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中国中信金融资产
China CITIC Financial AMC

中國中信金融資產管理股份有限公司
China CITIC Financial Asset Management Co., Ltd.

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

(Stock Code: 2799)

2024 Interim Results Announcement

The board of directors of China CITIC Financial Asset Management Co., Ltd. (the “**Company**”) announces the unaudited results of the Company and its subsidiaries for the six months ended June 30, 2024. 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 2024 interim report of the Company will be delivered to the holders of the H Shares of the Company who have requested a printed copy and will be available for viewing on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.famc.citic) in September 2024.

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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 CITIC Financial 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 CITIC Financial 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 policies 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

Financial Leasing Company	China Huarong Financial Leasing Co., Ltd.
Group, the Group or CITIC Financial AMC	China CITIC Financial 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
Huitong Asset	Huarong Huitong 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
Industrial Company	Huarong Industrial Investment & Management Co., Ltd.
International Company	China CITIC Financial AMC International Holdings Limited
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)
NFRA	National Financial Regulatory Administration (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
PBOC	the People's Bank of China (中國人民銀行), the central bank of the PRC
PRC GAAP	generally accepted accounting principles in the PRC
Prospectus	the prospectus for the Company's listing in Hong Kong dated October 16, 2015
Reporting Period	the six months ended June 30, 2024

Rongde Asset	Huarong Rongde Asset Management Co., Ltd.
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
Treasury Shares	has the meaning ascribed thereto under the Listing Rules
USD	the lawful currency of the United States

2 Corporate Information

Official Chinese name	中國中信金融資產管理股份有限公司
Chinese abbreviation	中信金融資產
Official English name	China CITIC Financial Asset Management Co., Ltd.
English abbreviation	CITIC Financial AMC
Legal representative	Liu Zhengjun
Authorized representatives	Liu Zhengjun, Wang Yongjie
Secretary to the Board	Wang Yongjie
Joint Company secretaries	Wang Yongjie, Ngai Wai Fung
Registered address	No. 8 Financial Street, Xicheng District, Beijing, China
Postal code of place of registration	100033
Website	www.famc.citic
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	www.hkexnews.hk
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	CITIC FAMC
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 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Changan Ave., Dongcheng District, Beijing, China

3 Financial Summary

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

	For the six months ended	
	June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
		Restated
	<i>(in millions of RMB)</i>	
Continuing operations		
Income from distressed debt assets	7,861.0	9,298.1
Fair value changes on distressed debt assets	2,316.9	(776.4)
Fair value changes on other financial assets and liabilities	13,933.4	(2,256.4)
Interest income	4,428.7	3,988.0
Gains from derecognition of financial assets measured at amortised cost	249.2	50.0
Gains from derecognition of debt instruments at fair value through other comprehensive income (“FVTOCI”)	32.2	15.0
Commission and fee income	64.4	83.7
Net gains/(losses) on disposals of subsidiaries, associates and joint ventures	24.2	(9.4)
Dividend income	533.7	229.7
Other income and other net gains or losses	813.3	22,026.4
Total income	30,257.0	32,648.7
Interest expense	(16,404.7)	(15,510.1)
Commission and fee expense	(103.2)	(107.4)
Operating expenses	(2,265.2)	(1,805.0)
Impairment losses under expected credit loss (“ECL”) model	(9,766.6)	(19,506.9)
Impairment losses on other assets	(217.2)	(722.7)
Total expenses	(28,756.9)	(37,652.1)
Change in net assets attributable to other holders of consolidated structured entities	297.1	134.4
Share of results of associates and joint ventures	2,955.6	(69.2)
Profit/(loss) before tax from continuing operations	4,752.8	(4,938.2)
Income tax expense	(153.4)	(1,221.7)
Profit/(loss) for the period from continuing operations	4,599.4	(6,159.9)
Discontinued operation		
Profit after tax for the period from a discontinued operation	672.8	264.7
Profit/(loss) for the period	5,272.2	(5,895.2)
Attributable to:		
Equity holders of the Company	5,332.3	(4,818.1)
Holders of perpetual capital instruments	38.3	37.2
Non-controlling interests	(98.4)	(1,114.3)

	As at June 30, 2024 (Unaudited) <i>(in millions of RMB)</i>	As at December 31, 2023 (Audited)
Assets		
Cash and balances with central bank	0.1	112.1
Deposits with financial institutions	64,931.9	74,863.1
Financial assets at fair value through profit or loss (“FVTPL”)	374,637.2	317,516.0
Financial assets held under resale agreements	4,374.9	766.2
Contract assets	5,335.1	5,486.2
Finance lease receivables	41.8	9,356.7
Debt instruments at FVTOCI	15,369.5	19,682.5
Equity instruments at FVTOCI	1,546.6	1,700.2
Inventories	23,222.9	23,005.0
Debt instruments at amortised cost	309,688.5	391,323.2
Interests in associates and joint ventures	79,477.2	74,336.8
Property and equipment	2,433.8	6,419.1
Investment properties	9,959.6	9,570.1
Right-of-use assets	767.3	901.7
Deferred tax assets	16,194.5	15,693.9
Goodwill	18.2	18.2
Assets of a disposal group classified as held for sale	129,179.9	—
Other assets	18,162.8	17,352.2
Total assets	<u>1,055,341.8</u>	<u>968,103.2</u>
Liabilities		
Borrowings from central bank	5,971.9	—
Placements from financial institutions	7,291.0	10,375.9
Financial assets sold under repurchase agreements	5,675.2	6,364.9
Borrowings	669,439.4	665,305.3
Financial liabilities at FVTPL	62.4	54.0
Tax payable	1,146.9	451.0
Contract liabilities	702.8	834.0
Lease liabilities	445.0	501.0
Deferred tax liabilities	2,046.1	1,197.7
Bonds and notes issued	174,519.8	179,390.8
Liabilities directly associated with the assets held for sale	99,832.8	—
Other liabilities	35,503.4	55,591.8
Total liabilities	<u>1,002,636.7</u>	<u>920,066.4</u>

	As at June 30, 2024 (Unaudited) <i>(in millions of RMB)</i>	As at December 31, 2023 (Audited)
Equity		
Share capital	80,246.7	80,246.7
Other equity instruments	19,900.0	19,900.0
Capital reserve	16,464.1	16,031.2
Surplus reserve	8,564.2	8,564.2
General reserve	13,002.5	13,002.5
Other reserves	(1,835.4)	(1,751.9)
Accumulated losses	(83,527.9)	(87,997.3)
Equity attributable to equity holders of the Company	52,814.2	47,995.4
Perpetual capital instruments	1,753.9	1,753.4
Non-controlling interests	(1,863.0)	(1,712.0)
Total equity	52,705.1	48,036.8
Total equity and liabilities	1,055,341.8	968,103.2

	For the six months ended June 30, 2024 (Unaudited)	2023 (Unaudited) Restated
Financial ratios		
Annualized ROAE ⁽¹⁾	21.2%	(21.2%)
Annualized ROAA ⁽²⁾	1.0%	(1.2%)
Basic earnings/(losses) per share attributable to ordinary Shareholders of the Company ⁽³⁾ (RMB)	0.056	(0.071)
Diluted earnings/(losses) per share attributable to ordinary Shareholders of the Company ⁽⁴⁾ (RMB)	0.056	(0.071)

(1) Represents the percentage of the annualized profit/(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.

(2) Represents the percentage of annualized profit/(loss) for the period (including profit attributable to holders of perpetual capital instruments and non-controlling interests) in the average balance of total assets as at the beginning and the end of the period.

(3) Represents the weighted average number of profit/(loss) attributable to ordinary Shareholders of the Company for the period divided by the number of outstanding Shares.

(4) Represents the earnings per share based on the basic earnings/(losses) 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 2024, as the international environment remained complex, the rise of geopolitical risks and certain developed economies started cutting their interest rates, the global economy was recovering at a low pace. In April, the International Monetary Fund raised the world economic growth in 2023 by 0.1 percentage point to 3.2%. Despite these complex and volatile international circumstances, China adhered to the general keynote of seeking progress while maintaining stability, constantly strengthened efforts in macro-economic control, and consolidated and strengthened the favorable situation of economic recovery. These measures promoted rapid economic growth, optimized structure, and improved quality and efficiency. GDP in the first half of 2024 amounted to RMB61.68 trillion, representing a year-on-year increase of 5%.

In the first half of 2024, China's financial industry further implemented the tasks of the Central Economic Work Conference, continued to deepen the structural reform of the financial supply side, persistently advanced high-quality development and stuck to the coordination of financial opening up and security. The People's Bank of China maintained a stable, flexible, appropriate, targeted and effective monetary policy, and strengthened counter-cycle and cross-cycle adjustments to promote a steady decline in the overall financing cost of society and improve the efficacy of financial support for the real economy. NFRA actively and prudently prevented and controlled risks in key areas, intensified efforts in disposing of non-performing assets, accelerated the reform of small and medium-sized financial institutions for resolving risks, improved the mechanism for normalizing financial risk disposal, and firmly held the bottom line of preventing systemic financial risks. With a deep understanding of the overall goal of building China into a financial powerhouse and based on the three tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform, the financial asset management companies comprehensively focused on their main responsibilities and core business, gave full play to their unique functional advantages, and earnestly provided high-quality financial services for major strategies, key areas and weak links, which vigorously promoted supply-side structural reform and high-quality economic development.

In the first half of 2024, the regulatory authorities continued to support financial asset management companies in focusing on their main responsibilities and core businesses and actively participated in risk resolution across both financial and non-financial sectors, playing an active role in preventing and addressing financial risks and serving the real economy. **In terms of the mitigation of real estate risks**, the Ministry of Housing and Urban-Rural Development of the People's Republic of China, in collaboration with the NFRA, issued the Notice on the Establishment of a Municipal Real Estate Financing Coordination Mechanism (《關於建立城市房地產融資協調機制的通知》), aiming to offer more targeted support for the reasonable financing needs of housing-related projects and contribute to the stable and healthy development of the real estate market. Additionally, the People's Bank of China released the Notice on Matters Concerning the Establishment of Refinancing Loans for Indemnificatory Housing (《關於設立保障性住房再貸款有關事宜的通知》), which encourages and guides financial institutions to assist local state-owned enterprises in acquiring existing completed commercial housing for sale or lease as indemnificatory housing at reasonable prices in accordance with market principles and legal regulations. **In terms of supporting risk resolution by small and medium-sized financial institutions**, the NFRA issued the Notice on the Implementation of

Matters concerning the “Guiding Opinions of the General Office of the China Banking and Insurance Regulatory Commission on Leading Financial Asset Management Companies to Focusing on Core Business and Actively Participating in the Reform and Risk Resolution by Small and Medium-sized Financial Institutions” (《關於落實〈中國銀保監會辦公廳關於引導金融資產管理公司聚焦主業積極參與中小金融機構改革化險的指導意見〉有關事項的通知》), further expanding the scope of institutions subject to the guiding opinions and emphasizing the need to fully advance the reform and risk resolution by financial institutions. **In terms of leveraging professional advantages**, the State Council issued the Action Plan for Promoting Large-scale Equipment Renewals and Consumer Goods Trade-ins (《推動大規模設備更新和消費品以舊換新行動方案》). This Plan outlines four major initiatives: equipment renewal, consumer goods trade-in, recovery and recycling, and standard upgrading, introducing new avenues for cooperation in the revitalization of existing assets for financial asset management companies. Moreover, the Guiding Opinions on Effective Implementation in “Five Areas of Finance” by the Banking and Insurance Industries (《關於銀行業保險業做好金融“五篇大文章”的指導意見》) issued by the NFRA require financial asset management companies to fully leverage their professional advantages in revitalizing and disposing of non-performing assets and provide professional financial services to help enterprises optimize their asset-liability structures.

4.2 Analysis of Financial Statements

4.2.1 Operating Results of the Group

The year 2024 marks the first year for the Company to embark on a new journey of “significantly improving quality and efficiency in three years” with the CITIC brand and CITIC image. In the first half of the year, faced with the intricate macroeconomic situation at home and abroad, the Company anchored on the “One-Three-Five” strategic objectives, adhered to the general principle of “consolidating foundation, seeking progress while maintaining stability, and improving quality and efficiency”, accelerated its transformation and development, and supported the goal of building China into a financial powerhouse. Operating performance, core business development and asset quality continued the positive momentum, and the first step of the “three-step in two years” strategy was successfully completed. Net profit attributable to Shareholders of the Company realized for the first half of the year amounted to RMB5,332 million, representing a year-on-year increase of 210.7%. This was mainly due to: firstly, the continuous optimization of asset structure and industry layout, strengthening of asset allocation and optimization of management, and positive progress in the transformation of the core business, as well as the steady increase in return on assets benefiting from the relative improvement in the capital market; and secondly, the deepening of its construction of a comprehensive risk management system, and making concerted efforts in high-quality investments and risk resolution, with steady improvements in the effectiveness of risk management and control.

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
		(Restated)		
	(in millions of RMB, except for percentages)			
Continuing operations				
Income from distressed debt assets	7,861.0	9,298.1	(1,437.1)	(15.5%)
Fair value changes on distressed debt assets	2,316.9	(776.4)	3,093.3	398.4%
Fair value changes on other financial assets and liabilities	13,933.4	(2,256.4)	16,189.8	717.5%
Interest income	4,428.7	3,988.0	440.7	11.1%
Gains from derecognition of financial assets measured at amortised cost	249.2	50.0	199.2	398.4%
Gains from derecognition of debt instruments at FVTOCI	32.2	15.0	17.2	114.7%
Commission and fee income	64.4	83.7	(19.3)	(23.1%)
Net gains/(losses) on disposals of subsidiaries, associates and joint ventures	24.2	(9.4)	33.6	357.4%
Dividend income	533.7	229.7	304.0	132.3%
Other income and other net gains or losses	813.3	22,026.4	(21,213.1)	(96.3%)
Total income	30,257.0	32,648.7	(2,391.7)	(7.3%)
Interest expense	(16,404.7)	(15,510.1)	(894.6)	5.8%
Commission and fee expense	(103.2)	(107.4)	4.2	(3.9%)
Operating expenses	(2,265.2)	(1,805.0)	(460.2)	25.5%
Impairment losses under ECL model	(9,766.6)	(19,506.9)	9,740.3	(49.9%)
Impairment losses on other assets	(217.2)	(722.7)	505.5	(69.9%)
Total expenses	(28,756.9)	(37,652.1)	8,895.2	(23.6%)
Change in net assets attributable to other holders of consolidated structured entities	297.1	134.4	162.7	121.1%
Share of results of associates and joint ventures	2,955.6	(69.2)	3,024.8	4,371.1%
Profit/(loss) before tax from continuing operations	4,752.8	(4,938.2)	9,691.0	196.2%
Income tax expense	(153.4)	(1,221.7)	1,068.3	(87.4%)
Profit/(loss) for the period from continuing operations	4,599.4	(6,159.9)	10,759.3	174.7%

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	(in millions of RMB, except for percentages)			
Discontinued operations				
Profit after tax for the period from discontinued operations	<u>672.8</u>	<u>264.7</u>	<u>408.1</u>	<u>154.2%</u>
Profit/(loss) for the period	<u>5,272.2</u>	<u>(5,895.2)</u>	<u>11,167.4</u>	<u>189.4%</u>
Attributable to:				
Equity holders of the Company	5,332.3	(4,818.1)	10,150.4	210.7%
Holders of perpetual capital instruments	38.3	37.2	1.1	3.0%
Non-controlling interests	(98.4)	(1,114.3)	1,015.9	91.2%

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,			
	2024	2023	Change	Change in
		(Restated)		percentage
	(in millions of RMB, except for percentages)			
Income from distressed debt assets	7,861.0	9,298.1	(1,437.1)	(15.5%)
Fair value changes on distressed debt assets	2,316.9	(776.4)	3,093.3	398.4%
Fair value changes on other financial assets and liabilities	13,933.4	(2,256.4)	16,189.8	717.5%
Interest income	4,428.7	3,988.0	440.7	11.1%
Gains from derecognition of financial assets measured at amortised cost	249.2	50.0	199.2	398.4%
Gains from derecognition of debt instruments at fair value through FVTOCI	32.2	15.0	17.2	114.7%
Commission and fee income	64.4	83.7	(19.3)	(23.1%)
Net gains/(losses) on disposals of subsidiaries, associates and joint ventures	24.2	(9.4)	33.6	357.4%
Dividend income	533.7	229.7	304.0	132.3%
Other income and other net gains or losses	<u>813.3</u>	<u>22,026.4</u>	<u>(21,213.1)</u>	<u>(96.3%)</u>
Total income	<u>30,257.0</u>	<u>32,648.7</u>	<u>(2,391.7)</u>	<u>(7.3%)</u>

In the first half of 2024, the Group's total income from continuing operations amounted to RMB30,257.0 million, representing a year-on-year decrease of 7.3%.

4.2.1.1.1 Income from distressed debt assets

Income from distressed debt assets was generated from the Group's acquisition-and-restructuring business. In the first half of 2024, the Group steadily enhanced its restructuring business capacity, served the "needs of the country" with "the capacities of the Company", focused on preventing and resolving financial risks and serving the real economy. Besides, it successfully implemented multiple relief projects for real enterprises, achieving an income from distressed debt assets of RMB7,861.0 million in the first half of 2024.

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.

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Fair value changes on distressed debt assets				
Acquisition-and-disposal				
— realized	824.8	1,923.0	(1,098.2)	(57.1%)
— unrealized	1,466.6	(2,746.0)	4,212.6	153.4%
Acquisition-and-restructuring				
— realized	28.9	48.7	(19.8)	(40.7%)
— unrealized	(3.4)	(2.1)	(1.3)	(61.9%)
Total	<u>2,316.9</u>	<u>(776.4)</u>	<u>3,093.3</u>	<u>398.4%</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 2024, the Group continued to enhance its acquisition-and-disposal business capabilities and further refined and strengthened its distressed package business. On the acquisition side, the Group firmly established the concept of cost-effectiveness, enhanced the capabilities of due diligence investigation and pricing of assets, proactively bid for contracts precisely, and maintained its leading position among peers in respect of market share. The gross amount of the acquisition-and-disposal distressed debt assets was RMB182,036.8 million as at June 30, 2024, representing an increase of 0.8% as compared with the end of the last year. At the same time, the Group actively carried out the marketing of disposal, accelerated the cash recovery and improved the quality and efficiency of asset disposal. The total fair value change on the acquisition-and-disposal distressed debt assets was RMB2,291.4 million in the first half of 2024, representing a year-on-year increase of RMB3,114.4 million.

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, 2024, the gross amount of those acquisition-and-restructuring assets was RMB459.2 million and fair value changes of RMB28.9 million were recognised in the first half of 2024.

4.2.1.1.3 Fair value changes on other financial assets and liabilities

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Fair value changes on other financial assets and liabilities				
Equity investment				
— realized	3,767.3	374.9	3,392.4	904.9%
— unrealized	10,210.3	1,382.3	8,828.0	638.6%
Others ⁽¹⁾	(44.2)	(4,013.6)	3,969.4	98.9%
Total	<u>13,933.4</u>	<u>(2,256.4)</u>	<u>16,189.8</u>	<u>717.5%</u>

(1) Others include funds, trust products, debt instruments, derivatives and structured products, convertible bonds, 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 2024, the Group continuously optimized asset structure and industry layout, strengthened asset allocation and optimized management, and benefited from the relative improvement of the capital market, the realized fair value change of equity investment was RMB3,767.3 million, representing a year-on-year increase of RMB3,392.4 million, the unrealized fair value change was RMB10,210.3 million, representing a year-on-year increase of RMB8,828.0 million.

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,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Debt instruments at amortised cost other than distressed debt assets	3,493.2	2,573.5	919.7	35.7%
Deposits with financial institutions	810.1	1,120.8	(310.7)	(27.7%)
Debt instruments at FVTOCI other than distressed debt assets	45.3	196.7	(151.4)	(77.0%)
Others	80.1	97.0	(16.9)	(17.4%)
	<u>4,428.7</u>	<u>3,988.0</u>	<u>440.7</u>	<u>11.1%</u>
Total	4,428.7	3,988.0	440.7	11.1%

Interest income derives from the Group's debt investment and other assets, which is measured at amortised cost and FVTOCI, excluding that from the acquisition-and-restructuring business of the Group. In the first half of 2024, the Group's new investment in substantial restructuring and other investment business, other than the acquisition-and-restructuring business, increased year on year, and made continuous efforts in key business areas such as bailout of problematic enterprises, state-owned and central enterprises reform, real estate risk resolution, and achieved an interest income of RMB4,428.7 million, representing a year-on-year increase of 11.1%.

4.2.1.2 Total income from the discontinued operation

The table below sets forth the major components of the total income from the discontinued operation of the Group for the periods indicated.

	For the six months ended June 30,			
	2024	2023 (Restated)	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Fair value changes on other financial assets and liabilities	(4.5)	9.9	(14.4)	(145.5%)
Interest income	2,571.4	2,136.6	434.8	20.4%
Finance lease income	272.7	404.5	(131.8)	(32.6%)
Other income and other net gains or losses	322.4	411.0	(88.6)	(21.6%)
Total income	3,162.0	2,962.0	200.0	6.8%

Income from the discontinued operation of the Group is mainly the income from Financial Leasing Company which is categorized as a subsidiary held for sale in the first half of 2024. In the first half of 2024, income from the discontinued operation of the Group amounted to RMB3,162.0 million, representing a year-on-year increase of 6.8%.

4.2.1.3 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.

	For the six months ended June 30,			
	2024	2023 (Restated)	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Interest expenses	(16,404.7)	(15,510.1)	(894.6)	5.8%
Commission and fee expenses	(103.2)	(107.4)	4.2	(3.9%)
Operating expenses	(2,265.2)	(1,805.0)	(460.2)	25.5%
Impairment losses under ECL model	(9,766.6)	(19,506.9)	9,740.3	(49.9%)
Impairment losses on other assets	(217.2)	(722.7)	505.5	(69.9%)
Total expenses	(28,756.9)	(37,652.1)	8,895.2	(23.6%)

In the first half of 2024, total expenses of continuing operations of the Group amounted to RMB28,756.9 million, representing a year-on-year decrease of 23.6%.

4.2.1.3.1 Interest expenses

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Borrowings	(12,522.7)	(11,512.3)	(1,010.4)	8.8%
Bonds and notes issued	(3,716.9)	(3,882.6)	165.7	(4.3%)
Placements from financial institutions	(57.9)	(26.6)	(31.3)	117.7%
Financial assets sold under repurchase agreements	(50.2)	(67.6)	17.4	(25.7%)
Borrowings from central bank	(43.6)	—	(43.6)	100.0%
Lease liabilities	(10.2)	(17.6)	7.4	(42.0%)
Other liabilities	(3.2)	(3.4)	0.2	(5.9%)
Total	(16,404.7)	(15,510.1)	(894.6)	5.8%

In the first half of 2024, the interest expense of the Group was RMB16,404.7 million, representing a year-on-year increase of 5.8%, mainly due to the increase in the size of external finance of the Group.

4.2.1.3.2 Operating expenses

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Employee benefits	(589.8)	(611.2)	21.4	(3.5%)
Including: wages or salaries, bonuses, allowances and subsidies	(325.6)	(356.4)	30.8	(8.6%)
Tax and surcharges	(213.5)	(167.9)	(45.6)	27.2%
Others	(1,461.9)	(1,025.9)	(436.0)	42.5%
Including:				
Cost of properties development and sales	(371.0)	(99.9)	(271.1)	271.4%
Depreciation of property and equipment	(95.0)	(84.6)	(10.4)	12.3%
Depreciation of right-of-use assets	(85.9)	(129.9)	44.0	(33.9%)
Management fee for realty	(40.7)	(44.0)	3.3	(7.5%)
Amortisation	(20.2)	(24.6)	4.4	(17.9%)
Rental for short-term leases	(12.2)	(8.4)	(3.8)	45.2%
Total	(2,265.2)	(1,805.0)	(460.2)	25.5%

In the first half of 2024, the operating expenses of the Group amounted to RMB2,265.2 million, representing a year-on-year increase of 25.5%.

4.2.1.3.3 Impairment losses under ECL model

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Debt instruments at amortised cost	(8,882.3)	(17,453.0)	8,570.7	(49.1%)
Debt instruments at FVTOCI	(677.1)	(1,816.3)	1,139.2	(62.7%)
Finance lease receivables	(9.7)	(29.6)	19.9	(67.2%)
Other financial assets	(197.5)	(208.0)	10.5	(5.0%)
Total	(9,766.6)	(19,506.9)	9,740.3	(49.9%)

In the first half of 2024, the Group deepened the construction of its comprehensive risk management system, made concerted efforts in high-quality investments and risk resolution, steadily improved the effectiveness of risk management and control, and recognised impairment losses under expected credit loss model of RMB9,766.6 million, representing a year-on-year decrease of 49.9%.

4.2.1.3.4 Impairment losses on other assets

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Interests in associates and joint ventures	(110.9)	(659.9)	549.0	(83.2%)
Foreclosed assets	—	(32.9)	32.9	(100.0%)
Others	(106.3)	(29.9)	(76.4)	255.5%
Total	(217.2)	(722.7)	505.5	(69.9%)

In the first half of 2024, the impairment losses on other assets of the Group were RMB217.2 million, representing a year-on-year decrease of 69.9%.

4.2.1.4 Total expenses from discontinued operations

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Interest expense	(1,461.3)	(1,387.8)	(73.5)	5.3%
Operating expenses	(284.5)	(356.1)	71.6	(20.1%)
Impairment losses under expected credit loss model	(324.2)	(901.7)	577.5	(64.0%)
Impairment losses on other assets	(298.5)	(17.3)	(281.2)	1,625.4%
Total expenses	(2,368.5)	(2,662.9)	294.4	(11.1%)

The expenses from discontinued operations of the Group mainly refer to the expenses generated from a subsidiary, namely Financial Leasing Company which was classified as held for sale in the first half of 2024. In the first half of 2024, the expenses from discontinued operations of the Group were RMB2,368.5 million, representing a year-on-year decrease of 11.1%.

4.2.1.5 Income tax expense

4.2.1.5.1 Income tax expense from continuing operations

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Current income tax				
PRC enterprise income tax	(1,001.5)	(308.8)	(692.7)	224.3%
PRC land appreciation tax	(13.3)	(11.0)	(2.3)	20.9%
Deferred income tax	861.4	(901.9)	1,763.3	195.5%
Total	(153.4)	(1,221.7)	1,068.3	(87.4%)

In the first half of 2024, the income tax expense from continuing operations of the Group was RMB153.4 million, representing a year-on-year decrease of 87.4%.

4.2.1.5.2 Income tax expense from the discontinued operation

The income tax expenses from the discontinued operation of the Group were mainly generated from a subsidiary, namely Financial Leasing Company which was classified as held for sale in the first half of 2024. In the first half of 2024, the income tax expense from the discontinued operation of the Group was RMB120.7 million, representing a year-on-year increase of 250.9%.

4.2.1.6 Segment operating results

Each of the Group's business segments is as follows:

- (1) distressed asset management segment: mainly includes distressed asset management business of the Company, policy-based DES business through commercial buyout, market-oriented DES business and special situations investment business of the Group, distressed management business and distressed asset-based property development business conducted by our subsidiaries;
- (2) financial services segment: mainly includes financial leasing business conducted by Financial Leasing Company. On May 28, 2024, the Company entered into a Share Transfer Agreement with CITIC Group, in which the Company agreed to transfer 60% of the equity of Financial Leasing Company to CITIC Group. As of June 30, 2024, Financial Leasing Company was classified as held for sale, and the financial leasing business constituted a discontinued operation (for details of gains from discontinued operations and assets and liabilities held for sale, please refer to “8. Review Report and Interim Condensed Consolidated Financial Information — Note IV. 13 Discontinued operations”).
- (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 (including continuing operations and discontinued operations, the same below) for the periods indicated.

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	19,326.9	32,650.3	(13,323.4)	(40.8%)
Financial services segment	3,162.0	2,962.0	200.0	6.8%
Asset management and investment segment	12,102.0	1,179.6	10,922.4	925.9%
Inter-segment elimination	(1,171.9)	(1,181.2)	9.3	(0.8%)
Total	<u>33,419.0</u>	<u>35,610.7</u>	<u>(2,191.7)</u>	<u>(6.2%)</u>

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

	For the six months ended June 30,			
	2024	2023	Change	Change in
		(Restated)		percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	1,950.8	4,295.7	(2,344.9)	(54.6%)
Financial services segment	793.5	299.1	494.4	165.3%
Asset management and investment segment	3,237.0	(9,052.3)	12,289.3	135.8%
Inter-segment elimination	(435.0)	(181.6)	(253.4)	139.5%
Total	<u>5,546.3</u>	<u>(4,639.1)</u>	<u>10,185.4</u>	<u>219.6%</u>

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

	As at	As at		
	June 30,	December 31,		Change in
	2024	2023	Change	percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	746,610.4	724,395.7	22,214.7	3.1%
Financial services segment	129,179.9	116,429.7	12,750.2	11.0%
Asset management and investment segment	230,867.0	178,005.2	52,861.8	29.7%
Inter-segment elimination	(67,510.0)	(66,421.3)	(1,088.7)	1.6%
Total	<u>1,039,147.3</u>	<u>952,409.3</u>	<u>86,738.0</u>	<u>9.1%</u>

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

The distressed asset management segment is an important income source of the Group. In the first half of 2024, the total income from this segment was RMB19,326.9 million, representing a year-on-year decrease of 40.8% and accounting for 57.8% of total segment income; the profit before tax from this segment was RMB1,950.8 million, representing a year-on-year decrease of 54.6%. As at June 30, 2024, the total assets of this segment were RMB746,610.4 million, representing an increase of 3.1% as compared with the end of the previous year and accounting for 71.8% of total segment assets.

The financial services mainly consist of financial leasing business. As of June 30, 2024, Financial Leasing Company was classified as held for sale, and the financial leasing business constituted a discontinued operation. In the first half of 2024, the total income from this segment was RMB3,162.0 million, representing a year-on-year increase of 6.8%; the profit before tax from this segment was RMB793.5 million, representing a year-on-year increase of 165.3%. As at June 30, 2024, the total assets of this segment were RMB129,179.9 million, representing an increase of 11.0% as compared with the end of the previous year.

The profit before tax of asset management and investment business experienced a turn from loss to profit. In the first half of 2024, the total income from this segment amounted to RMB12,102.0 million, representing a year-on-year increase of 925.9%. The profit before tax from this segment amounted to RMB3,237.0 million, representing a year-on-year increase of 135.8%. As at June 30, 2024, the total assets of this segment amounted to RMB230,867.0 million, representing an increase of 29.7% as compared with the end of last year.

4.2.2 Financial Positions of the Group

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

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Cash and balances with central bank	0.1	112.1	(112.0)	(99.9%)
Deposits with financial institutions	64,931.9	74,863.1	(9,931.2)	(13.3%)
Financial assets at FVTPL	374,637.2	317,516.0	57,121.2	18.0%
Financial assets held under resale agreements	4,374.9	766.2	3,608.7	471.0%
Contract assets	5,335.1	5,486.2	(151.1)	(2.8%)
Finance lease receivables	41.8	9,356.7	(9,314.9)	(99.6%)
Debt instruments at FVTOCI	15,369.5	19,682.5	(4,313.0)	(21.9%)
Equity instruments at FVTOCI	1,546.6	1,700.2	(153.6)	(9.0%)
Inventories	23,222.9	23,005.0	217.9	0.9%
Debt instruments at amortised cost	309,688.5	391,323.2	(81,634.7)	(20.9%)
Interests in associates and joint ventures	79,477.2	74,336.8	5,140.4	6.9%
Property and equipment	2,433.8	6,419.1	(3,985.3)	(62.1%)
Investment properties	9,959.6	9,570.1	389.5	4.1%
Right-of-use assets	767.3	901.7	(134.4)	(14.9%)
Deferred tax assets	16,194.5	15,693.9	500.6	3.2%
Goodwill	18.2	18.2	—	—
Assets of a disposal group classified as held for sale	129,179.9	—	129,179.9	100.0%
Other assets	18,162.8	17,352.2	810.6	4.7%
Total assets	<u>1,055,341.8</u>	<u>968,103.2</u>	<u>87,238.6</u>	<u>9.0%</u>

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Borrowings from central bank	5,971.9	—	5,971.9	100.0%
Placements from financial institutions	7,291.0	10,375.9	(3,084.9)	(29.7%)
Financial assets sold under repurchase agreements	5,675.2	6,364.9	(689.7)	(10.8%)
Borrowings	669,439.4	665,305.3	4,134.1	0.6%
Financial liabilities at FVTPL	62.4	54.0	8.4	15.6%
Tax payable	1,146.9	451.0	695.9	154.3%
Contract liabilities	702.8	834.0	(131.2)	(15.7%)
Lease liabilities	445.0	501.0	(56.0)	(11.2%)
Deferred tax liabilities	2,046.1	1,197.7	848.4	70.8%
Bonds and notes issued	174,519.8	179,390.8	(4,871.0)	(2.7%)
Liabilities directly associated with the assets held for sale	99,832.8	—	99,832.8	100.0%
Other liabilities	35,503.4	55,591.8	(20,088.4)	(36.1%)
Total liabilities	<u>1,002,636.7</u>	<u>920,066.4</u>	<u>82,570.3</u>	<u>9.0%</u>
Share capital	80,246.7	80,246.7	—	—
Other equity instruments	19,900.0	19,900.0	—	—
Capital reserve	16,464.1	16,031.2	432.9	2.7%
Surplus reserve	8,564.2	8,564.2	—	—
General reserve	13,002.5	13,002.5	—	—
Other reserves	(1,835.4)	(1,751.9)	(83.5)	4.8%
Accumulated losses	(83,527.9)	(87,997.3)	4,469.4	(5.1%)
Equity attributable to equity holders of the Company	<u>52,814.2</u>	<u>47,995.4</u>	<u>4,818.8</u>	<u>10.0%</u>
Perpetual capital instruments	1,753.9	1,753.4	0.5	0.0%
Non-controlling interests	(1,863.0)	(1,712.0)	(151.0)	8.8%
Total equity	<u>52,705.1</u>	<u>48,036.8</u>	<u>4,668.3</u>	<u>9.7%</u>
Total equity and liabilities	<u>1,055,341.8</u>	<u>968,103.2</u>	<u>87,238.6</u>	<u>9.0%</u>

4.2.2.1 Assets

As at June 30, 2024, the total assets of the Group amounted to RMB1,055,341.8 million, representing an increase of 9.0% as compared with the end of the previous year, which mainly consisted of: (i) deposits with financial institutions; (ii) financial assets at FVTPL; (iii) debt instruments at FVTOCI; (iv) inventories; (v) debt instruments at amortized cost; and (vi) interests in associates and joint ventures.

4.2.2.1.1 Deposits with financial institutions

As at June 30, 2024, the Group's deposits with financial institutions amounted to RMB64,931.9 million, representing a decrease of 13.3% as compared with the end of the previous year.

4.2.2.1.2 Financial assets at FVTPL

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

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

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Distressed debt assets				
— Acquisition-and-disposal	182,036.8	180,620.8	1,416.0	0.8%
— Acquisition-and-restructuring	459.2	640.6	(181.4)	(28.3%)
Equity instruments				
— Listed	84,300.7	38,180.0	46,120.7	120.8%
— Unlisted	32,689.2	28,227.6	4,461.6	15.8%
Funds	39,960.8	36,395.0	3,565.8	9.8%
Trust products	18,331.6	18,759.4	(427.8)	(2.3%)
Convertible bonds	5,764.7	1,578.3	4,186.4	265.2%
Debt securities	1,741.4	3,346.0	(1,604.6)	(48.0%)
Derivatives and structured products	1,290.1	1,439.6	(149.5)	(10.4%)
Entrusted loans	597.6	611.1	(13.5)	(2.2%)
Asset management plans	443.3	585.3	(142.0)	(24.3%)
Wealth management products	96.3	184.6	(88.3)	(47.8%)
Other debt assets	6,925.5	6,947.7	(22.2)	(0.3%)
Total	374,637.2	317,516.0	57,121.2	18.0%

As at June 30, 2024, the financial assets at FVTPL of the Group amounted to RMB374,637.2 million, representing an increase of 18.0% as compared with the end of last year.

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 2024, the Group actively played its role as the national team and the main force in the non-performing asset industry, further refined and strengthened the distressed asset package business, and maintained its leading position among peers in respect of market share. Meanwhile, the Group actively carried out disposal marketing to improve the asset disposal efficiency. As at June 30, 2024, the Group's acquisition-and-disposal distressed debt assets at FVTPL amounted to RMB182,036.8 million, representing an increase of 0.8% as compared with the end of last year.

As at June 30, 2024, The Group's equity instruments at FVTPL amounted to RMB116,989.9 million, representing an increase of 76.2% as compared with the end of last year. The book value of equity instruments increased, mainly due to the Group's continuous optimization of asset structure and industry layout, strengthening asset allocation and optimization of management, as well as the relative improvement in the capital market.

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: (i) the debt instruments are held within a business model whose objectives are both collecting contractual cash flows and selling; and (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed debt assets	11,436.0	12,934.2	(1,498.2)	(11.6%)
Asset management plans	1,459.5	1,459.5	—	—
Entrusted loans	1,456.7	1,542.5	(85.8)	(5.6%)
Debt instruments	603.0	584.4	18.6	3.2%
Debt securities				
— Corporate bonds	307.8	367.8	(60.0)	(16.3%)
— Government bonds	102.3	1,569.6	(1,467.3)	(93.5%)
— Public sector and quasi-government bonds	—	1,015.4	(1,015.4)	(100.0%)
— Financial institution bonds	—	204.3	(204.3)	(100.0%)
Trust products	4.2	4.8	(0.6)	(12.5%)
Total	<u>15,369.5</u>	<u>19,682.5</u>	<u>(4,313.0)</u>	<u>(21.9%)</u>

As at June 30, 2024, debt instruments at FVTOCI of the Group amounted to RMB15,369.5 million, representing a decrease of 21.9% as compared to that at the end of last year.

The distressed debt assets at FVTOCI were acquisition-and-restructuring distressed debt assets. In the first half of 2024, the Group continued to promote the transformation and development of its core business, steadily improved its restructuring business capacity, and actively explored a new mode of corporate relief. As at June 30, 2024, the Group's distressed debt assets at FVTOCI amounted to RMB11,436.0 million.

Other debt instruments at FVTOCI other than distressed debt assets included asset management plans, entrusted loans, debt instruments and various bonds. As at June 30, 2024, the Group's other debt instruments at FVTOCI amounted to RMB3,933.5 million, representing a decrease of 41.7% as compared to that at the end of last year, mainly due to the maturity and disposal of certain bonds by the Group. At the same time, the assets of the Financial Leasing Company are classified as assets held for sale. For the breakdown of the assets held for sale, please refer to "8. Review Report and Interim Condensed Consolidated Financial Information — Note IV.13.3 Assets and Liabilities held for Sale".

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 June 30, 2024, the allowance for impairment for debt instruments at FVTOCI presented under the investment revaluation reserve amounted to RMB9,219.2 million, representing a decrease of 20.3% as compared to that at the end of last year.

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 June 30, 2024	As at December 31, 2023	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Property development costs	21,064.5	20,538.4	526.1	2.6%
Properties held for sale	3,446.5	3,663.1	(216.6)	(5.9%)
Subtotal	24,511.0	24,201.5	309.5	1.3%
Allowance for impairment losses	(1,288.1)	(1,196.5)	(91.6)	7.7%
Total	23,222.9	23,005.0	217.9	0.9%

The Group's inventories are mainly from Industrial Company. As at June 30, 2024, the Group's inventories amounted to RMB23,222.9 million, representing an increase of 0.9% as compared to that at the end of last year.

4.2.2.1.5 Debt instruments at amortised cost

Debt instruments at amortised cost are debt instruments held by the Group that simultaneously 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 June 30, 2024	As at December 31, 2023	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Distressed debt assets				
Loans acquired from financial institutions	27,084.7	28,358.8	(1,274.1)	(4.5%)
Other debt assets acquired from non-financial institutions	179,293.5	185,835.3	(6,541.8)	(3.5%)
Subtotal	206,378.2	214,194.1	(7,815.9)	(3.6%)
Less: Allowance for ECL				
— 12-month ECL	(325.0)	(538.9)	213.9	(39.7%)
— Lifetime ECL	(44,681.2)	(49,637.4)	4,956.2	(10.0%)
Subtotal	(45,006.2)	(50,176.3)	5,170.1	(10.3%)
Carrying amount of distressed debt assets	161,372.0	164,017.8	(2,645.8)	(1.6%)
Other debt assets				
Debt instruments	102,787.3	96,531.2	6,256.1	6.5%
Trust products	52,520.1	46,775.4	5,744.7	12.3%
Entrusted loans	41,281.6	43,000.5	(1,718.9)	(4.0%)
Debt securities	7,825.6	7,769.8	55.8	0.7%
Asset management plans	5,622.0	5,689.2	(67.2)	(1.2%)
Receivables arising from sales and leaseback arrangements	—	93,027.1	(93,027.1)	(100.0%)
Others	5,045.4	3,885.8	1,159.6	29.8%
Subtotal	215,082.0	296,679.0	(81,597.0)	(27.5%)

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Less: Allowance for ECL				
— 12-month ECL	(664.2)	(2,161.6)	1,497.4	(69.3%)
— Lifetime ECL	(66,101.3)	(67,212.0)	1,110.7	(1.7%)
Subtotal	(66,765.5)	(69,373.6)	2,608.1	(3.8%)
Carrying amount of other debt assets	148,316.5	227,305.4	(78,988.9)	(34.8%)
Total	309,688.5	391,323.2	(81,634.7)	(20.9%)

As at June 30, 2024, the Group's debt instruments at amortised cost amounted to RMB309,688.5 million, representing a decrease of 20.9% as compared to that at the end of last year.

The distressed debt assets at amortised cost were acquisition-and-restructuring distressed debt assets. In the first half of 2024, the Group continued to promote the transformation and development of its core business, steadily improved its restructuring business capacity, and actively explored a new mode of corporate relief. As at June 30, 2024, the Group's balance of distressed debt assets at amortised cost amounted to RMB206,378.2 million, representing a decrease of 3.6% as compared with the end of the previous year.

Other debt assets at amortised cost other than distressed debt assets included debt instruments, trust products, entrusted loans, etc. As at June 30, 2024, the Group's balance of other debt assets at amortised cost amounted to RMB215,082.0 million, representing a decrease of 27.5% as compared with the end of the previous year.

As at June 30, 2024, taking into account the macro economic environment, industry and other external contexts and the risk profile of projects, the Group made allowances for impairment for debt instruments at amortised cost, with relevant balance amounting to RMB111,771.7 million, representing a decrease of 6.5% as compared with the end of the previous 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.

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Interests in associates				
Cost of investments in associates	77,110.8	75,879.4	1,231.4	1.6%
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	2,534.1	(869.6)	3,403.7	(391.4%)
Less: Allowance for impairment losses	(1,762.3)	(2,391.4)	629.1	(26.3%)
Subtotal	77,882.6	72,618.4	5,264.2	7.2%
Interests in joint ventures				
Cost of investments in joint ventures	5,785.7	6,059.2	(273.5)	(4.5%)
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	(388.2)	(429.5)	41.3	(9.6%)
Less: Allowance for impairment losses	(3,802.9)	(3,911.3)	108.4	(2.8%)
Subtotal	1,594.6	1,718.4	(123.8)	(7.2%)
Total	79,477.2	74,336.8	5,140.4	6.9%

As at June 30, 2024, the interests of the Group in associates and joint ventures amounted to RMB79,477.2 million, representing an increase of 6.9% as compared with the end of the previous year, mainly due to the increase in the Group's share of results of associates and joint ventures.

4.2.2.2 Liabilities

As at June 30, 2024, the total liabilities of the Group amounted to RMB1,002,636.7 million, representing an increase of 9.0% as compared with the end of the previous year, mainly including: (i) borrowings, including those from banks and other financial institutions; and (ii) bonds and notes issued.

4.2.2.2.1 Borrowings

As at June 30, 2024, the balance of borrowings of the Group amounted to RMB669,439.4 million, representing an increase of 0.6% as compared with the end of last year.

4.2.2.2 Bonds and notes issued

As at June 30, 2024, the balance of the Group's bonds and notes issued amounted to RMB174,519.8 million, representing a decrease of 2.7% as compared with the end of last year, mainly due to maturity of bonds issued.

4.2.3 Contingent Liabilities

Due to the nature of business, the Group is involved in certain legal proceedings in 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, 2024, the total claim amount of pending litigations amounted to RMB3,271 million (December 31, 2023: RMB4,312 million) for the Group (as defendant). The Group made provision for estimated liabilities of RMB72.92 million (December 31, 2023: RMB13.35 million) based on court judgments and lawyer's opinions. The Board of 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 financial services mainly consist of financial leasing business. As of June 30, 2024, Financial Leasing Company was classified as held for sale, and the financial leasing business constituted a discontinued operation.

The following table sets forth the total income and profit before tax from each of business segments for the periods indicated.

	For the six months ended June 30,			
	2024		2023 (Restated)	
	(in millions of RMB, except for percentages)			
	Amount	Percentage	Amount	Percentage
Total income				
Distressed asset management segment	19,326.9	57.8%	32,650.3	91.7%
Financial services segment	3,162.0	9.5%	2,962.0	8.3%
Asset management and investment segment	12,102.0	36.2%	1,179.6	3.3%
Inter-segment elimination	(1,171.9)	(3.5%)	(1,181.2)	(3.3%)
Total	33,419.0	100.0%	35,610.7	100.0%
Profit before tax				
Distressed asset management segment	1,950.8	35.2%	4,295.7	(92.6%)
Financial services segment	793.5	14.3%	299.1	(6.4%)
Asset management and investment segment	3,237.0	58.4%	(9,052.3)	195.1%
Inter-segment elimination	(435.0)	(7.9%)	(181.6)	3.9%
Total	5,546.3	100.0%	(4,639.1)	100.0%

4.3.1 Distressed Asset Management

The Group's distressed asset management business is mainly comprised of: (i) distressed 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 significant source of income. In the first half of 2024, the Group continued to deeply dig into the field of its core business, resolutely assumed the responsibility and mission of resolving financial risks, constantly enhanced the capabilities of the four businesses, namely "acquisition and disposal, M&A and restructuring, equity investment and special bonds investment" and achieved a double increase in new investment in and revenue from distressed debts, obtaining new achievements in expanding the core business of distressed assets.

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.

	For the six months ended June 30, 20242023 (in millions of RMB)	
Distressed asset management business of the Company		
1. Distressed debt asset management business		
Acquisition cost of newly added assets for the period	25,399.7	19,661.4
Operating income for the period ⁽¹⁾	9,559.1	8,073.3
2. Other distressed asset management business		
Operating income for the period ⁽²⁾	2,261.0	2,451.9
Policy-based DES business through commercial buyout of the Company		
Dividend income for the period	127.4	121.8
Net gains from the disposal for the period	554.8	111.7
Market-oriented DES business and special situations investment business of the Group⁽³⁾		
Income for the period	5,665.1	20,165.4
Distressed debt asset management business conducted by our subsidiaries		
Income from distressed debt assets of Huitong Asset	22.1	19.8
Distressed asset-based property development business conducted by our subsidiaries		
Income from property sales and primary land development of Industrial Company	334.0	237.4

	As at June 30, 2024 <i>(in millions of RMB)</i>	As at December 31, 2023
Distressed asset management business of the Company		
1. Distressed debt asset management business		
Balance of assets at the end of the period ⁽⁴⁾	393,120.1	398,493.3
Less: Balance of allowance for impairment losses ⁽⁵⁾	42,698.1	48,246.2
Carrying amount of assets at the end of the period	354,357.7	355,649.6
2. Other distressed asset management business		
Balance of assets at the end of the period ⁽⁶⁾	114,501.1	96,755.3
Policy-based DES business through commercial buyout of the Company		
Carrying amount of assets at the end of the period	11,746.5	12,781.5
Market-oriented DES business and special situations investment business of the Group⁽³⁾		
Total cumulative investment	70,259.9	67,866.9

- (1) Operating income for the period equals the sum of the Company's fair value changes on distressed debt assets and income from distressed debt assets, as shown in the consolidated financial statements.
- (2) Operating income for the period equals the sum of the Company's income from other distressed asset management business under the items such as interest income, and fair value changes on other financial assets and liabilities, as shown in the consolidated financial statements.
- (3) 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) ("Ruitong Company"), Rongde Asset and other subsidiaries.
- (4) Balance of assets at the end of the period 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.
- (5) Balance of allowance for impairment losses 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.
- (6) Balance of assets at the end of the period equals the sum of the Company's balance of other distressed assets presented under financial assets at FVTPL, debt instruments at amortised costs and at FVTOCI, and equity instruments at FVTOCI, as shown in the consolidated financial statements. Other distressed assets refer to the assets from the substantive restructuring business and other distressed asset management business, other than distressed debt asset management business, policy-based DES business through commercial buyout and market-oriented DES business and special situations investment business.

4.3.1.1 Distressed asset management business of the Company

4.3.1.1.1 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, borrowings and bond issuance.

4.3.1.1.1.1 Sources for acquisition of distressed debt assets

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

In the first half of 2024, the Company actively played the role of the national team and the main force in the distressed assets industry, made the "five major sectors of finance" the top priority of development, adhered to the principle of "excellent acquisition", "strong management" and "fast disposal", increased the efforts to return to the source. The Company continuously strengthened the construction of acquisition and disposal capabilities and refined management level, optimized its asset structure, reduced the scale of non-financial debt, and increased the scale of distressed debt assets and income, which demonstrated the effectiveness of expanding its main business. In the first half of 2024, the acquisition cost of newly added distressed debt assets amounted to RMB25,399.7 million, representing a year-on-year increase of 29.2%; operating income from distressed debts amounted to RMB9,559.1 million, representing a year-on-year increase of 18.4%. As at June 30, 2024, the balance of NFE Distressed Debt Assets amounted to RMB195,051.9 million, representing a decrease of RMB6,366.5 million or 0.9 percentage point as compared with the end of the previous year.

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

	For the six months ended June 30,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Acquisition cost of newly added distressed debt assets				
FI Distressed Debt Assets	15,280.4	60.2%	10,837.0	55.1%
NFE Distressed Debt Assets	10,119.3	39.8%	8,824.4	44.9%
Total	25,399.7	100.0%	19,661.4	100.0%
Operating income from distressed debt assets for the period⁽¹⁾				
FI Distressed Debt Assets	3,000.5	31.4%	(148.6)	(1.8%)
NFE Distressed Debt Assets	6,558.6	68.6%	8,221.9	101.8%
Total	9,559.1	100.0%	8,073.3	100.0%
	As at June 30, 2024 As at December 31, 2023			
	<i>(in millions of RMB, except for percentages)</i>			
Balance of distressed debt assets at the end of the period⁽²⁾				
FI Distressed Debt Assets	198,068.2	50.4%	197,074.9	49.5%
NFE Distressed Debt Assets	195,051.9	49.6%	201,418.4	50.5%
Total	393,120.1	100.0%	398,493.3	100.0%

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

(2) Balance 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 Debt Assets

The FI Distressed Debt 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 Debt Assets newly acquired from various types of financial institutions based on acquisition costs for the dates indicated.

	For the six months ended June 30,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Banking				
Large commercial banks	4,276.9	28.0%	1,786.9	16.5%
Joint stock commercial banks	3,594.3	23.5%	5,691.3	52.5%
City and rural commercial banks	961.4	6.3%	1,874.9	17.3%
Subtotal	<u>8,832.6</u>	<u>57.8%</u>	<u>9,353.1</u>	<u>86.3%</u>
Non-banking financial institutions	<u>6,447.8</u>	<u>42.2%</u>	<u>1,483.9</u>	<u>13.7%</u>
Total	<u><u>15,280.4</u></u>	<u><u>100.0%</u></u>	<u><u>10,837.0</u></u>	<u><u>100.0%</u></u>

4.3.1.1.1.2 NFE Distressed Debt Assets

The NFE Distressed Debt 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.

4.3.1.1.1.2 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,			
	2024		2023	
	Amount	Percentage	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Acquisition cost of newly added distressed debt assets				
Acquisition-and-disposal	15,398.4	60.6%	11,380.8	57.9%
Acquisition-and-restructuring	10,001.3	39.4%	8,280.6	42.1%
Total	25,399.7	100.0%	19,661.4	100.0%
Operating income from distressed debt assets for the period⁽¹⁾				
Acquisition-and-disposal	1,930.8	20.2%	(1,277.1)	(15.8%)
Acquisition-and-restructuring	7,628.3	79.8%	9,350.4	115.8%
Total	9,559.1	100.0%	8,073.3	100.0%
	As at June 30, 2024 As at December 31, 2023			
	<i>(in millions of RMB, except for percentages)</i>			
Balance of distressed debt assets at the end of the period⁽²⁾				
Acquisition-and-disposal	185,921.1	47.3%	184,436.5	46.3%
Acquisition-and-restructuring	207,199.0	52.7%	214,056.8	53.7%
Total	393,120.1	100.0%	398,493.3	100.0%

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

(2) Balance of distressed debt assets at the end of the period 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.

4.3.1.1.1.2.1 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 asset 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, partial collection, 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.

In the first half of 2024, the Company continued to enhance its acquisition-and-restructuring business capabilities, actively gave play to its role as the national team and main force in the distressed asset industry, and further refined and strengthened its distressed package business. On the acquisition side, the Group firmly established the concept of cost-effectiveness, enhanced the capabilities of due diligence investigation and pricing of assets, proactively bid for contracts precisely, and maintained the leading market share in the industry. The debts of distressed assets packages newly acquired amounted to RMB15,398.4 million in the first half of 2024, representing a year-on-year increase of 35.3%. As at the end of June 2024, the balance of the distressed debt assets amounted to RMB185,921.1 million, representing an increase of RMB1,484.6 million as compared with the end of last year. On the disposal side, the Group enhanced the efforts in the marketing of assets, accelerated the cash recovery and improved the quality and efficiency of asset disposal. In the first half of 2024, the gross amount of distressed debt assets disposed of amounted to RMB15,242.4 million, representing a year-on-year increase of 17.5%, and the net gains from distressed debt assets amounted to RMB1,930.8 million, representing a year-on-year increase of RMB3,207.9 million.

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

	For the six months ended June 30,	
	2024	2023
	<i>(in millions of RMB, except for percentages)</i>	
Gross amount of distressed debt assets at the beginning of the period	184,436.5	182,951.0
Acquisition cost of newly added distressed debt assets	15,398.4	11,380.8
Gross amount of distressed debt assets disposed of	15,242.4	12,971.4
Balance of distressed debt assets at the end of the period ⁽¹⁾	185,921.1	178,160.3
Net gains or losses from distressed debt assets ⁽²⁾		
Realized gains	602.2	1,923.0
Unrealized fair value changes	1,328.6	(3,200.1)
Total	<u>1,930.8</u>	<u>(1,277.1)</u>

(1) Balance of distressed debt assets at the end of the period is the balance of the Company's 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.

In the first half of 2024, the Company's asset layout was continuously optimized, and disposal business targeted the regions where the non-performing asset market is active. The Gross amount of distressed debt assets from the Yangtze River Delta, Pearl River Delta and Bohai Rim amounted to RMB111,301.0 million in the aggregate, representing an increase of RMB2,017.6 million as compared with the end of the previous year.

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, 2024		As at December 31, 2023	
	Amount	Percentage	Amount	Percentage
<i>(in millions of RMB, except for percentages)</i>				
Yangtze River Delta ⁽¹⁾	47,470.2	25.5%	44,717.1	24.2%
Pearl River Delta ⁽²⁾	31,493.9	16.9%	32,635.8	17.7%
Bohai Rim Region ⁽³⁾	32,336.9	17.4%	31,930.5	17.3%
Central Region ⁽⁴⁾	20,098.1	10.8%	20,047.6	10.9%
Western Region ⁽⁵⁾	43,321.3	23.3%	44,131.5	23.9%
Northeastern Region ⁽⁶⁾	11,200.7	6.1%	10,974.0	6.0%
Total	185,921.1	100.0%	184,436.5	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.

(2) Pearl River Delta is comprised of Guangdong and Fujian.

(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.

(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.

(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and Inner Mongolia.

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

4.3.1.1.1.2.2 Acquisition-and-restructuring business

The Company's acquisition-and-restructuring business mainly includes liquidity support business. 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 elimination of credit risks, grant time and space for debt relief of enterprises, and help enterprises repair credit. 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.

In the first half of 2024, the Company steadily improved the ability of restructuring operations, served "the needs of the country" with "the capabilities of the Company", focused on preventing and resolving financial risks, serving the real economy. The acquisition cost of newly added distressed debt assets for the first half of the year amounted to RMB10,001.3 million, representing a year-on-year increase of 20.8%, which reflected the significant results in the business expansion of key areas.

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.

	For the six months ended June 30, 2024 2023 (in millions of RMB, except for percentages)	
Acquisition cost of newly added distressed debt assets	10,001.3	8,280.6
Operating income from distressed debt assets ⁽¹⁾	<u>7,628.3</u>	<u>9,350.4</u>
Annualized return on monthly average gross amount of distressed debt assets ⁽²⁾	7.0%	7.4%
	As at June 30, 2024	As at December 31, 2023 (in millions of RMB, except for percentages)
<i>Distressed debt assets presented under debt instruments at amortised cost and at FVTOCI</i>		
Number of existing projects at the end of the period (quantity)	904	975
Balance of distressed debt assets ⁽³⁾	206,739.8	213,416.2
Allowance for impairment losses ⁽⁴⁾	(42,698.1)	(48,246.2)
Net carrying amount of distressed debt assets ⁽⁵⁾	167,977.4	170,572.5
Allowance to distressed debt assets ratio ⁽⁶⁾	20.7%	22.6%
Distressed debt assets collateral ratio ⁽⁷⁾	45.4%	43.0%
<i>Acquisition-and-restructuring distressed debt assets presented under financial assets at FVTPL</i>		
Number of existing projects at the end of the period (quantity)	1	1
Balance of carrying amount of distressed debt assets ⁽⁸⁾	459.2	640.6
Distressed debt assets collateral ratio ⁽⁷⁾	30.1%	41.9%

(1) The operating income from distressed debt assets equals the sum of the Company's income from distressed debt assets and realized 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 operating income from distressed assets divided by the average gross amount of distressed assets at the end of each month for the year.

(3) Balance of distressed debt assets is the sum of the Company's balances 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 the 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 sum 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) 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.
- (8) 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.

	As at June 30, 2024		As at December 31, 2023	
	Amount	Percentage	Amount	Percentage
<i>(in millions of RMB, except for percentages)</i>				
Yangtze River Delta ⁽¹⁾	29,891.1	14.5%	31,629.8	14.7%
Pearl River Delta ⁽²⁾	39,573.6	19.1%	41,746.6	19.5%
Bohai Rim Region ⁽³⁾	29,720.1	14.3%	28,824.4	13.5%
Central Region ⁽⁴⁾	46,640.1	22.5%	46,365.9	21.7%
Western Region ⁽⁵⁾	50,747.1	24.5%	54,631.1	25.5%
Northeastern Region ⁽⁶⁾	10,627.0	5.1%	10,859.0	5.1%
Total	207,199.0	100.0%	214,056.8	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.

(2) Pearl River Delta is comprised of Guangdong and Fujian.

(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.

(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.

(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang 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.

	As at June 30, 2024		As at December 31, 2023	
	Amount	Percentage	Amount	Percentage
<i>(in millions of RMB, except for percentages)</i>				
Real estate	98,818.5	47.5%	104,390.5	48.8%
Manufacturing	22,548.1	10.9%	23,110.4	10.8%
Leasing and commercial services	21,505.7	10.4%	20,635.3	9.6%
Construction	16,701.6	8.1%	17,175.8	8.0%
Water, environment and public utilities management	14,704.5	7.1%	15,277.6	7.1%
Mining	2,618.0	1.3%	1,068.8	0.5%
Transportation, logistics and postal services	1,372.9	0.7%	1,466.2	0.7%
Others	28,929.7	14.0%	30,932.2	14.5%
Total	207,199.0	100.0%	214,056.8	100.0%

4.3.1.1.2 Other distressed asset management business of the Company

Other distressed asset management business of the Company mainly refers to substantial restructuring investment businesses excluding the distressed debt assets management, policy-based DES business through commercial buyout, market-oriented DES business and special situations investment business. Through substantial restructuring and revitalisation of assets, liabilities, equity, talents, technology, management and other elements of the enterprises, the Company builds a new production and operation model to help itself get rid of the operational and financial difficulties, restore its production and operation capacity and solvency, and pursue restructuring premiums under the premise of risk control.

In the first half of 2024, the Company focused on preventing and resolving financial risks, serving the real economy, and successfully implemented a number of real enterprise relief projects to help enterprises get out of difficulties and help the industry extend and reinforce the chain. The Company actively participated in the resolution of real estate risks. Relying on CITIC Group's advantages in both industry and finance, the Company explored and formed a real estate relief model with CITIC characteristics through incremental investment, restructuring and revitalization. The Company supported the reform and development of state-owned enterprises, revitalized the existing inefficient assets, and implemented a number of "inefficient assets, ineffective assets and non-main business, non-dominant business" divestment and disposal projects for central and state-owned enterprises, helped enterprises reduce debt level, promote industrial integration, and explore new models to serve the reform of central and state-owned enterprises.

As at June 30, 2024, the balance of the Company's investment in other distressed assets business was RMB114,501.1 million, representing an increase of 18.3% as compared with the end of the previous year. In the first half of 2024, the Company realized a gain of RMB2,261.0 million from its other distressed assets business.

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, 2024, the Company held Unlisted DES Assets in 93 DES Companies, with carrying amount of RMB10,540.0 million; and Listed DES Assets in 5 DES Companies, with carrying amount of RMB1,206.5 million.

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

	As at June 30, 2024	As at December 31, 2023
	<i>(in millions of RMB, except for number of companies)</i>	
Composition of existing DES Assets portfolio		
Number of DES companies	98	98
Unlisted	93	93
Listed	5	5
Carrying amount	11,746.5	12,781.5
Unlisted	10,540.0	10,027.5
Listed	1,206.5	2,754.0

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

	For the six months ended June 30, 2024	2023
	<i>(in millions of RMB)</i>	
Net gains on DES Assets disposed of	554.8	111.7
Acquisition cost of DES Assets disposed of	1,136.1	97.8
Exit multiple of DES Assets disposed of ⁽¹⁾	1.5 times	2.1 times
Dividend income from DES Companies	127.4	121.8

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

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 Ruitong Company. 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 helps 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 mainly conducts special situations investment business through the Company, Rongde Asset 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 2024, the Group closely followed the regional development strategy of the PRC to carry out equity investment, supported scientific and technological innovation, advanced manufacturing and green development. It focused on four types of modes, including revitalization of existing assets of state-owned enterprises, relief of listed companies and important shareholders, market-oriented DES business and rescue of problematic enterprises, paid attention to outstanding growing and innovative enterprises with characteristics, such as professionalization, refinement, specialization and novelization, domestic replicability and others, thus constantly enhancing its equity investment capacity. In the first half of 2024, revenue from market-oriented DES business and special situations investment business amounted to RMB5,665.1 million, representing a year-on-year increase of RMB5,163.7 million after deducting the one-off gains recognised from the investment in associates 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 Industrial Company. In the first half of 2023 and the first half of 2024, revenue from property-related business of Industrial Company amounted to RMB237.4 million and RMB334.0 million, respectively.

4.3.2 Financial Services

The financial services mainly consist of financial leasing business. As of June 30, 2024, Financial Leasing Company was classified as held for sale, and the financial leasing business constituted a discontinued operation. Focusing on the goal of “building a first-class domestic financial leasing company”, Financial Leasing Company strictly implemented three major works, namely Party building, risk management and internal control management, so as to lay a solid foundation and preserve sufficient strength for high-quality development. In the first half of 2024, its operating indicators showed a positive momentum. As at December 31, 2023 and June 30, 2024, the total assets of Financial Leasing Company amounted to RMB117,641.5 million and RMB129,404.8 million, respectively. In the first half of 2023 and the first half of 2024, profits before tax of Financial Leasing Company amounted to RMB293.2 million and RMB964.8 million, respectively.

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

	For the six months ended	
	June 30,	2023
	2024	(Restated)
Profitability indicators		
Annualized ROAA ⁽¹⁾	1.3%	0.5%
Annualized ROAE ⁽²⁾	7.7%	2.6%
	As at	As at
	June 30,	December 31,
	2024	2023
Asset quality indicators		
Distressed asset ratio ⁽³⁾	0.9%	1.9%
Provision coverage ratio ⁽⁴⁾	277.5%	231.3%
Capital adequacy indicators		
Core capital adequacy ratio ⁽⁵⁾	16.2%	14.5%
Capital adequacy ratio ⁽⁵⁾	17.3%	15.7%

(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 finance lease receivables. Distressed assets are defined as those initially recognised finance lease receivables which have objective evidence of impairment as a result of one or more events and such events have had an impact on the expected future cash flows of finance lease receivables that can be reliably estimated.

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

(5) Disclosed by the means reported to the NAFR.

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

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

	As at June 30, 2024		As at December 31, 2023	
	Amount	Percentage	Amount	Percentage
<i>(in millions of RMB, except for percentages)</i>				
Manufacturing	16,379.1	14.8%	15,348.5	14.7%
Water, environment and public utilities management	47,920.0	43.4%	48,194.4	46.1%
Transportation, logistics and postal services	11,971.7	10.8%	9,560.3	9.1%
Construction	742.4	0.7%	2,188.2	2.1%
Mining	3,603.7	3.3%	2,896.4	2.8%
Leasing and commercial services	14,319.3	13.0%	13,034.3	12.5%
Others	15,577.5	14.0%	13,292.9	12.7%
Total	110,513.7	100.0%	104,515.0	100.0%

(1) As a result of the implementation of the new leasing standards, some of the above finance lease receivables are presented under the “Debt instruments at amortised cost” in the consolidated financial statements.

4.3.3 Asset Management and Investment Business

In the first half of 2023 and the first half of 2024, the income from asset management and investment segment was RMB1,179.6 million and RMB12,102.0 million, respectively, and the profit before tax was RMB-9,052.3 million and RMB3,237.0 million, respectively.

The Group conducts its asset management and investment business mainly through International Company and other overseas subsidiaries. As at December 31, 2023 and June 30, 2024, the total assets of International Company amounted to RMB149,774.3 million and RMB196,048.5 million, respectively. In the first half of 2023 and the first half of 2024, the total income from International Company amounted to RMB3,619.4 million and RMB4,307.7 million, respectively.

The table below sets forth certain key indicators of International Company for the periods and as at the dates indicated.

	For the six months ended June 30,	
	2024	2023
<i>(in millions of RMB)</i>		
International business		
Total income	4,307.7	3,619.4
Profit before tax	803.3	(1,507.9)

As at	As at
June 30,	December 31,
2024	2023
<i>(in millions of RMB)</i>	

International business

Total assets	196,048.5	149,774.3
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4.3.4 Business Synergy

In the first half of 2024, the Company rebranded as China CITIC Financial Asset Management Co., Ltd., embarking on a new journey focused on “significantly improving the quality and efficiency in three years” and “fulfilling the three-step development strategy in two years” with a fresh image. Centered on the “Five-Five-Three” strategy of CITIC Group and capitalizing on its own functional advantages, the Company thoroughly implemented CITIC Group’s collaborative initiatives and further deepened business synergies and cooperation to actively enhance synergistic value. By concentrating on addressing challenges in its core business and leveraging CITIC Group’s comprehensive advantages in “industry-finance integration”, the Company utilized its unique professional strengths in financial asset management and executed several impactful synergy projects aimed at creating a replicable and scalable model for alleviating difficulties and mitigating risks. The Company was also committed to reinforcing its brand synergy by leveraging CITIC Group’s strengths in “management, talent, culture, and branding” to establish a new brand image characterized by “trustworthiness, professional service, and respectability”. To meet the diverse needs of clients, the Company established an “investment and service alliance” focused on non-performing assets in collaboration with various partners, including financial institutions, central and state-owned enterprises, large private enterprises, industrial investors, local asset management companies, foreign investment institutions, trading platforms, law firms and accounting firms, fully enhancing synergistic services to support the high-quality development of the real economy and contributing to the stable growth of the economy and society.

4.3.5 Human Resources Management

Human resources management

In the first half of 2024, the Group closely aligned with the overall strategic direction of business development and vigorously implemented a strategy of strengthening the enterprise through talents (人才强企). We focused on building a high-quality and professional talent team, continuously optimizing the team structure, and establishing an open, transparent, and scientifically sound positive incentive and restraint mechanism. We enhanced employee training and development, placing emphasis on improving the performance capabilities and professional qualities of our cadres and employees. By showing care and concern for our cadres and employees, actively addressing their concerns, safeguarding their interests, and encouraging them to take on responsibilities, we constantly enhanced the cohesion and combat effectiveness of our team, providing solid talent support for achieving the “One-Three-Five” strategic goals.

Employees

As of June 30, 2024, the Group had a total of 4,948 employees. Employees with a master's degree or higher (inclusive) accounted for 52% of the workforce of the Group. 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.

Remuneration policy

The Group's remuneration management is integrated with the Company's strategies, business development and talent acquisition. It is based on operational performance and continuously refines the performance appraisal system, strengthening an incentive and restraint mechanism oriented toward operational contributions. Following the principles of matching returns with risks and aligning long-term and short-term incentives, we have established a competitive compensation management system that is both performance-aligned and ensures internal fairness.

Education and training

The Group's training efforts were centered around CITIC Group's leadership education and training plan and the "14th Five-Year" Talent Development Plan. We emphasized key priorities, enhanced resource coordination, and improved the training mechanisms. Our training was closely aligned with the Company's core development tasks, focusing on enhancing political theory literacy, solidifying full-process operational skills, and integrating training into the broader context of the Company's growth and development. This approach aimed to provide robust learning support and training assurance for the Company's development and construction.

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 D2 of the Listing Rules.

4.4 Risk Management

In the first half of 2024, centered on the "One-Three-Five" strategic objectives, the Group formulated the main line of risk management of "strengthening the foundation and enhancing the ability (固本強基、提升能力)" and the risk management target of effectively improving the quality of risk resolution, accelerated the construction of a comprehensive risk management system, and focused on the five tasks of "changing the concept, optimizing the system, improving the quality and efficiency, promoting compliance and strengthening the team (轉理念、優體系、提質效、促合規、強隊伍)" to comprehensively improve the risk prevention and control capability.

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 2024, the Group accelerated the development of its comprehensive risk management system and promoted the implementation of the tasks outlined in the three-year construction plan for an enhanced comprehensive risk management system with high quality. This effort continually strengthens its support for the Company's high-quality development. By focusing on governance structure, policies and procedures, process control, system tools, cultural philosophy, support and assurance, and risk control in key areas, we are rapidly advancing the development of an all-encompassing risk management system that covers "all institutions, clients, processes, product categories, and aspects."

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 consistently promoted the construction of the 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 management efficiency by promoting the development of the credit risk management information system.

In the first half of 2024, the Group made continuous improvements to its credit risk management mechanisms by implementing stringent project access management and review and approval, improving the project re-inspection and review mechanism, and clearly defining the requirements for high-quality delivery. The Group established a project post-investment management system, carried out post-investment inspections in key areas, and strengthened temporary project management. The Group effectively promoted the implementation of the working mechanism for preventing deterioration and the resolution of existing risks, and made efforts to fulfil the three key tasks of "receiving cash, reducing exposure, and controlling distressed assets," with an aim to improve asset quality. The Group optimized the functions of risk monitoring, early warning and other information systems, while improving risk measurement tools to support and strengthen its risk management efforts.

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 investment businesses, such as stocks and bonds, and changes in exchange rates.

In the first half of 2024, 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, based on the analysis and forecast of the macroeconomic situation, market capital, financial regulatory policies, industry development trends, corporate profitability, and other factors, 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. Meanwhile, 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 standardized and improved the interest risk management mechanism, 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 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 2024, 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 Group adopted a centralized and unified liquidity management mechanism, set up and monitored liquidity risk indicators according to regulatory requirements and the Company's actual situation, strictly implemented the liquidity risk limit management policy, effectively controlled the degree of leverage, dynamically analyzed and controlled liquidity risks, and ensured that the mismatch of the terms of assets and liabilities is maintained within an acceptable liquidity risk level; the Group constantly expanded financing channels and optimized the financing structure, refined the way of fund position management, and rationalized the scale and structure of provision; 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.

4.4.5 Operational Risk Management

Operational risk refers to the risk of losses caused by problems with internal procedures, staff and IT systems, and external events, including legal risks, but excluding strategic risk and reputational risk.

In the first half of 2024, the Group reasonably determined operational risk appetite and limit policy, conducted identification and evaluation work of operational risk in combination with the actual work, strengthened process management and control, 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, systems and areas, 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 and control mechanism of information technology risks to ensure network security and stable operation of the information system, and there was no material network security event that occurred in the first half of the year. The Group firmly specified the main responsibility of network security and data security management, and improved the level of security management in sectors including outsourcing management, network security and application, data security, development security, operation and maintenance management and others. 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, to improve the level of security protection.

4.4.6 Reputational Risk Management

Reputational risk refers to the risk of receiving negative comments from 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 2024, 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, operating activities, 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 of the Company if material problems are discovered during the audits.

In the first half of 2024, the Company's internal audit department implemented the strategic deployment of CITIC Group and the Company's Party Committee, carried out routine audits and special audits on corporate governance, major businesses, financial management, risk management, internal control, etc., and conducted economic responsibility audits of the Company's middle and senior management with regard to their performance. The construction of the Company's internal audit system has been continuously improved, and the quality and effectiveness of audit supervision have been continuously improved.

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, continuously promoted the function optimization of the anti-money laundering system, regularly carried out anti-money laundering publicity training, and constantly improved the quality and effectiveness of the Group's anti-money laundering management.

4.5 Capital Management

The Company earnestly implemented the spirit of the regulation, adhered to focusing on the core business and returning to the source, continuously deepened the concept of capital constraint, and optimized the capital management system in accordance with 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. In the first half of 2024, the Company proactively implemented its strategies, adjusted and optimized the business layout

and asset structure, focused on building the core competitiveness of the main business, and improved the endogenous capital accumulation capacity, and capital adequacy.

As at December 31, 2023 and June 30, 2024, the capital adequacy ratios of the Company were 15.11% and 16.12%, respectively.

As at December 31, 2023 and June 30, 2024, the leverage ratios¹ of the Company were 11.5:1 and 10.1:1, respectively.

4.6 Development Outlook

Looking ahead to the second half of the year, the global economic recovery will encounter greater challenges amid high interest rates and debt constraints. The International Monetary Fund forecasts that global economic growth in 2024 will match the 2023 rate at 3.2%, which is significantly lower than the historical average of 3.8% from 2000 to 2019.

In response to the challenging and complex international and domestic landscape, as well as the new wave of technological revolution and industrial transformation, the Third Plenary Session of the 20th Central Committee of the Communist Party of China has called for improving the macroeconomic regulation system, and coordinating reforms in key areas such as fiscal, taxation and financial sectors to enhance the consistency of macroeconomic policies. In the second half of the year, the Chinese economy will take stronger measures to effectively implement established macroeconomic policies, aiming to consolidate and enhance the momentum of the economic recovery. An active fiscal policy should accelerate the issuance and use of special bonds and effectively utilize ultra-long-term special government bonds. A prudent monetary policy should comprehensively use various policy instruments to increase the financial support to the real economy, and promote the reduction of overall social financing costs while maintaining stability. With the support of new policies, the real estate sector is expected to gradually stabilize, and large-scale equipment upgrades will further strengthen, continuously boosting the momentum for high-quality economic development and providing a favorable external environment for the growth of the distressed asset industry.

In the second half of 2024, China's distressed asset industry will continue to face multiple challenges, including increased supply, risk prevention and control, and the restructuring of the regulatory framework. However, the market for distressed assets is also poised for significant growth opportunities. **Firstly**, the supply of distressed assets is expected to increase steadily, particularly in key areas such as small and medium-sized banks, local debt, and real estate, which are still in the risk release phase. Financial institutions in the banking sector will intensify their efforts in disposing of distressed assets. **Secondly**, risk prevention and control will remain a key focus of China's financial work and a perennial theme. Regulatory authorities are expected to further strengthen policy support, and financial asset management companies will play an increasingly prominent role in preventing and mitigating risks in key areas, highlighting their

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

considerable development potential. **Thirdly**, the financial asset management industry is currently in a critical period of regulatory framework restructuring. As regulatory policies and market mechanisms are gradually refined, financial asset management companies will enter a new phase of high-quality development. This will further accelerate the transformation of their core business in distressed assets, enabling them to make a greater contribution to building China into a financial powerhouse.

In the second half of 2024, under the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for the New Era, the Company will deeply study and implement the directives of the Third Plenary Session of the 20th National Congress, resolutely follow and carry out the economic and financial decisions and arrangements of the Party Central Committee and the State Council. Under the vigorous leadership of the Party committee of CITIC Group, the Company will promote the work of the next stage on a high-quality basis. **Firstly**, the Company will balance its political and business affairs, further strengthening full Party self-discipline. The Company will promote the turn of Party building advantages to development advantages, and push forward the deep integration of Party building and business, thus achieving new results of high-quality development led by high-quality Party building. **Secondly**, the Company will balance its stability and progression, further deepening reform and motivating vitality. The Company will promote the implementation of the "One-Three-Five" strategy without deviation, taking the initiative to make proactive progress in the adjustment of financing structure, optimization of asset structure and deepening of reform. **Thirdly**, the Company will balance the breaking and making, further improving its capability in the core business. The Company will crake the reliance on existing business ideas and paths, accelerating the construction of core competitiveness of its core business on its unique functional position. **Fourthly**, the Company will balance its risk and development, further enhancing risk resolution and control. The Company will insist on placing equal emphasis on risk management and control, so as to safeguard the stable and long-lasting development of the Company with high-quality risk management. **Fifthly**, the Company will balance its short-term and long-term development, further reinforcing its hard work and commission fulfillment. Aiming at the "One-Three-Five" strategic goal, the Company will adhere to its determination, maintain the insight and layout and increase achievements under the mission, in order to promote the comprehensive development of the "One-Three-Five" strategy, and strive to build itself into a benchmark of the reform and risk resolution.

5 Changes in Share Capital and Information on Substantial Shareholders

5.1 Changes in Share Capital

As at June 30, 2024, 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, 2024, 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 kept 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 (%) ⁽¹⁾	Approximate percentage to the total share capital of the Company (%) ⁽²⁾
CITIC Group Corporation ⁽³⁾	Domestic Shares	Beneficial owner	21,230,929,783 (L)	47.30 (L)	26.46 (L)
MOF ⁽³⁾	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 ⁽⁴⁾	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 ⁽⁴⁾	H Shares	Investment manager	1,960,784,313 (L)	5.54 (L)	2.44 (L)
Warburg Pincus & Co. ^{(5), (6)}	H Shares	Interest of controlled corporation	2,060,000,000 (L)	5.83 (L)	2.57 (L)
Warburg Pincus Financial International Ltd ^{(5), (6)}	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. ⁽⁷⁾	H Shares	Interest of controlled corporation	1,960,784,313 (L)	5.54 (L)	2.44 (L)
ICBC Financial Asset Investment Co., Ltd. ⁽⁷⁾	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, 2024.
- (2) Calculated based on a total of 80,246,679,047 Shares in issue of the Company as at June 30, 2024.
- (3) According to the Corporate Substantial Shareholder Notices from CITIC Group filed with the Hong Kong Stock Exchange on March 10, 2023, CITIC Group directly holds 21,230,929,783 Domestic Shares of the Company and is a substantial shareholder of the Company. The ultimate beneficial owner of CITIC Group is MOF.
- (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, 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 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 former 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 Liu Zhengjun (chairman) and Mr. Li Zimin as executive Directors; Ms. Zhao Jiangping, Mr. Xu Wei and Mr. Tang Hongtao as non-executive Directors; and Mr. Shao Jingchun, Mr. Zhu Ning, Ms. Chen Yuanling and Mr. Lo Mun Lam, Raymond 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. 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. Zhu Wenhui, Mr. Xu Jiongwei, Mr. Cao Yan, Ms. Zhao Jingjing², Mr. Wen Jinxiang, Mr. Gao Gan, Mr. Yuan Caiping, Mr. Wang Yongjie, and Mr. Liu Zeyun.

² Ms. Zhao Jingjing was appointed as the vice president of the Company by the Board of the Company on April 28, 2024. Her term of office shall take effect from the date of approval by the NFRA and is subject to the announcement of the Company.

6.2 Changes

6.2.1 Directors

On January 8, 2024, Mr. Zheng Jiangping resigned as the non-executive Director and the member of the Strategy and Development Committee of the Board, the Risk Management Committee of the Board, the Related Party Transaction Committee of the Board and the Nomination and Remuneration Committee of the Board of the Company. The resignation of Mr. Zheng became effective on January 8, 2024. For details, please refer to the announcement of the Company published on January 8, 2024.

On January 8, 2024, the Board of the Company appointed Ms. Zhao Jiangping as a member of the Nomination and Remuneration Committee of the Board. Ms. Zhao's term of office as a member took effect from January 8, 2024 and coincided with her term as a Director. For details, please refer to the announcement of the Company published on January 8, 2024.

6.2.2 Supervisors

On February 23, 2024, Mr. Hu Jianzhong resigned as the chairman of the Board of Supervisors and the Shareholder Representative Supervisor of the Company. Mr. Hu's resignation became effective on February 23, 2024. For details, please refer to the announcement of the Company published on February 23, 2024.

6.2.3 Senior Management

On November 15, 2023, the Board of the Company appointed Mr. Xu Jiongwei as the vice president of the Company. On March 21, 2024, Mr. Xu performed his duties upon the approval of his qualification as the vice president by the NFRA. For details, please refer to the announcements of the Company published on November 15, 2023 and March 27, 2024.

On March 28, 2024, the Board of the Company appointed Mr. Liu Zeyun as the assistant to the president of the Company. On July 25, 2024, Mr. Liu performed his duties upon the approval of his qualification as the assistant to the president by the NFRA. For details, please refer to the announcements of the Company published on March 28, 2024 and August 2, 2024.

On April 28, 2024, the Board of the Company appointed Ms. Zhao Jingjing as the vice president of the Company. Her term of office shall take effect from the date of approval by the NFRA. For details, please refer to the announcement of the Company published on April 28, 2024.

6.3 Changes of the Information during the Reporting Period

During the Reporting Period, the appointment information of the Directors and Supervisors was consistent with that disclosed in the Company's 2023 Annual Report, and there were no other changes 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, strengthened investor relations management, improved information disclosure quality and efficiency, 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 9 members, including 2 executive Directors, 3 non-executive Directors and 4 independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the Board members.

During the Reporting Period, the Company held 6 Board meetings in total, at which 32 resolutions were considered and passed, including 2023 Annual Results Announcement and 2023 Annual Report, Work Report of the President for 2023, Evaluation Report of Internal Control for 2023, and External Fund Donation Plan for 2024. Meanwhile, 15 reports were debriefed, including the comprehensive risk management for 2023, the management of related party transactions for 2023, and the implementation of the focus on the core business and reduction of the organizational levels.

7.3 Board of Supervisors

As of the publication date of this Interim Results Announcement, the Board of Supervisors of the Company comprised 4 members, including 2 external Supervisors and 2 employee representative Supervisors.

During the Reporting Period, the Board of Supervisors of the Company performed its supervisory duties in a legal and compliance manner in accordance with the relevant laws, regulations, regulatory provisions and the Articles of Association. It gained a deeper understanding of the regularity of its work, continued to strengthen the pertinence of its supervisory activities, and continually improved the standardization of its supervisory processes. As a result, the quality and

effectiveness of supervision have become increasingly evident. Meanwhile, it continued to strengthen self-construction, elevating its skills and capabilities in performing duties and safeguarding 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 3 meetings in total, at which 8 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 changes in internal and external situations, and stuck to the general keynote of "seeking progress while maintaining stability, promoting stability by making progress, and building the new before discarding the old". With a close focus on the strategic goal of "significantly improving quality and efficiency in three years", the senior management strived to improve the core competitiveness of the main business, accelerated business transformation, optimized asset structure, deepened the synergy of the Group, and actively gave full play to the business functions of "disposal of problematic assets, revitalization of problematic projects, restructuring of problematic enterprises and relief of crisis institutions" to efficiently serve the real economy and prevent and defuse risks. The senior management strived to improve the quality and efficiency of risk prevention and resolution, and strengthened management of key projects at an escalated level, and adopted greater efforts and more concrete measures to promote risk resolution. The senior management optimized the management mechanism, spared no effort to improve asset quality, stuck to gain benefits from the stock, reinforced liquidity management and firmly held the bottom line of liquidity risks. The senior management focused on strengthening the endogenous development motivation by deepening the reform of subsidiaries, optimized the assessment and incentive mechanism, and continued to promote the construction of a comprehensive risk management system to constantly enhance the level of compliance operations. Emphasizing technological empowerment of the construction of the core system of new business as a starting point, the senior management further consolidated the foundation and released vitality, enhanced the Company's transparency, 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 11 presidential office meetings and 21 special meetings in total to study and review 50 important resolutions on the Company's management and operation.

7.5 Corporate Governance Code

During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code contained in Appendix C1 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 2024, the Company further optimized the top-level design of the system, the promotion mechanism of the system and the system implementation inspection mechanism, clarified the system closed-loop management model of “formulation, training, implementation, feedback”, and continued to optimize the system management information system, and further enriched and refined the system support for various scenarios of system management. The Company initiated the self-assessment of the internal control system for 2024 to comprehensively sort out various business and management activities by the corresponding processes and evaluate the applicability of the 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 during the listing process in Hong Kong, the Company has implemented the internal control policy on sanctions risks and performed the filing and approval process in strict accordance with the Sanction Risk Management Measures of CITIC Group. Additionally, the Company has established a blacklist database, updated the blacklist information in a timely manner, and conducted identification of the relevant customer information of the Company.

7.7 Distribution of Profit and Dividend

The Company does not declare any interim dividend for 2024.

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 relating to the listing in Hong Kong 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 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 relief 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 entered into the Share Transfer Agreement with CITIC Group, details of which are set out in "7.13 Major Connected Transactions".

Save as disclosed above, the Group had no major acquisition and disposal of assets and merger.

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 entered into one connected transaction which was required to be disclosed pursuant to Chapter 14A of the Listing Rules, and had performed the corporate governance approval and announcement procedures in accordance with the requirements of the Hong Kong Stock Exchange.

CITIC Group held 26.46% equity of the Company, being a substantial shareholder of the Company and constituting a connected person of the Company under Chapter 14A of the Listing Rules. In accordance with the relevant provisions of the Administrative Measures for the Transfer of State-owned Assets of Financial Enterprises (Decree No. 54 of the Ministry of Finance) and the economic conduct approval of the Ministry of Finance, the Company transferred 7,538,222,567 shares of Financial Leasing Company (representing 60% of the issued shares of the Financial Leasing Company) held by the Company to CITIC Group through negotiated transfers at a consideration of RMB11,997,543,239.36. The above transaction constituted an external connected transaction of the Company amounting to RMB11.998 billion. On May 28, 2024, the Company entered into the Share Transfer Agreement with CITIC Group, and the transaction was considered and approved by the third extraordinary general meeting of Shareholders for 2024 on June 28, 2024 and will become effective upon approval by the NFRA. For details, please refer to the Company's announcements published on May 28, 2024, June 11, 2024 and June 28, 2024 and the circular published on June 11, 2024.

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 (including the disposal of Treasury Shares). As at the end of the Reporting Period, there were no Treasury Shares held 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 C3 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, 2024, 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 of interests kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

7.19 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, 2024 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 2024

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INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF CHINA CITIC FINANCIAL 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 CITIC Financial 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 2024 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

30 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited) Restated
Continuing operations			
Income from distressed debt assets	2	7,860,976	9,298,069
Fair value changes on distressed debt assets	3	2,316,894	(776,358)
Fair value changes on other financial assets and liabilities	4	13,933,384	(2,256,423)
Interest income	5	4,428,729	3,988,011
Gains from derecognition of financial assets measured at amortised cost		249,154	49,973
Gains from derecognition of debt instruments at fair value through other comprehensive income		32,189	15,035
Commission and fee income	6	64,389	83,690
Net gains/(losses) on disposals of subsidiaries, associates and joint ventures		24,160	(9,449)
Dividend income		533,703	229,666
Other income and other net gains or losses	7	813,392	22,026,436
Total		30,256,970	32,648,650
Interest expense	8	(16,404,748)	(15,510,053)
Commission and fee expense		(103,249)	(107,353)
Operating expenses	9	(2,265,192)	(1,805,018)
Impairment losses under expected credit loss model	10	(9,766,624)	(19,506,859)
Impairment losses on other assets	11	(217,081)	(722,857)
Total		(28,756,894)	(37,652,140)
Change in net assets attributable to other holders of consolidated structured entities		297,105	134,368
Share of results of associates and joint ventures		2,955,597	(69,162)
Profit/(loss) before tax from continuing operations		4,752,778	(4,938,284)
Income tax expense	12	(153,341)	(1,221,597)
Profit/(loss) for the period from continuing operations		4,599,437	(6,159,881)

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited) Restated
Discontinued operation			
Profit after tax for the period from a discontinued operation		<u>672,811</u>	<u>264,658</u>
Profit/(loss) for the period		<u><u>5,272,248</u></u>	<u><u>(5,895,223)</u></u>
Profit/(loss) attributable to:			
Equity holders of the Company		5,332,268	(4,818,152)
Holders of perpetual capital instruments		38,260	37,234
Non-controlling interests		<u>(98,280)</u>	<u>(1,114,305)</u>
		<u><u>5,272,248</u></u>	<u><u>(5,895,223)</u></u>
Earnings/(loss) per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share)	15		
— Basic		0.056	(0.071)
— Diluted		<u>0.056</u>	<u>(0.071)</u>
Earnings/(loss) per share attributable to ordinary equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	15		
— Basic		0.050	(0.073)
— Diluted		<u>0.050</u>	<u>(0.073)</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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited) Restated
Profit/(loss) for the period		5,272,248	(5,895,223)
Other comprehensive expenses:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains on defined benefit obligations		(11,247)	584
Fair value gains/(losses) on investments in equity instruments at fair value through other comprehensive income		13,256	(65,728)
Share of other comprehensive income of associates		(7,946)	—
Income tax effect		17,398	12,307
		11,461	(52,837)
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(195,064)	(2,077,291)
Fair value changes on hedging instruments designated in cash flow hedges		(21,322)	(52,623)
Financial assets measured at fair value through other comprehensive income			
— fair value changes		2,100,838	(940,804)
— amounts reclassified to profit or loss upon disposals		(32,189)	(15,035)
— impairment (reversed)/provided		(2,346,891)	1,026,103
Losses on property revaluation		(16,143)	(42,153)
Income tax effect		75,822	(27,914)
Share of other comprehensive income of associates and joint ventures		288,368	5,552
		(146,581)	(2,124,165)
Other comprehensive expenses for the period, net of income tax		(135,120)	(2,177,002)
Total comprehensive income/(expenses) for the period		5,137,128	(8,072,225)
Total comprehensive income/(expenses) for the period attributable to:			
Equity holders of the Company		5,249,580	(6,776,182)
Holders of perpetual capital instruments		38,260	37,234
Non-controlling interests		(150,712)	(1,333,277)
		5,137,128	(8,072,225)

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 30 June 2024	As at 31 December 2023
	Notes IV	(Unaudited)	(Audited)
Assets			
Cash and balances with central bank		74	112,116
Deposits with financial institutions	16	64,931,859	74,863,074
Financial assets at fair value through profit or loss	17	374,637,190	317,516,035
Financial assets held under resale agreements	18	4,374,888	766,165
Contract assets		5,335,099	5,486,240
Finance lease receivables		41,812	9,356,710
Debt instruments at fair value through other comprehensive income	19	15,369,460	19,682,491
Equity instruments at fair value through other comprehensive income	20	1,546,600	1,700,192
Inventories	21	23,222,896	23,004,973
Debt instruments at amortised cost	22	309,688,499	391,323,217
Interests in associates and joint ventures	23	79,477,228	74,336,838
Property and equipment	24	2,433,763	6,419,140
Investment properties	25	9,959,624	9,570,070
Right-of-use assets		767,358	901,719
Deferred tax assets		16,194,478	15,693,856
Goodwill		18,222	18,222
Assets of a disposal group classified as held for sale	26	129,179,890	—
Other assets	27	18,162,857	17,352,106
Total assets		1,055,341,797	968,103,164
Liabilities			
Borrowings from central bank		5,971,902	—
Placements from financial institutions		7,291,002	10,375,942
Financial assets sold under repurchase agreements	28	5,675,194	6,364,855
Borrowings	29	669,439,447	665,305,308
Financial liabilities at fair value through profit or loss	17	62,350	54,009
Tax payable	30	1,146,948	450,952
Contract liabilities		702,807	833,966
Lease liabilities		445,016	500,973
Deferred tax liabilities		2,046,130	1,197,690
Bonds and notes issued	31	174,519,824	179,390,798
Liabilities directly associated with the assets held for sale	26	99,832,837	—
Other liabilities	32	35,503,287	55,591,909
Total liabilities		1,002,636,744	920,066,402

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 30 June 2024	As at 31 December 2023
	Notes IV	(Unaudited)	(Audited)
Equity			
Share capital	33	80,246,679	80,246,679
Other equity instruments	34	19,900,000	19,900,000
Capital reserve		16,464,134	16,031,229
Surplus reserve		8,564,210	8,564,210
General reserve	35	13,002,514	13,002,514
Other reserves		(1,835,409)	(1,752,016)
Accumulated losses		(83,527,942)	(87,997,255)
Equity attributable to equity holders of the Company		52,814,186	47,995,361
Perpetual capital instruments		1,753,939	1,753,367
Non-controlling interests		(1,863,072)	(1,711,966)
Total equity		52,705,053	48,036,762
Total equity and liabilities		1,055,341,797	968,103,164

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

													Perpetual capital instruments	Non-controlling interests	Total
Equity attributable to equity holders of the Company															
Note IV	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves					Accumulated losses	Subtotal			
						Investment revaluation reserve	Translation reserve	Hedging reserve	Asset revaluation reserve	Others					
As at 1 January 2024 (Audited)	80,246,679	19,900,000	16,031,229	8,564,210	13,002,514	(783,086)	(2,050,436)	106,699	1,055,388	(80,581)	(87,997,255)	47,995,361	1,753,367	(1,711,966)	48,036,762
Profit/(loss) for the period	—	—	—	—	—	—	—	—	—	—	5,332,268	5,332,268	38,260	(98,280)	5,272,248
Other comprehensive income/(expenses) for the period	—	—	—	—	—	(172,294)	(149,702)	(21,322)	(8,545)	269,175	—	(82,688)	—	(52,432)	(135,120)
Total comprehensive income/(expenses) for the period	—	—	—	—	—	(172,294)	(149,702)	(21,322)	(8,545)	269,175	5,332,268	5,249,580	38,260	(150,712)	5,137,128
Change in ownership interests in subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	—	(394)	(394)
Distribution relating to perpetual capital instruments	14	—	—	—	—	—	—	—	—	—	(863,660)	(863,660)	(37,688)	—	(901,348)
Others	—	—	432,905	—	—	(705)	—	—	—	—	705	432,905	—	—	432,905
As at 30 June 2024 (Unaudited)	80,246,679	19,900,000	16,464,134	8,564,210	13,002,514	(956,085)	(2,200,138)	85,377	1,046,843	188,594	(83,527,942)	52,814,186	1,753,939	(1,863,072)	52,705,053

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

													Perpetual capital instruments	Non-controlling interests	Total
Equity attributable to equity holders of the Company															
Note IV	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves					Accumulated losses	Subtotal			
						Investment revaluation reserve	Translation reserve	Hedging reserve	Asset revaluation 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)	(911,023)	176,678	1,042,964	(50,651)	(88,899,806)	49,353,461	1,752,562	(362,040)	50,743,983
(Loss)/profit for the period	—	—	—	—	—	—	—	—	—	—	(4,818,152)	(4,818,152)	37,234	(1,114,305)	(5,895,223)
Other comprehensive (expenses)/ income for the period	—	—	—	—	—	(22,806)	(1,863,023)	(52,623)	(25,714)	6,136	—	(1,958,030)	—	(218,972)	(2,177,002)
Total comprehensive (expenses)/ income for the period	—	—	—	—	—	(22,806)	(1,863,023)	(52,623)	(25,714)	6,136	(4,818,152)	(6,776,182)	37,234	(1,333,277)	(8,072,225)
Distribution relating to perpetual capital instruments	14	—	—	—	—	—	—	—	—	—	(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 and restated)	80,246,679	19,900,000	16,397,628	8,564,210	13,002,514	(155,200)	(2,774,046)	124,055	1,017,250	(44,515)	(94,581,656)	41,696,919	1,752,649	(1,703,053)	41,746,515

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

		For the six months ended 30 June	
	Note IV	2024 (Unaudited)	2023 (Unaudited) Restated
OPERATING ACTIVITIES			
Profit/(loss) before tax from continuing operations		4,752,778	(4,938,284)
Profit before tax from a discontinued operation		793,486	299,065
Total non-cash adjustments		(8,807,586)	3,637,114
Total working capital adjustments		68,099,493	18,753,791
Cash generated from operations		64,838,171	17,751,686
Income tax paid		(451,143)	(4,117,123)
NET CASH FLOWS FROM OPERATING ACTIVITIES		64,387,028	13,634,563
INVESTING ACTIVITIES			
Cash receipts from interest income arising from financial investments		2,462,307	2,636,022
Cash receipts from dividend income		388,907	91,623
Cash receipts from disposals/liquidation of associates and joint ventures and structured entities		147,711	25,611
Cash receipts from disposals of property and equipment and other assets		865,233	781,265
Cash receipts for pledged deposits in bank		313,181	1,397,118
Cash payments for purchases of financial assets		(42,914,666)	(3,094,546)
Cash payments for investments in associates and joint ventures		(2,401,429)	(14,753,723)
Cash payments for purchases of property and equipment, investment properties and other assets		(531,035)	(41,463)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(41,669,791)	(12,958,093)

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note IV	For the six months ended 30 June	
		2024 (Unaudited)	2023 (Unaudited) Restated
FINANCING ACTIVITIES			
Cash payments for consolidated structured entities		(70,226)	(570,962)
Proceeds of borrowings of non-financial institution subsidiaries		7,789,335	9,227,288
Repayment of borrowings of non-financial institution subsidiaries		(12,033,550)	(9,292,835)
Repayments of lease liabilities		(91,559)	(141,439)
Cash receipts from bonds and notes issued		—	800,000
Cash repayments for bonds and notes redeemed		(6,212,421)	(9,537,946)
Interest paid for bonds and notes issued and other borrowings		(5,337,370)	(4,452,752)
Cash payments for distribution to holders of perpetual capital instruments		(901,348)	(900,807)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(16,857,139)	(14,869,453)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		5,860,098	(14,192,983)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		73,180,960	96,754,497
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		7,217	450,234
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	36	79,048,275	83,011,748
NET CASH FLOWS USED IN OPERATING ACTIVITIES INCLUDE:			
Interest received		9,358,471	9,270,409
Interest paid		(12,829,666)	(11,853,236)
		(3,471,195)	(2,582,827)

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

China CITIC Financial 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, China Huarong Asset Management Co., Ltd. (“China Huarong”) was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council. On 16 January 2024, China Huarong received the Approval of the National Financial Regulatory Administration on the Change of Name of China Huarong Asset Management Co., Ltd. (Jin Fu [2024] No. 17). On 25 January 2024, upon approval of the National Financial Regulatory Administration (the “NFRA”, the former China Banking and Insurance Regulatory Commission), China Huarong was renamed as China CITIC Financial Asset Management Co., Ltd. Its registered office is located at No. 8, Finance Street, Xicheng District, Beijing 100033, PRC.

The Company has the financial service certificate No. J0001H111000001 issued by the NFRA and business licence No. 911100007109255774 issued by Beijing Municipal Administration for Market Regulation.

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 acquisition of and management, investment and disposal service through entrustment of both financial and non-financial institution distressed assets including debt-to-equity swap assets; investment; securities dealing; financial bond 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; asset and project evaluation; approved asset securitisation business, financial institution custody, closing and liquidation of business; and other businesses approved by the banking regulatory body of the State Council.

The interim condensed consolidated financial statements are 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 2024

(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 2024 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 2023.

Going concern basis

The Group’s interim condensed consolidated financial information has been prepared on a going concern basis. In the first half of 2024, the Company adhered to the general principle of “consolidating the foundation, seeking progress while maintaining stability, and improving quality and efficiency”, with the Group’s net profit attributable to shareholders of the parent company for the six months ended 30 June 2024 amounting to RMB5,332 million. However, due to operating losses in previous years, 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 2024, the Group’s bonds payable amounted to RMB174,520 million (31 December 2023: RMB179,391 million), of which RMB22,783 million (31 December 2023: RMB15,703 million) were due within one year, and the Group had borrowings and borrowings from central bank of RMB675,411 million (31 December 2023: RMB665,305 million), of which RMB469,357 million (31 December 2023: RMB413,119 million) were due within one year.

To address the above circumstances, the Company 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 improving the quality and effectiveness of 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 2024

(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 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, and 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 12 months. The Company is of the view that the Group 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, it is appropriate to use the going concern basis for the preparation of the Group’s 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 2024 are consistent with those applied in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2023.

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

Amendments to IFRS 16

Amendments to IAS 1

Lease Liability in a Sale and Leaseback

Classification of Liabilities as Current or

*Non-current and Non-current Liabilities
with Covenants*

Amendments to IAS 7 and IFRS 7

Supplier Finance Arrangements

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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES — continued

3. Comparative data

In 2023, the Group voluntarily changed its accounting policy for investment properties and retrospectively adjusted comparative figures for the comparative period. At the same time, the operation discontinued in the current period was deemed to have occurred at the beginning of the comparative period, and the consolidated income statement for the comparative period has been restated accordingly.

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 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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 or services delivered or provided.

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

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

Distressed asset management operations

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 services operations

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

As disclosed in Note IV.13, during the six-month period ended 30 June 2024, Huarong Financial Leasing Co., Ltd. (Financial Leasing Company) was classified as held for sale. The financial leasing business has constituted a discontinued operation and the segment information of the comparative period has been restated accordingly.

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.

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 2024

(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 SAR. 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 2024

(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 2024 (Unaudited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	7,860,976	—	—	—	7,860,976
Fair value changes on distressed debt assets	2,316,894	—	—	—	2,316,894
Fair value changes on other financial assets and liabilities	4,229,939	—	9,703,445	—	13,933,384
Interest income	3,674,175	—	1,920,796	(1,166,242)	4,428,729
Gains from derecognition of financial assets measured at amortised cost	179,158	—	69,996	—	249,154
Gains from derecognition of debt instruments at fair value through other comprehensive income	32,097	—	92	—	32,189
Commission and fee income	60,219	—	8,068	(3,898)	64,389
Net gains on disposals of subsidiaries, associates and joint ventures	24,160	—	—	—	24,160
Dividend income	133,155	—	400,548	—	533,703
Other income and other net gains or losses	816,116	—	(935)	(1,789)	813,392
Total	19,326,889	—	12,102,010	(1,171,929)	30,256,970
Interest expense	(11,010,441)	—	(6,130,396)	736,089	(16,404,748)
Commission and fee expense	(68,801)	—	(34,448)	—	(103,249)
Operating expenses	(2,032,029)	—	(233,969)	806	(2,265,192)
Impairment losses under expected credit loss model	(6,934,334)	—	(2,832,290)	—	(9,766,624)
Impairment losses on other assets	(106,313)	—	(110,768)	—	(217,081)
Total	(20,151,918)	—	(9,341,871)	736,895	(28,756,894)
Change in net assets attributable to other holders of consolidated structured entities	297,158	—	(53)	—	297,105
Share of results of associates and joint ventures	2,478,652	—	476,945	—	2,955,597
Profit/(loss) before tax from continuing operations	1,950,781	—	3,237,031	(435,034)	4,752,778
Income tax expense					(153,341)
Profit for the period from continuing operations					4,599,437
Profit after tax for the period from a discontinued operation					672,811

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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 2024 (Unaudited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Segment assets	746,610,373	—	230,866,969	(67,509,913)	909,967,429
Including: Interests in associates and joint ventures	76,213,314	—	3,263,914	—	79,477,228
Assets of a disposal group classified as held for sale	—	129,180,930	—	(1,040)	129,179,890
Deferred tax assets					16,194,478
Total assets					<u>1,055,341,797</u>
Segment liabilities	624,052,557	—	321,537,193	(45,978,921)	899,610,829
Liabilities directly associated with the assets held for sale	—	108,921,433	—	(9,088,596)	99,832,837
Deferred tax liabilities					2,046,130
Tax payable					1,146,948
Total liabilities					<u>1,002,636,744</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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 2023 (Unaudited and restated)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
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	—	(3,637,451)	—	(2,256,423)
Interest income	2,503,272	—	2,651,320	(1,166,581)	3,988,011
(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	20,309,982	—	1,722,615	(6,161)	22,026,436
Total	32,650,317	—	1,179,622	(1,181,289)	32,648,650
Interest expense	(10,554,601)	—	(5,945,811)	990,359	(15,510,053)
Commission and fee expense	(75,315)	—	(32,038)	—	(107,353)
Operating expenses	(1,459,122)	—	(355,065)	9,169	(1,805,018)
Impairment losses under expected credit loss model	(16,148,464)	—	(3,358,395)	—	(19,506,859)
Impairment losses on other assets	(176,034)	—	(546,823)	—	(722,857)
Total	(28,413,536)	—	(10,238,132)	999,528	(37,652,140)
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	(116,153)	—	46,991	—	(69,162)
Profit/(loss) before tax from continuing operations	4,295,747	—	(9,052,270)	(181,761)	(4,938,284)
Income tax credit					(1,221,597)
Loss for the period from continuing operations					(6,159,881)
Profit after tax for the period from a discontinued operation					264,658

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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 2023 (Audited)	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Segment assets	724,395,666	116,429,672	178,005,217	(66,421,247)	952,409,308
Including: Interests in associates and joint ventures	71,431,374	—	2,905,464	—	74,336,838
Deferred tax assets					15,693,856
Total assets					968,103,164
Segment liabilities	615,633,432	97,820,597	269,790,753	(64,827,022)	918,417,760
Deferred tax liabilities					1,197,690
Tax payable					450,952
Total liabilities					920,066,402

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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.19 and IV.22).

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	
	2024 (Unaudited)	2023 (Unaudited) Restated
Equity instruments	13,977,684	1,757,191
Funds	(1,245,431)	(1,158,513)
Trust products	545,106	37,963
Debt instruments	350,565	(42,264)
Convertible bonds	249,262	(1,961,700)
Derivatives and structured products	(74,128)	(1,109,637)
Other investments and financial liabilities	130,326	220,537
Total	<u>13,933,384</u>	<u>(2,256,423)</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 2024

(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	
	2024 (Unaudited)	2023 (Unaudited) Restated
Debt instruments at amortised cost other than distressed debt assets	3,493,173	2,573,486
Deposits with financial institutions	810,148	1,120,773
Debt instruments at FVOCI other than distressed debt assets	45,337	196,704
Others	80,071	97,048
Total	<u>4,428,729</u>	<u>3,988,011</u>

6. Commission and fee income

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Asset management business	33,610	48,979
Securities and futures brokerage business	21,705	34,678
Fund management business	9,074	33
Total	<u>64,389</u>	<u>83,690</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) Restated
Revenue from the development of properties ⁽ⁱ⁾	449,498	244,221
Income arising from operating leases	113,980	134,804
(Expenses)/income from investments in associates ⁽ⁱⁱ⁾	(10,487)	19,663,967
Net (losses)/gains on exchange differences	(9,190)	1,617,451
Government grants	6,768	16,425
Others	262,823	349,568
Total	<u>813,392</u>	<u>22,026,436</u>

(i) 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.

(ii) During the six months ended 30 June 2024, the Company completed the valuation of net fair value of the identifiable assets and liabilities of CITIC Limited. The Company adjusted its current profit and loss in accordance with the difference between the net fair value of the identifiable assets and liabilities on the acquisition date and provisional net fair value of the identifiable assets and liabilities on 31 December 2023. During the six months ended 30 June 2023, 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.23 for details.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

8. Interest expense

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) Restated
Borrowings	(12,522,685)	(11,512,285)
Bonds and notes issued	(3,716,894)	(3,882,614)
Placements from financial institutions	(57,921)	(26,577)
Financial assets sold under repurchase agreements	(50,175)	(67,637)
Borrowings from central bank	(43,578)	—
Lease liabilities	(10,239)	(17,629)
Other liabilities	(3,256)	(3,311)
Total	<u>(16,404,748)</u>	<u>(15,510,053)</u>

9. Operating expenses

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) Restated
Employee benefits	(589,815)	(611,160)
Tax and surcharges	(213,463)	(167,865)
Others	(1,461,914)	(1,025,993)
Including:		
Cost of properties development and sales	(370,986)	(99,929)
Depreciation of property and equipment	(94,970)	(84,615)
Depreciation of right-of-use assets	(85,913)	(129,924)
Management fee for realty	(40,746)	(44,000)
Amortisation	(20,164)	(24,614)
Rental for short-term leases	(12,241)	(8,397)
Total	<u>(2,265,192)</u>	<u>(1,805,018)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

10. Impairment losses under expected credit loss model

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) Restated
Debt instruments at amortised cost	(8,882,332)	(17,452,977)
Debt instruments at FVOCI	(677,078)	(1,816,256)
Financial lease receivables	(9,696)	(29,591)
Other financial assets	(197,518)	(208,035)
Total	<u>(9,766,624)</u>	<u>(19,506,859)</u>

11. Impairment losses on other assets

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) Restated
Interests in associates and joint ventures	(110,872)	(659,903)
Foreclosed assets	—	(32,898)
Others	(106,209)	(30,056)
Total	<u>(217,081)</u>	<u>(722,857)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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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

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) Restated
Current income tax		
PRC enterprise income tax	(1,001,487)	(308,807)
PRC land appreciation tax	(13,339)	(11,045)
Deferred income tax	861,485	(901,745)
Total tax expense for the period from continuing operations	<u>(153,341)</u>	<u>(1,221,597)</u>
Total tax expense for the period from a discontinued operation	<u>(120,675)</u>	<u>(34,407)</u>
Total	<u>(274,016)</u>	<u>(1,256,004)</u>

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended 30 June 2023: 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 2023: 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 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

13. Discontinued operation

On 28 May 2024, the Company signed a Share Transfer Agreement with CITIC Group. The Company conditionally agreed to transfer, and CITIC Group conditionally agreed to accept 60% of issued shares of Financial Leasing Company. On 28 June 2024, the Company held the third extraordinary general meeting which deliberated on and approved the signing of the Share Transfer Agreement and the transaction contemplated thereunder. As at 30 June 2024, Financial Leasing Company was classified as held for sale. The Company engaged in the financial leasing business through Financial Leasing Company. The classification of Financial Leasing Company as held for sale constituted a discontinued operation for the financial leasing business.

13.1 Profit from the discontinued operation

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Total revenue	3,161,971	2,961,984
Total expenses ⁽ⁱ⁾	(2,070,024)	(2,662,919)
Profit before tax	1,091,947	299,065
Income tax expense	(195,290)	(34,407)
Profit for the period	896,657	264,658
Impairment losses on assets from the discontinued operation	(298,461)	—
Deferred income tax expense on impairment losses on assets from the discontinued operation	74,615	—
Profit for the period from the discontinued operation	672,811	264,658
Earnings per share attributable to ordinary equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
— Basic	0.006	0.002
— Diluted	0.006	0.002

- (i) The amount of total expenses was deducted for offsetting related parties transactions between Financial Leasing Company and the Group. For the six months ended 30 June 2024, interest expense recognised for related party transactions between Financial Leasing Company and the Group was RMB126 million (For the six months ended 30 June 2023: RMB4 million), operating expenses recognised for related party transactions between Financial Leasing Company and the Group were RMB1 million (For the six months ended 30 June 2023: RMB2 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

13. Discontinued operation — continued

13.2 Net cash flows from the discontinued operation

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Net cash flow from/(used in) operating activities	2,961,209	(324,234)
Net cash flow from investing activities	3,175	1,613,917
Net cash inflow	<u>2,964,384</u>	<u>1,289,683</u>

13.3 Assets and liabilities held for sale

The major classes of assets and liabilities of Financial Leasing Company classified as held for sale are as follows:

	As at 30 June 2024 (Unaudited)
Cash and balances with central bank	263,299
Deposits with financial institutions	12,523,205
Financial assets at fair value through profit or loss	107,565
Financial assets held under resale agreements	290,056
Finance lease receivables	9,038,141
Debt instruments at fair value through other comprehensive income	636,185
Equity instruments at fair value through other comprehensive income	208,238
Debt instruments at amortised cost	98,715,917
Investment properties	593,100
Property and equipment	3,205,296
Right-of-use assets	50,490
Deferred tax assets	1,436,914
Other assets	<u>2,111,484</u>
Total assets	<u>129,179,890</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

13. Discontinued operation — continued

13.3 Assets and liabilities held for sale — continued

	As at 30 June 2024 (Unaudited)
Placements from financial institutions	1,864,874
Financial assets sold under repurchase agreements	567,551
Borrowings	83,425,237
Tax payable	188,772
Other liabilities	13,786,403
Total liabilities	<u>99,832,837</u>

14. Dividends

Dividends for Ordinary Shares

The Company did not declare any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

Interest on Perpetual Bonds

The Company distributed interest on the 2022 Undated Capital Bonds amounting to RMB864 million on 28 June 2024. The Company distributed interest on the 2022 Undated Capital Bonds amounting to RMB864 million on 29 June 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

15. Earnings/(loss) per share

The calculation of basic and diluted earnings/(loss) per share is as follows:

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited) Restated
Earnings/(loss):		
Profit/(loss) for the period attributable to equity holders of the Company	5,332,268	(4,818,152)
Less: Dividends on other equity instruments declared and distributed	863,660	863,660
Profit/(loss) for the period attributable to ordinary equity holders of the Company	4,468,608	(5,681,812)
Continuing operations	3,975,839	(5,893,328)
Discontinued operation	492,769	211,516
Number of shares:		
Weighted average number of shares for the period (in thousand)	80,246,679	80,246,679
Basic earnings/(loss) per share (RMB Yuan)	0.056	(0.071)
Diluted earnings/(loss) per share (RMB Yuan)	0.056	(0.071)
Basic earnings/(loss) per share from continuing operations (RMB Yuan)	0.050	(0.073)
Diluted earnings/(loss) per share from continuing operations (RMB Yuan)	0.050	(0.073)
Basic earnings per share from the discontinued operation (RMB Yuan)	0.006	0.002
Diluted earnings per share from the discontinued operation (RMB Yuan)	0.006	0.002

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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 2024 (Unaudited)	As at 31 December 2023 (Audited)
Banks ⁽ⁱ⁾	58,444,141	72,164,082
Clearing settlement funds ⁽ⁱⁱ⁾	2,217,751	2,503,522
Other financial institutions	4,276,315	209,695
Subtotal	64,938,207	74,877,299
Less: Allowance for ECL ⁽ⁱⁱⁱ⁾	(6,348)	(14,225)
Total	64,931,859	74,863,074

(i) The Group maintains bank accounts to hold customers' deposits arising from its brokerage business. As at 30 June 2024, the bank balances and clearing settlement funds held on behalf of customers by the Group amounted to RMB3,197 million (31 December 2023: RMB3,219 million). The Group has recognised the corresponding amount in other liabilities (see Note IV.32).

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

(iii) As at 30 June 2024 and 31 December 2023, the Group's deposits with financial institutions were all in Stage I.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

17. Financial assets and financial liabilities at FVTPL

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Distressed debt assets	182,496,021	181,261,448
Equity instruments		
— Listed	84,300,667	38,179,972
— Unlisted	32,689,154	28,227,627
Funds	39,960,796	36,395,042
Trust products	18,331,560	18,759,421
Convertible bonds	5,764,706	1,578,265
Debt securities	1,741,423	3,345,980
Derivatives and structured product ⁽ⁱ⁾	1,290,070	1,439,583
Entrusted loans	597,616	611,092
Asset management plans	443,279	585,300
Wealth management products	96,250	184,631
Other debt assets	6,925,648	6,947,674
Total	374,637,190	317,516,035

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(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 — continued

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Financial liabilities mandatorily measured at FVTPL		
Derivative financial instruments	<u>31,273</u>	<u>36,961</u>
Financial liabilities designated as at FVTPL		
Interest of other holders of consolidated structured entities ⁽ⁱⁱ⁾	<u>31,077</u>	<u>17,048</u>
Total	<u><u>62,350</u></u>	<u><u>54,009</u></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 and interest rate 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 2024, the fair value of these hedging instruments amounted to RMB145 million and these instruments were included in derivatives financial instruments classified as financial assets at FVTPL (31 December 2023: hedging instruments of RMB258 million were included in derivative financial instruments classified as financial assets at FVTPL).
- (ii) In respect of these liabilities designated at FVTPL, the Group is required at maturities to pay amounts according to other investors' share in the underlying assets of the special structured entities consolidated. The amount ultimately paid by the Group depends on the fair values of these assets at maturities and may be different from the carrying amounts as at 30 June 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

18. Financial assets held under resale agreements

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
By collateral type:		
Securities	<u>4,374,888</u>	<u>766,319</u>
Subtotal	<u>4,374,888</u>	<u>766,319</u>
Less: Allowance for ECL		
— 12-month ECL ⁽ⁱ⁾	<u>—</u>	<u>(154)</u>
Subtotal	<u>—</u>	<u>(154)</u>
Net financial assets held under resale agreements	<u><u>4,374,888</u></u>	<u><u>766,165</u></u>

(i) As at 30 June 2024 and 31 December 2023, the Group's financial assets held under resale agreements were all in Stage I.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

19. Debt instruments at FVOCI

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Distressed debt assets	11,435,926	12,934,220
Asset management plans	1,459,518	1,459,518
Entrusted loans	1,456,662	1,542,464
Debt instruments	603,008	584,400
Debt securities		
— Corporate bonds	307,848	367,774
— Government bonds	102,346	1,569,639
— Public sector and quasi-government bonds	—	1,015,431
— Financial institution bonds	—	204,260
Trust products	4,152	4,785
Total	<u>15,369,460</u>	<u>19,682,491</u>

The movements of expected credit loss on debt instruments at FVOCI during the current period and the prior year are detailed in Note IV.40(2).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

20. Equity instruments at FVOCI

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Listed equity investments	1,321,090	1,482,040
Unlisted equity investments	225,510	218,152
Total	1,546,600	1,700,192

- (i) The above listed and unlisted equity investments represent equity instruments listed in the Chinese mainland or Hong Kong SAR and equity interests in private entities established in the Chinese mainland or incorporated in Hong Kong SAR. These investments are not held for trading.
- (ii) The Group received dividends of RMB62 million from equity instruments at FVOCI for the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB73 million).

21. Inventories

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Costs		
Property development costs	21,064,519	20,538,363
Properties for sale	3,446,457	3,663,116
Subtotal	24,510,976	24,201,479
Allowance for impairment losses	(1,288,080)	(1,196,506)
Total	23,222,896	23,004,973

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

22. Debt instruments at amortised cost

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Distressed debt assets		
Loans acquired from financial institutions	27,084,686	28,358,792
Other debt assets acquired from non-financial institutions	179,293,509	185,835,331
Subtotal	206,378,195	214,194,123
Less: Allowance for ECL		
— 12-month ECL	(325,026)	(538,897)
— Lifetime ECL	(44,681,243)	(49,637,320)
Subtotal	(45,006,269)	(50,176,217)
Carrying amount of distressed debt assets	161,371,926	164,017,906

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

22. Debt instruments at amortised cost — continued

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Other debt assets		
Debt instruments	102,787,350	96,531,229
Trust products	52,520,091	46,775,360
Entrusted loans	41,281,622	43,000,453
Debt securities	7,825,575	7,769,821
Asset management plans	5,622,022	5,689,218
Receivables arising from sales and leaseback arrangements	—	93,027,117
Others	5,045,381	3,885,612
Subtotal	215,082,041	296,678,810
Less: Allowance for ECL		
— 12-month ECL	(664,221)	(2,161,561)
— Lifetime ECL	(66,101,247)	(67,211,938)
Subtotal	(66,765,468)	(69,373,499)
Carrying amount of other debt assets	148,316,573	227,305,311
Total	309,688,499	391,323,217

During the six months ended 30 June 2024, the Group disposed of certain financial assets measured at amortised cost, primarily for the purpose of credit risk management.

The movements of expected credit losses on debt instruments at amortised cost during the current period and the prior year are detailed in Note IV.40 (2).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

23. Interests in associates and joint ventures

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Interests in associates		
Cost of investments in associates	77,110,838	75,879,373
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	2,534,072	(869,597)
Less: Allowance for impairment losses	(1,762,265)	(2,391,386)
Subtotal	77,882,645	72,618,390
Interests in joint ventures		
Cost of investments in joint ventures	5,785,721	6,059,196
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	(388,203)	(429,443)
Less: Allowance for impairment losses	(3,802,935)	(3,911,305)
Subtotal	1,594,583	1,718,448
Total	79,477,228	74,336,838
Fair value of listed companies	25,897,184	23,333,598

During the six months ended 30 June 2024, the Group acquired interests in 1 (for the six months ended 30 June 2023: 2) associate at an aggregate initial cost of RMB2,386 million (for the six months ended 30 June 2023: RMB32,403 million).

During the six months ended 30 June 2024, the Group had made no disposal of interests in associates. During the six months ended 30 June 2023, the Group disposed of interests in 2 associates with an aggregate carrying value of RMB46 million at the dates of disposal and recognised a net loss of RMB9 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

23. Interests in associates and joint ventures — continued

Particulars of the Group's major associates as at 30 June 2024 are as follows:

Name of associate	Place of incorporation/ establishment	Principal place of business	Registered capital (in RMB millions)	Carrying amount (in RMB millions)	Proportion of ownership interest held by the Group	Principal activities
CITIC Limited ⁽ⁱ⁾	Hong Kong SAR, PRC	Chinese Mainland	307,576	35,971	5.01%	Investment holding
China Everbright Bank Company Limited ("CEB Bank") ⁽ⁱⁱ⁾	Beijing, PRC	Chinese Mainland	59,086	34,159	7.08%	Commercial banking
China Power International Development Limited ("China Power") ⁽ⁱⁱⁱ⁾	Hong Kong SAR, PRC	Chinese Mainland	24,509	2,386	5.10%	Generation and sales of electricity
Zhongshan Public Utilities Group Co., Ltd.	Zhongshan, PRC	Chinese Mainland	1,475	1,349	8.04%	Public utility
Huarong Jinshang Asset Management Co., Ltd.	Taiyuan, PRC	Chinese Mainland	3,130	1,058	48.88%	Asset management

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

23. Interests in associates and joint ventures — continued

(i) *CITIC Limited*

In November 2023, the Company entered into a Share Transfer Agreement with CITIC Group and CITIC Polaris Limited (“CITIC Polaris”, a wholly-owned subsidiary of CITIC Group). The Company agreed to acquire 1,457,422,158 ordinary shares of CITIC Limited, accounting for 5.01% of total share capital of CITIC Limited. On 29 December 2023, the board of directors of CITIC Limited approved the nomination of the representative proposed by the Company as a non-executive director of CITIC Limited. Accordingly, the Company had the power to participate in the financial and operating decisions of CITIC Limited and was able to exert significant influence over CITIC Limited. As such, the investment in CITIC Limited were accounted for as interests in associates using the equity method on 29 December 2023 (“acquisition date”). As at 30 June 2024, the valuation of the fair value of net identifiable assets and liabilities of CITIC Limited on the acquisition date has been finalized. The difference between the net fair value of identifiable assets and liabilities and the carrying amount of CITIC Limited’s net assets was mainly derived from the valuation of properties, core customers deposits, interests in associates and joint ventures, intellectual property right and inventories. The Company’s share of the net fair value of CITIC Limited’s identifiable assets and liabilities amounted to RMB34,565 million, which exceeded the cost of investment in CITIC Limited by RMB21,827 million. The Company has adjusted its cost of investment in CITIC Limited by recognising in the current profit and loss for the six months ended 30 June 2024 the difference of RMB10 million between fair value of net identifiable assets and liabilities on the acquisition date and provisional fair value of net identifiable assets and liabilities on 31 December 2023.

As at 30 June 2024, the market value of the Company’s investment in CITIC Limited was RMB9,444 million.

As at 30 June 2024, the fair value of the Company’s investment in CITIC Limited was below the carrying amount. As a result, the Company performed an impairment test on the carrying amount, which concluded that there was no impairment at 30 June 2024 as the recoverable amount as determined by a value in use calculation was higher than the carrying amount.

The impairment test was performed by comparing the recoverable amount of CITIC Limited, determined by a value in use calculation, with its carrying amount. The value in use calculation uses discounted cash flow projections based on management’s best estimates of future earnings available to ordinary shareholders prepared in accordance with IAS 36.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

23. Interests in associates and joint ventures — continued

(ii) CEB Bank

In March 2023, the Company purchased convertible corporate bonds (“Everbright Convertible Bonds”) which were publicly issued by CEB Bank in 2017. Upon approval by the regulatory authorities, the Company converted the Everbright Convertible Bonds 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 ordinary shares of CEB Bank. On 21 June 2023, the shareholders’ meeting of CEB Bank approved the nomination of the representative proposed 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 on CEB Bank. As such, the investment in CEB Bank was accounted for as interests in associates using the equity method on 21 June 2023 (“acquisition date”). The Company assessed the net fair value of CEB Bank’s identifiable assets and liabilities on the acquisition date, with the difference between the net fair value of identifiable assets and liabilities and the carrying amount of CEB bank’s net assets mainly coming from valuation of properties and core customers’ deposits. The Company’s share of the net fair value of CEB Bank’s identifiable assets and liabilities amounted to RMB32,385 million, which exceeded the cost of investment in CEB Bank by RMB19,664 million. The Company has adjusted its cost of investment in CEB Bank accordingly.

As at 30 June 2024, the market value of the Company’s investment in CEB Bank was RMB13,265 million.

As at 30 June 2024, the fair value of the Company’s investment in CEB Bank was below the carrying amount. As a result, the Company performed an impairment test on the carrying amount, which concluded that there was no impairment at 30 June 2024 as the recoverable amount as determined by a value in use calculation was higher than the carrying amount.

The impairment test was performed by comparing the recoverable amount of CEB, determined by a value in use calculation, with its carrying amount. The value in use calculation uses discounted cash flow projections based on management’s best estimates of future earnings available to ordinary shareholders prepared in accordance with IAS 36.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

23. Interests in associates and joint ventures — continued

(iii) *China Power*

During the six months ended 30 June 2024, the Group acquired a cumulative 630,887,000 shares of China Power from the secondary market, accounting for 5.10% of total issued shares of China Power, of which 5% of total shares were held by China CITIC Financial Assets International Holdings Limited (“International Company”, the former China Huarong International Holdings Limited), a subsidiary of the Company. On 26 June 2024, China Power International Holding Limited, the controlling shareholder of China Power, made the commitment to agreeing and accepting the recommendation of a director candidate to the Board of Directors of China Power on condition that International Company holds no less than 5% of the total issued shares of China Power. Accordingly, International Company had the power to participate in the financial and operating decisions of China Power by proposing a director to exert significant influence over China Power. As such, on 26 June 2024 (“acquisition date”), the Group accounted for its investment in China Power as investments in associates using the equity method, the cost of investment in China Power is RMB2,386 million. The valuation of the fair value of net identifiable assets and liabilities of China Power on the acquisition date has not been finalised. Therefore, the Group provisionally estimated the net fair value of China Power’s identifiable assets and liabilities as at the acquisition date based on available information, with the difference between the net fair value of identifiable assets and liabilities and the carrying amount of China Power’s net assets mainly coming from valuation of property, plant and equipment. The cost of investment on initial recognition over the net fair value of China Power’s identifiable assets and liabilities on the acquisition date, there is no need to adjust the cost of investment in associates.

As at 30 June 2024, the market value of the Company’s investment in China Power was RMB2,332 million.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

24. Property and equipment

For the six months ended 30 June 2024, the Group acquired and disposed of property and equipment with aggregate amounts of RMB532 million at cost and RMB749 million at net book value, respectively (for the six months ended 30 June 2023: RMB39 million at cost and RMB1,012 million at net book value, respectively).

25. Investment properties

For the six months ended 30 June 2024, the Group transferred a balance of RMB71 million (for the six months ended 30 June 2023: RMB40 million) from inventories to investment properties.

26. Assets and liabilities held for sale

As at 30 June 2024, the Group's assets of a disposal group classified as held for sale were RMB129,180 million (31 December 2023: Nil), and the Group's liabilities directly associated with the assets held for sale were RMB99,833 million (31 December 2023: Nil), which are detailed in Note 13.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

27. Other assets

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Other receivables	16,469,758	17,568,565
Foreclosed assets ⁽ⁱ⁾	6,157,808	5,188,506
Prepaid income tax	1,027,115	730,844
Payments in advance	901,327	1,070,375
Dividend receivables	642,903	91,163
Continuing involvement assets	329,782	247,015
Intangible assets	78,391	87,319
Deductible value-added tax	53,706	211,861
Others	933,191	978,733
Subtotal	26,593,981	26,174,381
Allowance for other assets	(8,431,124)	(8,822,275)
Total	18,162,857	17,352,106

- (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 2024

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

28. Financial assets sold under repurchase agreements

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Bonds	<u>5,675,194</u>	<u>6,364,855</u>
Total	<u><u>5,675,194</u></u>	<u><u>6,364,855</u></u>

29. Borrowings

(1) Analysed by security type:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Unsecured loans	658,946,093	643,106,488
Guaranteed loans ⁽ⁱ⁾	5,184,856	6,400,939
Pledged loans	4,061,391	12,952,757
Loans secured by properties	<u>1,247,107</u>	<u>2,845,124</u>
Total	<u><u>669,439,447</u></u>	<u><u>665,305,308</u></u>

(i) The guaranteed loans was all 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 2024

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

29. Borrowings — continued

(2) *Analysed by duration clause:*

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Carrying amount repayable ⁽ⁱ⁾ :		
Within 1 year (inclusive)	437,879,332	384,094,762
1 year to 2 years (inclusive)	152,736,886	99,448,108
2 years to 5 years (inclusive)	45,354,656	43,634,034
More than 5 years	3,334,139	103,254,743
Subtotal	639,305,013	630,431,647
Carrying amount of borrowings that contain a repayment on demand clause repayable ⁽ⁱ⁾ :		
Within 1 year (inclusive)	25,506,157	29,024,684
1 year to 2 years (inclusive)	747,647	2,514,110
2 years to 5 years (inclusive)	3,182,340	2,240,640
More than 5 years	698,290	1,094,227
Subtotal	30,134,434	34,873,661
Total	669,439,447	665,305,308

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

As at 30 June 2024, the Group had no borrowings that failed to comply with certain financial or non-financial conditions stipulated in certain lending and borrowing agreements between banks and non-bank financial institutions (31 December 2023: RMB563 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

30. Tax payable

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
PRC enterprise income tax	860,895	174,851
PRC land appreciation tax	183,896	183,381
Profits tax of Hong Kong SAR and Macau SAR	102,157	92,720
Total	<u>1,146,948</u>	<u>450,952</u>

31. Bonds and notes issued

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	Term	Coupon rate per annum	Interest payment terms
Medium-term U.S. dollar notes	54,533,019	50,697,776	3–30 years	2.13%–5.50% fixed rate	Interest payable semi-annually
Financial bonds	84,391,012	83,880,104	3–5 years	3.10%–4.75% fixed rate	Interest payable annually
Tier II capital bonds	30,645,927	30,114,860	5 years	3.58% fixed rate	Interest payable annually
				3 months SOFR+1.51%	
Medium-term U.S. dollar notes	2,192,555	11,882,054	3–5 years	floating rate	Interest payable quarterly
Medium-term SGD notes	1,936,518	1,972,366	8 years	3.80% fixed rate	Interest payable semi-annually
Corporate bonds	820,793	843,638	1 year	5.30% fixed rate	Interest payable annually
Total	<u>174,519,824</u>	<u>179,390,798</u>			

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

32. Other liabilities

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Other payables	12,975,740	16,497,468
Amounts received in advance ⁽ⁱ⁾	7,070,680	7,551,484
Guarantee deposits received from customers	5,519,884	16,554,586
Margin deposits received from securities customers	3,110,206	3,218,671
Employee benefits payable	2,914,961	3,478,939
Payables to interest holders of consolidated structured entities	1,962,503	2,267,549
Sundry taxes payable	858,014	623,621
Dividends payable	118,345	118,345
Account payable to brokerage clients	89,094	87,873
Letter of credit	—	2,950,638
Bills payable	—	963,815
Others	883,860	1,278,920
Total	<u>35,503,287</u>	<u>55,591,909</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

33. Share capital

	For the six months ended 30 June 2024 (Unaudited)	For the year ended 31 December 2023 (Audited)
Authorised, issued and fully paid		
At beginning and end of the period/year	<u>80,246,679</u>	<u>80,246,679</u>
	For the six months ended 30 June 2024 (Unaudited)	For the year ended 31 December 2023 (Audited)
Registered, issued and fully paid		
Domestic shares	<u>44,884,418</u>	44,884,418
H shares	<u>35,362,261</u>	<u>35,362,261</u>
Total	<u>80,246,679</u>	<u>80,246,679</u>

As at 30 June 2024 and 31 December 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 Group 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 shareholding percentage in the Company was 24.76%, while CITIC Group's shareholding percentage 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 2024

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

34. Other equity instruments

	2024		
	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><u>19,900,000</u></u>	<u><u>—</u></u>	<u><u>19,900,000</u></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 NFRA, 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 2024

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

35. 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 2024, the Group did not transfer any amount to general reserve (for the six months ended 30 June 2023: Nil).

36. Cash and cash equivalents

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

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Deposits with financial institutions	64,723,205	72,408,145
Cash at banks and short-term deposits attributable to a discontinued operation	9,950,108	—
Financial assets held under resale agreements	4,374,888	766,023
Balances with central bank	—	6,707
Cash on hand	74	85
Total	<u>79,048,275</u>	<u>73,180,960</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

37. 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 2024, the total claim amount of pending litigations was RMB3,271 million (31 December 2023: RMB4,312 million) for the Group, and RMB72.92 million provision (31 December 2023: RMB13.35 million) for the Group was made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

38. Commitments

(1) Credit enhancement

As at 30 June 2024, the Group did not provide credit enhancements for counterparties involving in borrowing arrangements (31 December 2023: Nil).

(2) Other commitments

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Contracted but not provided for		
— Commitments for the acquisition of long-term assets	<u>195,796</u>	<u>108,435</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

39. Related party transactions

(1) The MOF

As at 30 June 2024, the MOF directly owned 24.76% (31 December 2023: 24.76%) 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 2024 (Unaudited)	As at 31 December 2023 (Audited)
Debt instruments at FVOCI	637,853	624,157
Other assets	151,239	152,111
Other liabilities	<u>12,350</u>	<u>12,349</u>

The Group had the following transactions with the MOF:

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Interest income	<u>7,931</u>	<u>7,928</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

39. Related party transactions — continued

(2) CITIC Group

As at 30 June 2024, CITIC Group owned 26.46% of the share capital of the Company (31 December 2023: 26.46%). Transactions between the Group and CITIC Group and its subsidiaries 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 and its subsidiaries:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Borrowings	84,359,974	48,419,223
Deposits with financial institutions	7,559,658	14,210,577
Bonds and notes issued	3,242,000	3,242,000
Placements from financial institutions	1,557,636	2,000,317
Financial assets at fair value through profit or loss	673,321	120,500
Other assets	466,716	515,819
Other liabilities	437,731	441,781

The Group had the following transactions with subsidiaries of CITIC Group:

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Interest expense	1,284,115	864,275
Interest income	35,500	24,668
Commission and fee expense	26,871	11,925
Operating expenses	3,640	1,379

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

39. Related party transactions — continued

(2) CITIC Group — continued

During the six months ended 30 June 2024, the Group acquired RMB258 million of financial assets from subsidiaries of CITIC Group (for the six months ended 30 June 2023: RMB2,653 million), and disposed of RMB46 million of financial assets to subsidiaries of CITIC Group (for the six months ended 30 June 2023: RMB400 million).

During the year ended 31 December 2023, the Company acquired 5.01% of issued shares of CITIC Limited from CITIC Polaris, at an aggregate consideration of RMB12,726 million. The acquisition has been detailed in Note IV.23(i).

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

As at 30 June 2024, China Insurance Rongxin Private Fund Co., Ltd. ("China Insurance Rongxin Fund") owned 18.08% of the share capital of the Company (31 December 2023: 18.08%).

During the six months ended 30 June 2024, the Group had no related party transactions with China Insurance Rongxin Fund (31 December 2023: 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. Transactions between the Group and CITIC Limited are disclosed in Note IV.39(2).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

39. 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 2024 (Unaudited)	As at 31 December 2023 (Audited)
Borrowings	13,226,733	12,640,304
Placements from financial institutions	3,904,589	—
Debt instruments at amortised cost	1,383,143	1,383,143
Bonds and notes issued	1,197,000	1,197,000
Deposits with financial institutions	20,142	390,820
Other assets	405,764	421,766
Other liabilities	2,089	228,150

During the six months ended 30 June 2024, the Group acquired RMB122 million of financial assets from CEB bank (for the six months ended 30 June 2023: nil).

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

	For the six months ended 30 June	
	2024 (Unaudited)	2023 (Unaudited)
Interest expense	234,750	1,736
Interest income	79	2,948
Operating expenses	55	421
Other income and other net gains or losses	5,464	9,311

(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 2024.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

39. 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	
	2024 (Unaudited)	2023 (Unaudited)
Emoluments of key management personnel		
— Salaries and other benefits	2,240	1,768
— Fees	720	720
— Discretionary and performance-related incentive payments	660	718
— Employer's contribution to pension scheme	448	313
Total (before tax)	4,068	3,519

The total compensation packages of the above key management personnel for the six months ended 30 June 2024 and 2023 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 2024

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

40. 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 2023.

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 2024 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 2024, 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 2024

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

40. Credit risk — continued

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

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Distressed debt assets at amortised cost	206,378,195	214,194,123
Distressed debt assets at FVOCI	11,435,926	12,934,220
Finance lease receivables	162,394	12,028,708
Subtotal	217,976,515	239,157,051
Allowance for ECL		
Distressed debt assets at amortised cost	(45,006,269)	(50,176,217)
Finance lease receivables	(120,582)	(2,671,998)
Subtotal	(45,126,851)	(52,848,215)
Net carrying amount		
Distressed debt assets at amortised cost	161,371,926	164,017,906
Distressed debt assets at FVOCI	11,435,926	12,934,220
Finance lease receivables	41,812	9,356,710
Total	172,849,664	186,308,836

As at 30 June 2024, the loss allowance of distressed debt assets at FVOCI was RMB5,515 million (31 December 2023: RMB6,676 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

40. 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 2024		As at 31 December 2023	
	Gross amount (Unaudited)	%	Gross amount (Audited)	%
Western Region	57,279,868	26.4	66,652,885	27.9
Central Region	49,776,560	22.8	52,247,368	21.8
Pearl River Delta	39,591,098	18.2	42,349,354	17.7
Bohai Rim	31,920,728	14.6	32,979,811	13.8
Yangtze River Delta	30,381,627	13.9	34,844,120	14.6
Northeastern Region	9,026,634	4.1	9,642,283	4.0
Overseas	—	—	441,230	0.2
Total	217,976,515	100.0	239,157,051	100.0

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.
Bohai Rim:	Including Beijing, Tianjin, Hebei and Shandong.
Yangtze River Delta:	Including Shanghai, Jiangsu and Zhejiang.
Northeastern 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 2024

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

40. 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 2024		As at 31 December 2023	
	Gross amount (Unaudited)	%	Gross amount (Audited)	%
Real estate	99,530,879	45.6	105,626,405	44.0
Manufacturing	29,426,364	13.5	32,651,928	13.7
Leasing and commercial services	21,060,914	9.7	22,144,449	9.3
Wholesale and retail trade	17,883,452	8.2	19,960,665	8.3
Construction	17,619,611	8.1	18,687,830	7.8
Water, environment and public utilities management	15,333,525	7.0	18,311,840	7.7
Mining	2,736,393	1.3	1,806,093	0.8
Production and supply of power, heat, gas and water	1,676,119	0.8	5,176,183	2.2
Transportation, logistics and postal services	1,571,356	0.7	2,824,151	1.2
Others	11,137,902	5.1	11,967,507	5.0
Total	<u>217,976,515</u>	<u>100.0</u>	<u>239,157,051</u>	<u>100.0</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

40. Credit risk — continued

(2) Credit quality

(i) Loss allowance

The table below summarises the loss allowance as of the period end by class of main assets:

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)
Debt instruments at amortised cost	111,771,737	119,549,716
Debt instruments at FVOCI	9,219,209	11,566,100
Finance lease receivables	120,582	2,671,998
Other financial assets	7,946,971	7,857,570
Total	<u>129,058,499</u>	<u>141,645,384</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

40. 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 2023 (Audited)	146,380	689,861	1,918,394	2,754,635
Changes in the loss allowance				
— Transfer to Stage 1	73,607	(73,607)	—	—
— Transfer to Stage 2	(16,700)	91,798	(75,098)	—
— Transfer to Stage 3	(6,248)	(267,387)	273,635	—
— Charge for the year	54,135	178,717	1,083,528	1,316,380
— Reversal for the year	(132,427)	(165,816)	(341,528)	(639,771)
— Write-offs	—	—	(590,805)	(590,805)
— Others	70	—	(168,511)	(168,441)
As at 31 December 2023 (Audited)	118,817	453,566	2,099,615	2,671,998
Changes in the loss allowance				
— Transfer to Stage 1	66,939	(66,939)	—	—
— Transfer to Stage 2	(8,597)	8,597	—	—
— Transfer to Stage 3	—	—	—	—
— Charge for the period	90,541	62,571	20,828	173,940
— Reversal for the period	(74,560)	(28,402)	(27,106)	(130,068)
— Write-offs	—	—	(43,733)	(43,733)
— Transfer to assets of a disposal group classified as held for sale	(174,766)	(130,546)	(578,740)	(884,052)
— Others	(18,374)	(298,847)	(1,350,282)	(1,667,503)
As at 30 June 2024 (Unaudited)	—	—	120,582	120,582

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

40. 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 2023 (Audited)	46,318	649,154	9,105,435	9,800,907
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(71)	71	—	—
— Transfer to Stage 3	(41,584)	(146,555)	188,139	—
— Charge for the year	4,721	314,624	3,309,354	3,628,699
— Reversal for the year	(2,358)	(51,694)	(100,407)	(154,459)
— Write-offs	—	—	(664,302)	(664,302)
— Transfer out	—	—	(275,485)	(275,485)
— Others	(355)	(3,973)	(764,932)	(769,260)
As at 31 December 2023 (Audited)	6,671	761,627	10,797,802	11,566,100
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	—	244,245	(244,245)	—
— Transfer to Stage 3	—	(37,669)	37,669	—
— Charge for the period	24	21,169	1,219,915	1,241,108
— Reversal for the period	(3,417)	(413,077)	(147,536)	(564,030)
— Write-offs	—	—	(2,685,992)	(2,685,992)
— Others	—	20	(337,997)	(337,977)
As at 30 June 2024 (Unaudited)	3,278	576,315	8,639,616	9,219,209

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

40. 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 2023 (Audited)	3,192,484	6,393,938	105,129,990	114,716,412
Changes in the loss allowance				
— Transfer to Stage 1	63,991	(63,991)	—	—
— Transfer to Stage 2	(1,762,751)	2,659,317	(896,566)	—
— Transfer to Stage 3	(183,526)	(2,026,934)	2,210,460	—
— Charge for the year	1,952,678	5,489,552	24,656,231	32,098,461
— Reversal for the year	(561,253)	(1,159,793)	(2,212,332)	(3,933,378)
— Write-offs	—	—	(11,970,761)	(11,970,761)
— Transfer in and transfer out	(1,165)	(351,466)	(3,364,336)	(3,716,967)
— Unwinding of discount on allowance	—	—	(8,137,519)	(8,137,519)
— Exchange differences and others	—	2,905	490,563	493,468
As at 31 December 2023 (Audited)	2,700,458	10,943,528	105,905,730	119,549,716
Changes in the loss allowance				
— Transfer to Stage 1	95,588	(24,111)	(71,477)	—
— Transfer to Stage 2	(445,934)	499,381	(53,447)	—
— Transfer to Stage 3	(93,485)	(1,427,781)	1,521,266	—
— Charge for the period	1,013,353	895,976	12,673,530	14,582,859
— Reversal for the period	(824,318)	(3,458,759)	(1,258,794)	(5,541,871)
— Write-offs	—	—	(9,776,578)	(9,776,578)
— Transfer in and transfer out	—	(594,677)	(942,690)	(1,537,367)
— Unwinding of discount on allowance	—	—	(3,988,334)	(3,988,334)
— Transfer to assets of a disposal group classified as held for sale	(1,456,415)	(253,227)	(196,384)	(1,906,026)
— Exchange differences and others	—	50,346	338,992	389,338
As at 30 June 2024 (Unaudited)	989,247	6,630,676	104,151,814	111,771,737

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

40. 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.

41. 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 risk of the Group's distressed assets 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 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

42. Fair value

42.1 Fair values of assets and liabilities that are measured at fair value on a recurring basis

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

	As at 30 June 2024 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	87,587,477	7,890,231	279,159,482	374,637,190
Debt instruments at FVOCI	—	347,816	15,021,644	15,369,460
Equity instruments at FVOCI	35,138	1,420,297	91,165	1,546,600
Investment properties	—	—	9,959,624	9,959,624
Assets of a disposal group classified as held for sale	<u>201,063</u>	<u>636,185</u>	<u>707,840</u>	<u>1,545,088</u>
	As at 30 June 2024 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	<u>(21)</u>	<u>(31,077)</u>	<u>(31,252)</u>	<u>(62,350)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

42. Fair value — continued

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

	As at 31 December 2023 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	37,079,005	5,036,029	275,401,001	317,516,035
Debt instruments at FVOCI	—	3,092,644	16,589,847	19,682,491
Equity instruments at FVOCI	248,214	1,331,200	120,778	1,700,192
Investment properties	—	—	9,570,070	9,570,070
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	As at 31 December 2023 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	<u>(99)</u>	<u>(17,810)</u>	<u>(36,100)</u>	<u>(54,009)</u>

There were no significant transfers between Level 1 and Level 2 within the Group for the six months ended 30 June 2024 and for the year ended 31 December 2023.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

42. Fair value — continued

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

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

Assets	Fair value as at		Fair value hierarchy
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	
1) Financial assets at FVTPL			
Distressed debt assets	182,496,021	181,261,448	Level 3
Funds			
— Listed	552,502	571,337	Level 1
— Investing in the underlying assets with open or active quotations	5,549,052	1,001,002	Level 2
— Investing in the underlying assets without open or active quotations	33,859,242	34,822,703	Level 3
Trust products			
— Investing in the underlying assets with open or active quotations	288,753	195,491	Level 2
— Investing in the underlying assets without open or active quotations	18,042,807	18,563,930	Level 3
Equity instruments			
— Listed shares			
— Unrestricted shares	82,735,942	36,507,668	Level 1
— Restricted shares	1,564,725	1,672,304	Level 3
— Unlisted shares	32,689,154	28,227,627	Level 3
Debt securities			
— Traded in inter-bank markets	1,741,314	3,345,871	Level 2
— Traded over the counter	109	109	Level 3
Wealth management products			
— Investing in the underlying assets with open or active quotations	96,250	184,631	Level 2
Convertible bonds			
— Listed	4,299,033	—	Level 1
— Unlisted	1,465,673	1,578,265	Level 3

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

42. Fair value — continued

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

<u>Assets</u>	Fair value as at		Fair value hierarchy
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	
Asset management plans			
— Investing in the underlying assets with open or active quotations	56,574	50,763	Level 2
— Investing in the underlying assets without open or active quotations	386,705	534,537	Level 3
Derivatives and structured product	158,288	258,271	Level 2
Derivatives and structured product	1,131,782	1,181,312	Level 3
Other debt assets			
— Investing in the underlying assets without open or active quotations	6,925,648	6,947,674	Level 3
Entrusted loans	597,616	611,092	Level 3
Subtotal	374,637,190	317,516,035	
2) Debt instruments at FVOCI			
Distressed debt assets	11,435,926	12,934,220	Level 3
Debt securities			
— Traded in inter-bank markets	347,816	3,092,644	Level 2
— Traded over the counter	62,378	64,460	Level 3
Entrusted loans	1,456,662	1,542,464	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	603,008	584,400	Level 3
Trust products	4,152	4,785	Level 3
Subtotal	15,369,460	19,682,491	

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

42. Fair value — continued

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

Assets	Fair value as at		Fair value hierarchy
	30 June 2024 (Unaudited)	31 December 2023 (Audited)	
3) Equity instruments at FVOCI			
— Listed shares	35,138	248,214	Level 1
— Listed shares	1,285,952	1,233,826	Level 2
— Unlisted shares	134,345	97,374	Level 2
— Unlisted shares	91,165	120,778	Level 3
Subtotal	1,546,600	1,700,192	
4) Investment properties	9,959,624	9,570,070	Level 3
5) Assets of a disposal group classified as held for sale			
— Listed equity instruments	201,063	—	Level 1
— Bonds	636,185	—	Level 2
— Debt instruments	107,565	—	Level 3
— Unlisted equity instruments	7,175	—	Level 3
— Investment properties	593,100	—	Level 3
Subtotal	1,545,088	—	
Total	403,057,962	348,468,788	
Liabilities			
Financial liabilities mandatorily measured as at FVTPL			
— Derivatives financial instruments	(21)	(99)	Level 1
— Derivatives financial instruments	—	(762)	Level 2
— Derivatives financial instruments	(31,252)	(36,100)	Level 3
Financial liabilities designated as at FVTPL			
— Interests of other holders in consolidated structured entities	(31,077)	(17,048)	Level 2
Total	(62,350)	(54,009)	

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FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

42. Fair value — continued

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

Valuation methods for assets and liabilities at fair value

Level 1 fair values are unadjusted quotes in active markets for identical assets.

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

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 include weighted average cost of capital, liquidity discount, price to book ratio, discount rate, etc.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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(Amounts in thousands of Renminbi, unless otherwise stated)

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

42. Fair value — continued

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

The following table summarises the major valuation information for Level 3 assets and liabilities at fair value:

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

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

42. Fair value — continued

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

The following table summarises the major valuation information for Level 3 assets and liabilities at fair value: — 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"> 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 	<ul style="list-style-type: none"> Estimated recoverable amount, estimated recovery date and discount rate in line with estimated risk level 	<ul style="list-style-type: none"> The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Funds; Trust products; Wealth management products; Asset management plans; Derivatives and structured products, etc.	<ul style="list-style-type: none"> 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 Comparable listed company method, comparable transaction cases, etc. Asset-based approach 	<ul style="list-style-type: none"> Estimated recoverable amount, estimated recovery date and discount rate in line with estimated risk level Market multiplier, discount for lack of marketability (DLOM) Adjusted net assets and discount for lack of marketability (DLOM) 	<ul style="list-style-type: none"> 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. The higher market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value. The higher amount of the adjusted net assets, the higher the fair value. The lower the DLOM, the higher the fair value.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

42. Fair value — continued

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

The following table summarises the major valuation information for Level 3 assets and liabilities at fair value: — continued

Business	Valuation technique(s) and key input(s)	Significant unobservable input(s)	The effect of unobservable inputs on fair value
Investment properties	<ul style="list-style-type: none"> Market approach or income approach 	<ul style="list-style-type: none"> Comparable transaction price, expected rent growth rate, discount rate in line with estimated risk level 	<ul style="list-style-type: none"> The higher the comparable transaction price, the higher the fair value. The higher the expected rent growth rate, the higher the fair value. The lower the discount rate, the higher the fair value.

42.2 Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL	Investment properties
As at 1 January 2024 (Audited)	275,401,001	16,589,847	120,778	(36,100)	9,570,070
Recognised in profit or loss	926,316	—	—	696	(21,662)
Recognised in other comprehensive income	—	1,234,172	(22,438)	—	—
Additions	24,215,465	117,828	—	(124,980)	1,012,448
Settlements/disposals	(21,275,735)	(2,920,203)	—	129,132	(7,803)
Transferred out from Level 3	—	—	—	—	(329)
Assets held for sale	(107,565)	—	(7,175)	—	(593,100)
As at 30 June 2024 (Unaudited)	<u>279,159,482</u>	<u>15,021,644</u>	<u>91,165</u>	<u>(31,252)</u>	<u>9,959,624</u>
Changes in unrealised gains/(losses) for the period included in profit or loss for assets and liabilities held at the end of the period	<u>208,759</u>	<u>—</u>	<u>—</u>	<u>696</u>	<u>(21,662)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

42. Fair value — continued

42.2 Reconciliation of Level 3 fair value measurements — continued

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL	Investment properties
As at 1 January 2023 (Audited)	270,977,881	21,279,300	318,927	(462)	10,159,602
Recognised in profit or loss	3,842,331	—	—	(771)	(272,377)
Recognised in other comprehensive income	—	(2,277,767)	(19,416)	—	—
Additions	35,928,367	606,280	—	(34,867)	220,718
Settlements/disposals	(33,637,910)	(3,017,966)	(178,733)	—	(85,842)
Transferred-out from Level 3	(1,709,668)	—	—	—	(452,031)
As at 31 December 2023 (Audited)	<u>275,401,001</u>	<u>16,589,847</u>	<u>120,778</u>	<u>(36,100)</u>	<u>9,570,070</u>
Changes in unrealised losses for the year included in profit or loss for assets and liabilities held at the end of the year	<u>(2,219,074)</u>	<u>—</u>	<u>—</u>	<u>(771)</u>	<u>(272,377)</u>

For the six months ended 30 June 2024 and for the year ended 31 December 2023, 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

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

42. Fair value — continued

42.3 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 to their fair values, such as cash and balances with central bank, deposits with financial institutions, placements with financial institutions, financial assets held under resale agreements, finance lease receivables, borrowings from central bank, deposits from financial institutions, placements from financial institutions, and financial assets sold under repurchase agreements are not included in the tables below.

	As at 30 June 2024		As at 31 December 2023	
	Carrying amount (Unaudited)	Fair value (Unaudited)	Carrying amount (Audited)	Fair value (Audited)
Financial assets				
Debt instruments at amortised cost	309,688,499	324,538,033	391,323,217	408,310,670
Assets of a disposal group classified as held for sale	98,715,917	100,172,332	—	—
Total	<u>408,404,416</u>	<u>424,710,365</u>	<u>391,323,217</u>	<u>408,310,670</u>
Financial liabilities				
Borrowings	(669,439,447)	(669,944,157)	(665,305,308)	(665,755,377)
Bonds and notes issued	(174,519,824)	(174,570,766)	(179,390,798)	(178,846,659)
Liabilities directly associated with the assets held for sale	(83,425,237)	(83,425,237)	—	—
Total	<u>(927,384,508)</u>	<u>(927,940,160)</u>	<u>(844,696,106)</u>	<u>(844,602,036)</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

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

42. Fair value — continued

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

	As at 30 June 2024 (Unaudited)	As at 31 December 2023 (Audited)	Fair value hierarchy	Valuation technique
Financial assets				
Debt instruments at amortised cost	7,898,756	7,814,273	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Debt instruments at amortised cost	316,639,277	400,496,397	Level 3	Discounted cash flows
Assets of a disposal group classified as held for sale	100,172,332	—	Level 3	Discounted cash flows
Total	424,710,365	408,310,670		
Financial liabilities				
Borrowings	(669,944,157)	(665,755,377)	Level 3	Discounted cash flows
Bonds and notes issued	(64,701,482)	(70,605,200)	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Bonds and notes issued	(109,869,284)	(108,241,459)	Level 3	Discounted cash flows
Liabilities directly associated with the assets held for sale	(83,425,237)	—	Level 3	Discounted cash flows
Total	(927,940,160)	(844,602,036)		

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2024

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EVENTS AFTER THE REPORTING PERIOD

As of the date of approval of interim condensed consolidated financial information, there is no significant events to be disclosed after the reporting period.

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 30 August 2024.