	<ul style="list-style-type: none"> <li>Option Pricing Model</li> </ul>	<ul style="list-style-type: none"> <li>Stock volatility</li> </ul>	<ul style="list-style-type: none"> <li>The lower the stock volatility, the higher the fair value.</li> </ul>



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

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

The following table summarises the major valuation information for Level 3 financial instruments: — continued

Business	Valuation technique(s) and key input(s)	Significant unobservable input(s)	The effect of unobservable inputs on fair value
Debt securities	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Estimated recoverable amount, estimated recovery date and discount rate in line with estimated risk level</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
Funds; Trust products; Wealth management products; Asset management plans; Derivatives and structured products, etc.	<ul style="list-style-type: none"> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Estimated recoverable amount, estimated recovery date and discount rate in line with estimated risk level</li> </ul>	<ul style="list-style-type: none"> <li>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.</li> </ul>
	<ul style="list-style-type: none"> <li>Comparable listed company method, comparable transaction cases, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Market multiplier, discount for lack of marketability (DLOM)</li> </ul>	<ul style="list-style-type: none"> <li>The higher market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.</li> </ul>
	<ul style="list-style-type: none"> <li>Asset-based approach</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted net assets and discount for lack of marketability (DLOM)</li> </ul>	<ul style="list-style-type: none"> <li>The higher amount of the adjusted net assets, the higher the fair value. The lower the DLOM, the higher the fair value.</li> </ul>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

#### 41.2 Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL
As at 1 January 2023 (Audited)	270,977,881	21,279,300	318,927	(462)
Recognised in profit or loss	(2,248,011)	—	—	(575)
Recognised in other comprehensive income	—	(668,336)	(17,012)	—
Additions	18,408,698	350,770	5,744	(64,510)
Settlements/disposals	(23,143,417)	(2,223,217)	—	44,170
Transferred out from Level 3	(1,571,318)	—	—	—
As at 30 June 2023 (Unaudited)	<u>262,423,833</u>	<u>18,738,517</u>	<u>307,659</u>	<u>(21,377)</u>
Changes in unrealised losses for the period included in profit or loss for assets and liabilities held at the end of the period	<u>(3,070,632)</u>	<u>—</u>	<u>—</u>	<u>—</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

#### 41.2 Reconciliation of Level 3 fair value measurements — continued

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL
As at 1 January 2022 (Audited)	278,217,427	29,017,797	661,608	(604)
Recognised in profit or loss	(751,906)	—	—	—
Recognised in other comprehensive income	—	482,076	18,403	—
Additions	48,060,526	1,146,386	415,315	—
Settlements/disposals	(49,804,065)	(9,366,959)	(776,399)	142
Transferred-out from Level 3	(4,744,101)	—	—	—
As at 31 December 2022 (Audited)	<u>270,977,881</u>	<u>21,279,300</u>	<u>318,927</u>	<u>(462)</u>
Changes in unrealized losses for the year included in profit or loss for assets and liabilities held at the end of the year	<u>(5,102,732)</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the six months ended 30 June 2023 and for the year ended 31 December 2022, certain shares were transferred out from Level 3 as they became listed or unrestricted during the period/year.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

#### 41.3 Fair values 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, loans and advances to customers, 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 2023		As at 31 December 2022	
	Carrying amount (Unaudited)	Fair value (Unaudited)	Carrying amount (Audited)	Fair value (Audited)
Financial assets				
Debt instruments at amortised cost	<b>392,856,465</b>	<b>418,242,944</b>	415,352,728	432,724,356
Total	<b>392,856,465</b>	<b>418,242,944</b>	415,352,728	432,724,356
Financial liabilities				
Borrowings	<b>(635,695,421)</b>	<b>(636,834,174)</b>	(629,495,975)	(631,039,399)
Bonds and notes issued	<b>(182,958,813)</b>	<b>(182,802,213)</b>	(189,859,771)	(188,463,374)
Total	<b>(818,654,234)</b>	<b>(819,636,387)</b>	(819,355,746)	(819,502,773)

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

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

### 41. Fair value of financial instruments — continued

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

	As at 30 June 2023 (Unaudited)	As at 31 December 2022 (Audited)	Fair value hierarchy	Valuation technique
Financial assets				
Debt instruments at amortised cost	8,839,819	7,877,387	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Debt instruments at amortised cost	<u>409,403,125</u>	<u>424,846,969</u>	Level 3	Discounted cash flows
Total	<u><u>418,242,944</u></u>	<u><u>432,724,356</u></u>		
Financial liabilities				
Borrowings	(636,834,174)	(631,039,399)	Level 3	Discounted cash flows
Bonds and notes issued	—	(716,333)	Level 1	Quoted ask prices in an active market
Bonds and notes issued	(99,987,021)	(106,887,973)	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Bonds and notes issued	<u>(82,815,192)</u>	<u>(80,859,068)</u>	Level 3	Discounted cash flows
Total	<u><u>(819,636,387)</u></u>	<u><u>(819,502,773)</u></u>		

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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(Amounts in thousands of Renminbi, unless otherwise stated)

## V. EVENTS AFTER THE BALANCE SHEET DATE

On 16 August 2023, the Company issued a RMB20,000 million financial bond with maturity in 2026 and coupon interest of 3.1% per annum.

## 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 29 August 2023.

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

Beijing, the PRC  
August 29, 2023

*As at the date of this announcement, the Board comprises Mr. LIU Zhengjun and Mr. LI Zimin as executive directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping, Mr. XU Wei and Mr. TANG Hongtao as non-executive directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive directors.*