THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about any aspects of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your Shares in **China CITIC Financial Asset Management Co., Ltd.**, you should at once hand this circular with the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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)

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS — RENEWAL OF THE FINANCING AND ASSET TRANSACTIONS FRAMEWORK AGREEMENT AND ITS 2025–2027 ANNUAL CAPS AND NOTICE OF THE EGM

Independent Financial Adviser to Independent Board Committee and Independent Shareholders

邁時資本
MAXA CAPITAL

China CITIC Financial Asset Management Co., Ltd. will convene the EGM at 10:00 a.m. on Friday, 27 December 2024 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC. Notice of the EGM is set out on pages 74 to 76 in this circular.

If you wish to appoint a proxy to attend the EGM on your behalf, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon no later than 24 hours before the time scheduled for holding the EGM (i.e. before 10:00 a.m. on Thursday, 26 December 2024) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish.

11 December 2024

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

"Articles of Association"	the Articles of Association of China CITIC Financial Asset Management Co., Ltd., as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of directors of the Company
"China CITIC Bank"	China CITIC Bank Corporation Limited, a joint stock limited company incorporated in the PRC and the H shares (stock code: 0998) and A shares (stock code: 601998) of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. China CITIC Bank is an associate of CITIC Group
"CITIC Group"	CITIC Group Corporation (where applicable or unless otherwise specified, references to CITIC Group in the Financing and Asset Transactions Framework Agreement means CITIC Group and its subsidiaries and/or its associates), CITIC Group is the substantial shareholder of the Company, and the MOF is the ultimate beneficial owner of CITIC Group
"CITIC Securities"	CITIC Securities Company Limited, a joint stock limited company incorporated in the PRC and the H shares (stock code: 6030) and A shares (stock code: 600030) of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. CITIC Securities is an associate of CITIC Group
"CITIC Trust"	CITIC Trust Co., Ltd., a limited liability company incorporated in the PRC. CITIC Trust is an associate of CITIC Group
"Company"	China CITIC Financial Asset Management Co., Ltd., a joint stock limited liability company incorporated in the PRC, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in RMB
"Domestic Shareholder(s)"	the holder(s) of Domestic Shares
"EGM"	the fifth extraordinary general meeting of shareholders for 2024 to be held by the Company at 10:00 a.m. on Friday, 27 December 2024 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC

"Financing and Asset Transactions Framework Agreement"	the financing and asset transactions framework agreement renewed between the Company and CITIC Group on 15 November 2024, subject to the approval of Independent Shareholders
"Group"	the Company and its subsidiaries
"H Share(s)"	ordinary shares in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK$ and listed on the Main Board of Hong Kong Stock Exchange
"H Shareholder(s)"	the holder(s) of H Shares
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Independent Board Committee"	the independent board committee established by the Company, comprising Mr. Shao Jingchun, Mr. Zhu Ning, Ms. Chen Yuanling and Mr. Lo Mun Lam, Raymond (all being the independent non-executive Directors), to advise the Independent Shareholders on the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps
"Independent Financial Adviser" or "Maxa Capital"	Maxa Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps
"Independent Shareholder(s)"	Shareholders of the Company other than CITIC Group (who is a Shareholder of the Company) and its associates (if being Shareholders of the Company)
"Latest Practicable Date"	11 December 2024, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"MOF"	the Ministry of Finance of the People's Republic of China
"NFRA"	National Financial Regulatory Administration
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	the share(s) of the Company, including Domestic Shares and H Shares
"Shareholder(s)"	holder(s) of Shares of the Company
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules and/or under the regulatory rules of the NFRA
"%"	percent

中国中信金融资产
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(A joint stock limited liability company incorporated in the People's Republic of China)
(Stock Code: 2799)

Executive Directors:
Mr. Liu Zhengjun *(Chairman)*
Mr. Li Zimin *(President)*

Non-executive Directors:
Ms. Zhao Jiangping
Mr. Xu Wei
Mr. Tang Hongtao

Independent Non-executive Directors:
Mr. Shao Jingchun
Mr. Zhu Ning
Ms. Chen Yuanling
Mr. Lo Mun Lam, Raymond

Registered Office:
No. 8 Financial Street, Xicheng District
Beijing
the PRC

Principal Place of Business in Hong Kong:
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

11 December 2024

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS — RENEWAL OF THE FINANCING AND ASSET TRANSACTIONS FRAMEWORK AGREEMENT AND ITS 2025–2027 ANNUAL CAPS AND NOTICE OF EGM

I. INTRODUCTION

The purpose of this circular is to provide you with the information regarding the resolution to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against the resolution at the EGM.

II. MATTER TO BE CONSIDERED AT THE EGM

The ordinary resolution to be proposed at the EGM for consideration and approval by Shareholders is to consider and approve the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps.

In order to enable you to have a better understanding of the resolution to be proposed at the EGM and to make well-informed decisions, this circular provides detailed information on matter to be considered at the EGM.

TO CONSIDER AND APPROVE THE RENEWAL OF THE FINANCING AND ASSET TRANSACTIONS FRAMEWORK AGREEMENT AND ITS 2025–2027 ANNUAL CAPS

According to the announcements dated 16 August 2022 and 30 September 2022, and the circular dated 16 September 2022 of the Company, the current financing and asset transactions framework agreement entered into between the Company and CITIC Group on 16 August 2022 and its 2022–2024 annual caps will expire on 31 December 2024. According to the announcement dated 15 November 2024, the Company and CITIC Group renewed the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps. Accordingly, the Company and/or its subsidiaries and/or its associates and CITIC Group and/or its subsidiaries and/or its associates will conduct financing and asset transactions with each other in the ordinary and usual course of business. The Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps will be valid from 1 January 2025 to 31 December 2027, subject to the approval by the Independent Shareholders at the shareholders' general meeting.

1. Financing and Asset Transactions Framework Agreement

Parties

CITIC Group; and

The Company.

Where applicable or unless otherwise specified, reference to CITIC Group in the Financing and Asset Transactions Framework Agreement means CITIC Group and its subsidiaries and/or its associates, and reference to the Company in the Financing and Asset Transactions Framework Agreement means the Company and/or its subsidiaries.

Date

15 November 2024

Scope of Transactions

The scope of financing transactions between the parties under the Financing and Asset Transactions Framework Agreement includes, but is not limited to:

(1) Finance transactions: i.e. capital financing activities provided by one party to the other party with or without guarantee measures, including but not limited to credit, loans, capital funding, interbank borrowing, inter-bank borrowing and lending, interbank deposits, interbank certificates of deposit, guarantee, letters of credit, pledged repurchase, bill discounting, investment in bonds issued by the other party;

(2) Deposit transactions: i.e. deposit services provided by CITIC Group to the Company, including but not limited to (a) deposits of cash balances arising from the Company's business operations, including cash from daily operations, proceeds from equity and bonds issuances; (b) cash deposits from the Company's customers; (c) funds in other currencies converted by the Company using deposit funds; and (d) cash equivalents with quasi-savings nature similar to demand deposits;

The scope of asset transactions between the parties under the Financing and Asset Transactions Framework Agreement includes, but is not limited to:

(1) Financial product transactions: i.e. a party purchases financial assets from the other party, including but not limited to bonds, derivatives, funds, wealth management products, asset management plans, trust products and insurance products issued by independent third parties that are underwritten or held by the other party;

(2) Distressed asset transactions: i.e. a party purchases the assets or interests related to the distressed assets from the other party, including but not limited to debt assets, equity assets, physical assets, income rights and other related asset interests (including the aforementioned assets formed directly or indirectly through asset management plans, trust plans, asset securitization methods, factoring or other forms), and reversely entrusts the other party to dispose of the aforementioned assets or interests.

CITIC Group shall take measures to ensure that its subsidiaries and/or its associates comply with the relevant covenants of the Financing and Asset Transactions Framework Agreement when carrying out financing transactions or asset transactions, and the Company shall take measures to ensure that its subsidiaries comply with the relevant covenants of the Financing and Asset Transactions Framework Agreement when carrying out financing transactions or asset transactions.

The further explanation on the scope of transactions under the Financing and Asset Transactions Framework Agreement is as follows:

(1) Finance transactions

The proposed financing transactions under the Financing and Asset Transactions Framework Agreement are capital financing provided by one party to the other party with or without guarantee measures, including:

a. Credit: credit lines of capital support provided by the banks and other financial institutions under CITIC Group to the Company;

b. Loans: monetary capital lent by the banks and other financial institutions under CITIC Group to the Company at certain interest rates and under the conditions such as compulsory repayment;

c. Capital funding, interbank deposits and bill discounting: capital funding, interbank deposits and bill discounting are financing methods for the Company to apply for financial support from the banks and other financial institutions under CITIC Group due to capital needs;

d. Interbank borrowing: capital borrowed by one party from financial institutions of the other party due to the needs of business capital;

e. Inter-bank borrowing and lending: borrowing and lending of the capital conducted by one party in the inter-bank borrowing and lending market with financial institutions of the other party due to the needs of capital turnover;

f. Interbank certificates of deposit: one party subscribing for interbank certificates of deposit issued by the other party's deposit financial institutions;

g. Guarantees: guarantee or security by one party on the performance of the other party to fulfil debt obligations;

h. Letters of credit: payment commitments that the Company obtained from the banks under CITIC Group by applying for the issuance of sight letter of credit, usance letter of credit, etc;

i. Pledged repurchase: capital financing obtained by one party from the other party, in which bonds are pledged as rights;

j. Investment in bonds issued by the other party: one party subscribing for bonds issued by the other party, which are issued in accordance with the legal procedures for raising funds, and the issuer agrees to repay the principal and interest to investors within a certain period of time.

The finance transactions proposed by the Company and CITIC Group pursuant to the Financing and Asset Transactions Framework Agreement constitute financial assistance under Rule 14A.24(4) of the Listing Rules.

(2) Deposit transactions

The proposed deposit transactions under the Financing and Asset Transactions Framework Agreement refer to the funds to be deposited by the Company in the banking institutions of CITIC Group, according to the source of funds, which include: (i) deposits of cash balances arising from the Company's business operations, such as project payment collection, proceeds from equity and bonds issuances, financing borrowings, etc.; (ii) funds deposits from customers, namely, deposit the guaranteed funds of the Company's customers in the depository bank for deposits; (iii) funds in other currencies converted by the Company using deposit funds, namely, the Company exchanges the funds in the deposit account for the target currency at the bank exchange rate; and (iv) cash equivalents with quasi-savings nature similar to demand deposits.

(3) Financial product transactions

The proposed financial product transactions under the Financing and Asset Transactions Framework Agreement are purchasing of financial products by one party from the other party, including:

a. Bonds: mainly including government bonds, policy-based financial bonds, enterprise bonds;

b. Derivatives: mainly including foreign exchange forwards, swaps and options;

c. Funds: investment of one party in public funds controlled or managed by the other party that are issued to public non-specific investors, as well as private funds that are non-publicly issued;

d. Wealth management products, asset management plans and trust products or insurance products: wealth management products, asset management plan products, trust products or insurance products issued or managed by one party and subscribed by the other party.

The above financial product transactions do not include the equity investments to be carried out by the Group.

(4) Distressed asset transactions

The proposed distressed asset transactions under the Financing and Asset Transactions Framework Agreement are one party purchasing the assets or interests related to the distressed assets from the other party. Distressed assets refer to assets that no longer provide economic benefits, or provide economic benefits below their carrying value, having suffered a depreciation, and other distressed assets as regulated by authorities, and other relevant ancillary assets or interests involved in the acquisition or disposal of such assets, including but not limited to, the distressed assets identified in accordance with the "five-level classification criteria[1]" or other risk classification criteria and methods prevailing in the industry. The types of the aforementioned assets include (i) debt assets (such as

1. The loan classification system generally adopted by banks and other financial institutions in the PRC pursuant to relevant guidelines, classifies loans into five categories as "normal", "special mention", "substandard", "doubtful" and "loss" based on the assessment of various factors affecting obligors' repayment ability.

non-performing loans and corresponding interest), (ii) equity assets (such as financial investment equity interests held on a transitional basis), (iii) physical assets (such as foreclosed physical assets), (iv) income rights (including the income rights in respect of distressed asset creditor's rights, equities and trust) and (v) other related asset interests (including the aforementioned debt assets formed directly or indirectly through asset management plans, trust plans, asset securitization, factoring or other forms). Reversely entrusting the other party to dispose of the aforementioned assets or interests refers to the reversely entrusting the asset seller by the Company on a simultaneous basis to be responsible for the management, disposal and liquidation of the assets on behalf of the Company during the process of conducting distressed asset transactions.

Among them, the above transactions of equity distressed assets and physical distressed assets refer to the acquisition and disposal of equity and physical distressed assets in accordance with the Opinions of the General Office of the State Council on Further Revitalizing Stock Assets and Increasing Effective Investment (Guo Ban Fa [2022] No.19) (國務院辦公廳《關於進一步盤活存量資產擴大有效投資的意見》 (國辦發〔2022〕19號)) and the Administrative Measures on Distressed Asset Business of Financial Asset Management Companies (《金融資產管理公司不良資產業務管理辦法》) by the NFRA, which specifically include the following models: (i) one party purchases from the other party distressed debt, including the equity assets and physical assets that are guarantees, mortgages or pledges as security for the distressed debt, in order to support the repayment of the distressed debt. Under such circumstance, after acquiring such distressed debt, the Company will realize the proceeds through repayment of debts or disposal of assets by leveraging on the expertise of the financial asset management company; (ii) one party purchases from the other party the equity and physical assets of the target companies held by it, and such assets fall within the scope of distressed assets recognized in the Administrative Measures on Distressed Asset Business of Financial Asset Management Companies. Under such circumstance, after acquiring the equity and physical distressed assets, the Company will realize the proceeds through restructuring or disposal of assets by leveraging on the expertise of the financial asset management company; and (iii) in the event that the debtor or guarantor is unable to repay the debts in full in cash, in order to control risks to the maximum extent, preserve assets and reduce losses, the Company accepts physical assets or property rights (such as equity assets, patents, etc.) to which the debtor, guarantor or related third party has ownership and right of disposition as a set-off against all or part of the debt owed by the debtor, guarantor or related third party by means of a ruling by the court or arbitration commission or an agreement between the parties concerned, to convert the claims into real rights or other property rights and ultimately realize by disposition, so as to achieve risk mitigation. According to the regulatory requirements, the Company is not allowed to hold equity and physical distressed assets for a long period of time and the Company's acquisition of distressed assets through the above models is aimed at inducing the debtors/target companies to repay their debts or restore their profitability by relying on its professional ability, which in turn will enable the Company to earn operating income from ordinary and usual course of business.

The proposed transactions regarding provision/acceptance of financial assistance, acquisition/disposal of financial assets and distressed assets between the Company and CITIC Group in accordance with the Financing and Asset Transactions Framework Agreement are conducted by the Company pursuant to business needs, which are part of the Company's ordinary and usual course of business. The Company mainly engages in such businesses as distressed asset management, financial services, and asset management and investment business, with distressed asset management being its core business. Pursuant to the Reply regarding the Restructuring of China Huarong Asset Management Corporation for the Establishment of China Huarong Asset Management Co., Ltd. (Yin Jian Fu [2012] No.577) (《關於中國華融資產管理公司改制設立中國華融資產管理股份有限公司的批覆》(銀監覆[2012]577號)) issued by the NFRA on 27 September 2012, the Company was approved to engage in the following businesses: acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets, including debt-to-equity swap assets; bankruptcy management; investment; securities dealing; financial bonds issuance, inter-bank borrowing and lending, commercial financing for other financial institutions; approved asset securitisation business, financial institutions custody, closing and liquidation of business; consulting and advisory business on finance, investment, legal and risk management; assets and project evaluation; and other businesses approved by the banking regulatory bodies of the State Council. The scope of the Company's principal businesses has been clearly disclosed in the Company's prospectus and previous annual reports, details of which are set forth in "Our Principal Businesses" in "Business" of the Company's prospectus and "8.3 Business Overview" of the Company's 2023 annual report. In particular:

(1) Financial assistance provided by CITIC Group to the Company mainly refers to the financing provided by the banks, insurance companies and other financial institutions of CITIC Group for the Company. For example, China CITIC Bank provides interbank borrowing and loans for the Company, and subscribes for bonds and asset-backed securities (ABS), etc., issued by the Company, which are the normal business activities of the Company to raise funds, expand financing channels and enhance liquidity reserves from financial institutions. The Company is a financial asset management company and a non-banking financial institution, and the financial assistances provided by the Company to CITIC Group are mainly: (a) the inter-bank borrowing and lending conducted with members of CITIC Group (the Company as a member of the inter-bank borrowing and lending market) due to the Company's liquidity management needs, which helped the Company to enhance capital management and achieve higher returns; and (b) the Company's subscription for interbank certificates of deposit and bonds issued by subsidiaries of CITIC Group for enriching the asset allocation and improving capital use efficiency, so as to achieve stable revenue. As approved by the People's Bank of China, the Company has engaged in the national inter-bank borrowing and lending market since 2012 to obtain the qualification to carry out the inter-bank borrowing and lending business. The lending can be carried out to banks and non-bank financial institutions through the electronic trading system of the National Interbank Funding Center. According to the regulations of the People's Bank of China, the investment and transaction entities of interbank certificates of deposit are members of the national inter-bank borrowing and lending market, and the Company is qualified for the interbank certificates of deposit business. The Company's external inter-bank lending business and the subscription of interbank certificates of deposit belong to the lending activities and will be subject to credit risk exposure. The Company formulates the amount of inter-bank lending and interbank certificates of deposit, which are controlled by means of whitelist and cap management.

(2) According to the Administrative Measures on Distressed Asset Business of Financial Asset Management Companies, the Company's distressed asset management business includes the acquisition of the following assets: (I) The following assets held by financial institutions: (1) assets classified as substandard, doubtful and loss categories; (2) restructured assets that are not classified as substandard, doubtful or loss categories, but meet the definition defined by the Measures for Risk Classification of Financial Assets of Commercial Banks; (3) other credit-impaired assets; (4) written-off assets with preserved

records. (II) Assets under item (I) of this article held by non-financial institutions and local financial organizations through acquisition or other means; (III) Assets formed by disposal of distressed debt by financial institutions; (IV) Corporate credit bonds, financial bonds and interbank certificates of deposit whose principal and interest have been defaulted or whose value has been significantly depreciated; (V) Public debt assets or corresponding shares held by trust plans, bank wealth management products, public funds, insurance asset management products, private asset management products of securities companies, fund special account asset management products, etc., that have suffered significant depreciation; (VI) In addition to the above assets, overdue public debt assets owned by non-financial institutions and local financial organizations that have been confirmed by the people's court or arbitration institutions, as well as physical assets and equity assets formed by the disposal of the above debts; and (VII) Other assets recognized by the NFRA. Therefore, distressed assets can be categorized as debt assets, equity assets, physical assets, income rights and other related asset interests.

The distressed assets acquired by the Company from CITIC Group are mainly assets classified as "substandard", "doubtful", and "loss" categories due to debtor default generated in the ordinary and usual course of business of China CITIC Bank and other institutions under CITIC Group. The Company acquires and disposes of such distressed assets through public bidding or negotiated transfers, and partially adopts the reverse entrustment method, i.e. entrusting CITIC Group to be responsible for the management, disposal and liquidation of the assets on behalf of the Company. The Company's sale of distressed assets to CITIC Group are mainly used in its distressed asset management business to revitalize the assets through resource integration by leveraging the strengths of the members of CITIC Group and the Company in order to maximize the return on the assets of both parties. For example, the distressed assets acquired by the Company involve unfinished construction in progress, and property development companies are established under CITIC Group, both of which can cooperate to realize the asset value enhancement by additional investment and completed projects, in order to benefit both parties.

Based on the above, the Company provides/receives financial assistance when entering into specific transactions under the Financing and Asset Transactions Framework Agreement, and the acquisition/disposal of assets is conducted with different subsidiaries of CITIC Group instead of the same institution. Therefore, at CITIC Group level, the Financing and Asset Transactions Framework Agreement entered into between the Company and it contains two-way transaction categories.

Transaction Principles

Both parties agree that entering into the Financing and Asset Transactions Framework Agreement shall not preclude the parties thereto from choosing counterparties at their discretion or conducting transactions with third parties.

Under the Financing and Asset Transactions Framework Agreement, if one party is unable to satisfy the other party's requirements on financing or asset transactions, or if the conditions offered by independent third parties are more favorable, the other party shall be entitled to conduct transactions with independent third parties.

It is expected that CITIC Group will enter into specific transaction contracts with the Company within the scope agreed in the Financing and Asset Transactions Framework Agreement from time to time and as required.

Pricing Principles

The pricing principles for financing transactions are:

(1) Finance transactions: carry out on normal commercial terms and at the interest rates and prices of the same type during the same period and the market rates and price standards of the same type during the same period provided to independent third parties. The interest rates of loan or capital funding are determined by mutual negotiation based on the then applicable market rates of independent transaction parties of that type; the bond investment prices are determined by reference to the then applicable market prices of independent transaction parties of that type of bond; the interest rates and repurchase transaction of interbank business are determined by mutual negotiation based on the then applicable market rates and prices of independent transaction parties of that type;

(2) Deposit interest rates: not less than the deposit interest rates of commercial banks in the same period as published by the People's Bank of China, and the terms of the Company's deposits in the banking subsidiaries of CITIC Group are no less favorable than those available from independent third parties.

The pricing principles for asset transactions are:

(1) Financial product transactions: carry out on normal commercial terms and at the prices and rates of the same type during the same period, the market prices and rate standards of the same type during the same period provided to independent third-party customers and the subscription price and conditions for that type of product; on-market transactions of financial products shall be carried out at the then applicable market prices or market rates of that type of financial product; off-market and other transactions of financial products shall be carried out by mutual negotiation based on the then applicable market prices or market rates for that type of financial product; if there is no such then applicable market price or market rate for that type of financial product, the price or rate for that transaction shall be the price or rate negotiated by both parties in accordance with the arm's length principle;

(2) Distressed asset transactions: if the transaction is carried out by public bidding, the transaction price shall be determined on the basis of the auction transaction price; if the transaction is carried out by way of negotiated transfer, the transaction price is based on the market price or the valuation results set out in the valuation report issued by a valuation institution with corresponding business qualifications after valuation, and in accordance with the internal valuation methods of both parties, both parties shall give due consideration to the discount rate in combination with the actual situation of assets, and determine the transaction price by arm's length negotiation; for reversely entrusted disposal transactions, the entrusted fees will be negotiated by both parties in accordance with the arm's length principle.

The further explanation on the pricing basis for the financing and asset transactions under the Financing and Asset Transactions Framework Agreement is as follows:

(1) **Finance transactions:** the Company intends to receive/provide financial assistance mainly through conducting inter-financial institution borrowings and lending as well as lending transactions in the PRC inter-bank borrowing and lending market. The inter-financial institution borrowings conducted between the Company and the financial institutions under CITIC Group shall be carried out at the market interest rate quoted by the financial institutions with reference to the Shanghai Interbank Offered Rate. As for receiving financial assistance by the Company, the Company will make inquiries with three or more institutions before carrying out the transactions. The Company carries out financing business with each financial institution with lower interest rate in the light of, among others, the current needs for funds of the Company, the quotations and available credits of banks and on the premise of meeting the current needs for funds of the Company. Financial institutions under CITIC Group have equal trading opportunities with other independent third parties. As for providing financial assistance by the Company, the Company will make inquiries with three or more institutions before carrying out the transactions. The Company will carry out such business with the financial institution with a higher interest rate under the same conditions and will take into account the capital position and market conditions. The provision of financial assistance to CITIC Group by the Company in the ordinary and usual course of business applies the interest rates applicable to independent third-party financial institution clients or is on normal commercial terms.

The Company can trade in the inter-bank bond market through the China Foreign Exchange Trade System & National Interbank Funding Center ("**NIFC**") and China Central Depository & Clearing Co., Ltd. ("**CCDC**") systems. The Company can review the bond market information published by NIFC, CCDC and other agents, and NIFC also prepares repurchase rates (one of the main indicators of repurchase transactions in the financial market in the PRC). In addition, the Company has subscribed to information service providers (e.g. Wind Information) and has access to information channels and websites such as the Asset Management Association of China (www.amac.org.cn), ChinaMoney (www.chinamoney.com.cn) and ChinaBond (www.chinabond.com.cn), to view official and voluntary industry statistics/information. The Company can look up the interest rates on deposits and loans published from time to time on the official websites of the People's Bank of China and other major commercial banks in the PRC. By checking and collecting such industry information, the Company can compare and make judgements on the reasonability of the pricing of the connected transactions. The Company will determine the counterpart in terms of the inquiry and price comparison criteria as described above.

(2) **Deposit transactions:** the deposit transactions of the Company are mainly conducted with the banking institutions under CITIC Group. In accordance with the demands for fund deposit of the day, deposit interest rates of banks, the amount of deposits that can be absorbed by banks and other situations, the Company will carry out the deposit business with each bank with higher deposit interest rates, capped at the demands for fund deposit of the day. Banking institutions under CITIC Group have equal trading opportunities with other independent third-party banks. The deposit interest rates shall not be lower than the deposit interest rates of commercial banks for the corresponding period as published by

the People's Bank of China. The final deposit interest rates are determined with reference to the then applicable market rates for that type of independent transaction parties. Before carrying out the deposit transactions, the Company will make inquiries with three or more institutions.

(3) **Financial product transactions:** the financial products transactions of the Company are mainly conducted through the PRC interbank bond market and the PRC exchange bond market. Such transactions will be conducted at the prevailing market prices or market rates in the Company's ordinary and usual course of business. For financial products traded on the PRC interbank bond market, the quotations of the transactions are mainly determined with reference to the valuation of the relevant securities and financial products published by CCDC, as well as the yield curves and the trading volume published by NIFC. For transactions carried out in the PRC exchange bond market, the prices in the transaction process shall be determined mainly in accordance with the prevailing market prices on the relevant stock exchanges. For financial product transactions outside the PRC, the prices of the transactions shall be determined mainly with reference to the market inquiry of market makers, and the inquiry of derivative transactions shall be completed with the best price quoted by three or more institutions. Financial product transactions also include subscriptions of funds, wealth management products, asset management plans, trust products, etc. The pricing of such transactions is based on the unit net value of such products on the date of the transaction. The calculation method for the unit net value of such products shall be uniformly applied to all their investors.

(4) **Distressed asset transactions:** the Company will conduct the acquisition and disposal of distressed assets in accordance with the principles of fairness, openness and justice. For the acquisition or disposal conducted in a public manner, the transaction price will be determined based on bidding rules and principles of marketization; for the acquisition or disposal conducted through negotiated transfer, the asset value will be determined based on the assessment and valuation results, and the process of assessment and valuation will be carried out in accordance with the industry standards, of which:

a. For debt assets, the Company will evaluate the recovery value of such assets on the basis of the value of the debtor's credit claim assets, the collateral claim assets and the guarantee claim assets on a consolidated basis. In analyzing the value of credit claims and guarantee claims, the Company will analyze the actual solvency of the enterprise based on the audited financial statements of the debtor and guarantor. If financial statements are not available or the financial statements are unaudited, the Company will assess and evaluate the net realizable value of the effective assets actually available to the enterprise for debt repayment and the actual liabilities of the debtor and guarantor with debt repayment obligations on the basis of due diligence or subsequent management. In analyzing the value of the collateral assets, the Company will use the appraised value of the assets issued by the third-party appraisal company as the basis and consider factors such as the surrounding market conditions, the time and cost of disposing of the collateral.

b. For physical assets, the Company will engage a third-party valuation institution to carry out asset valuation, and determine the minimum disposal price of assets with reference to the appraised value, or determine the asset value based on the nature of assets by valuation methods of, among others, internal valuation, price inquiry and market comparison.

c. For equity assets meeting the requirements of the Administrative Measures on Distressed Asset Business of Financial Asset Management Companies, the Company will follow the principle of prudent pricing and adopt a variety of valuation methods for asset valuation. For equity of unlisted companies, the carrying amount method, market comparison method and income method are mainly used, while full consideration will be given to the impact of their contingent liabilities, litigations, seizure, and complexity of transfers, etc. on the value of equity. For listed companies, the equity valuation can be determined by means of historical stock price fluctuation method, PE ratio valuation method, PB ratio valuation method, etc., on the basis of the transaction prices on stock exchanges.

d. In case of the disposal of the aforesaid assets or interests by CITIC Group on an reverse entrustment basis, the terms of such transactions will be determined after arm's length negotiations between the parties in accordance with the requirements of relevant applicable laws and regulations and with reference to the then market rates and the nature of transactions, provided that the consideration of the disposal to be paid by the Company to CITIC Group shall not be more favourable than the consideration of the disposal payable by the Company to independent third parties for the provision of the same type of disposal of assets and the general fee standards in the market for the same type of business.

To ensure that financing transactions and asset transactions under the Financing and Asset Transactions Framework Agreement are entered into on normal commercial terms and to protect the overall interests of Shareholders, the Company has adopted internal approval and monitoring procedures for continuing connected transactions, details of which are set out in "2. Internal Management Measures for Continuing Connected Transactions" below.

Operation Method

For all transactions under the Financing and Asset Transactions Framework Agreement, each transaction party shall separately enter into specific transaction contracts in accordance with the principles agreed in the Financing and Asset Transactions Framework Agreement. Such specific contracts shall comply with the provisions under the Financing and Asset Transactions Framework Agreement.

During the implementation process of the Financing and Asset Transactions Framework Agreement, specific transaction contracts may be amended if necessary and as agreed by both parties, which will then be separately and normatively operated in accordance with the normal business practice and the provisions under the Financing and Asset Transactions Framework Agreement on a case-by-case basis, so as to comply with the principles of the Financing and Asset Transactions Framework Agreement and the relevant applicable laws and regulations (including but not limited to the relevant provisions of regulatory measures and the Listing Rules).

Conditions Precedent

The Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps are subject to the approval of the Independent Shareholders of the Company at the EGM.

Term and Termination of the Agreement

The Financing and Asset Transactions Framework Agreement shall come into effect upon approval of the Board, the shareholders' general meeting, etc., with company seals affixed by both parties in accordance with the requirements of laws and regulations, the Listing Rules and the Articles of Association. If any transactions under the Financing and Asset Transactions Framework Agreement constitute connected transactions under the Listing Rules, and such transactions are subject to the recognition by the stock exchange or the prior approval by the Independent Shareholders of the Company or compliance with any other provisions of the Listing Rules in relation to connected transactions, the performance of the Financing and Asset Transactions Framework Agreement and such transactions is conditional upon being carried out subject to obtaining the prior approval of the Board and Independent Shareholders of the Company at the shareholders' general meeting in accordance with the requirements of the Listing Rules and/or complying with any other requirements of the Listing Rules in relation to connected transactions.

Save as otherwise required by regulatory authorities and the laws, regulations and the Listing Rules, the Financing and Asset Transactions Framework Agreement is valid from 1 January 2025 to 31 December 2027 (both days inclusive). The Financing and Asset Transactions Framework Agreement, upon expiry, may be extended or renewed for three years with mutual consent in compliance with relevant laws, regulations and the Listing Rules.

If either party is in violation of any terms of the Financing and Asset Transactions Framework Agreement (the "**Defaulting Party of the Financing and Asset Transactions Framework Agreement**"), the other party (the "**Observant Party of the Financing and Asset Transactions Framework Agreement**") may notify such party in writing of its breach of contract, and require the Defaulting Party of the Financing and Asset Transactions Framework Agreement to remedy within a specified reasonable period of time. If the Defaulting Party of the Financing and Asset Transactions Framework Agreement fails to remedy such breach of contract within the aforesaid period of time, the Observant Party of the Financing and Asset Transactions Framework Agreement may immediately terminate the Financing and Asset Transactions Framework Agreement and reserve the right to claim compensation and any other legally permitted claims against the Defaulting Party of the Financing and Asset Transactions Framework Agreement.

Termination of the Financing and Asset Transactions Framework Agreement shall not affect any rights, obligations or liabilities of either party already incurred under the Financing and Asset Transactions Framework Agreement.

Liability for Breach of Contract

Unless otherwise agreed upon by the Financing and Asset Transactions Framework Agreement, if either party violates the Financing and Asset Transactions Framework Agreement, the other party may request or adopt the remedies permitted by the Financing and Asset Transactions Framework Agreement and laws, including but not limited to actual performance and compensation for economic loss.

Proposed Annual Caps and Basis of Determination

Finance transactions	Maximum daily balance caps (in millions of RMB) 2025	2026	2027
The maximum daily balance (including interests) of non-exempt financial assistance provided by CITIC Group to the Company[Note]	69,680	69,780	69,580
The maximum daily balance (including interests) of non-exempt financial assistance provided by the Company to CITIC Group[Note]	20,000	20,000	20,000

Note: Such caps do not include bond transactions (i.e. one party purchases bonds issued by independent third parties from the other party) under the asset transactions between the Company and CITIC Group in accordance with the Financing and Asset Transactions Framework Agreement.

Deposit	Maximum daily balance (in millions of RMB) 2025	2026	2027
The maximum daily balance of the Company's deposits in CITIC Group	80,000	80,000	80,000

Asset transactions	Total transaction amount caps (in millions of RMB) 2025	2026	2027
Total amount of consideration paid by CITIC Group to the Company	16,320	15,280	15,280
Total amount of consideration paid by the Company to CITIC Group	88,500	47,160	46,000

These caps were determined after taking into account:

(1) The previous annual caps and previous transaction amounts between the Company and CITIC Group in respect of the above transaction categories, details of which are as follows:

a. *Previous annual caps*

Finance transactions	Maximum daily balance caps (in millions of RMB) 2022	2023	2024
The maximum daily balance (including interests) of non-exempt financial assistance provided by CITIC Group to the Company	67,850	67,850	67,850
The maximum daily balance (including interests) of non-exempt financial assistance provided by the Company to CITIC Group	14,140	14,140	14,140

Deposit	Maximum daily balance caps (in millions of RMB) 2022	2023	2024
The maximum daily balance of the Company's deposits in CITIC Group	150,000	150,000	150,000

Asset transactions	Total transaction amount caps (in millions of RMB) 2022	2023	2024
Total amount of consideration paid by CITIC Group to the Company	39,500	39,500	39,500
Total amount of consideration paid by the Company to CITIC Group	94,500	82,500	72,500

b. Previous transaction amounts

Finance transactions	Historical maximum daily balance (in millions of RMB) 2022	2023	For the nine months ended 30 September 2024
The maximum daily balance (including interests) of non-exempt financial assistance provided by CITIC Group to the Company	961	7,935	1,400
The maximum daily balance (including interests) of non-exempt financial assistance provided by the Company to CITIC Group	208	54	148.15

Deposit	Historical maximum daily balance (in millions of RMB) 2022	2023	For the nine months ended 30 September 2024
The maximum daily balance of the Company's deposits in CITIC Group	31,657	25,833	8,555.96

Asset transactions	Total historical transaction amount (in millions of RMB) 2022	2023	For the nine months ended 30 September 2024
Total amount of consideration paid by CITIC Group to the Company	1,516	1,110	46
Total amount of consideration paid by the Company to CITIC Group	5,283	11,450	31,700.86

The actual transaction amount for the year ended 31 December 2024 is not expected to exceed the 2024 annual caps of the current financing and asset transactions framework agreement.

(2) The expected future transaction demand between the Company and CITIC Group, details of which are as follows:

Finance Transactions

a. *Non-exempt financial assistance provided by CITIC Group to the Company*

In determining the annual caps for non-exempt financial assistance provided by CITIC Group to the Company, the Company has taken into account the following factors:

(i) Borrowings from large state-owned commercial banks and joint stock commercial banks are the most important financing channels of the Company. Subsidiaries of CITIC Group (being bank institutions) are in the first tier of joint stock commercial banks with large borrowings available and interest rate levels falling within the average market interest rate range for a long time, which maintain a good and long-term cooperative relationship with the Company. The Company will strengthen the financing cooperation with the banks and other financial institutions under CITIC Group in the future, according to which, the Company expects the amount of non-exempt financial assistance provided by CITIC Group to the Company to be increased, which will also help to improve the overall operation of the Company's capital and enhance the liquidity reserve.

(ii) From 2022 to the end of June 2024, the maximum balance of the interbank borrowing of the Company (parent company) ranged from approximately RMB500.0 billion to RMB600.0 billion, of which approximately 6% to 14% was provided by subsidiaries of CITIC Group (being bank institutions) to the Company (parent company) during such period. Maintaining a stable balance of borrowings with subsidiaries of CITIC Group (being bank institutions) is essential to meet the Company's financing needs and ensure the Company's liquidity safety. At present, the bank credit of the Company (parent company) remains at more than RMB1 trillion. Upon consideration of the benefits of financing and asset transactions between CITIC Group and the Company as set out in the section headed "Reasons for and Benefits of the Transactions", there is still room to expand the Company's borrowing scale in subsidiaries of CITIC Group (being bank institutions). At present, the Company has obtained a total credit line of RMB125.3 billion from subsidiaries of CITIC Group (being bank institutions). The Company expects to further strengthen the financing cooperation with subsidiaries of CITIC Group (being bank institutions) to expand financing channels and enhance liquidity reserves. Such credit may be not required (such as interbank borrowing) or may be required (such as pledged repurchases) to provide guarantee measures in actual use. Based on finance cost, the Company will choose to conduct interbank borrowings, inter-bank borrowing and lending, pledged repurchases and other businesses with CITIC Group from time to time. For prudent consideration, the Company takes the total credit (including financial assistance involving and not involving pledged assets/guarantee) expected to be obtained from subsidiaries of CITIC Group (being bank institutions) as one of the factors for considering the annual caps for the non-exempt financial assistance provided by CITIC Group to the Company.

(iii) At present, the Company has obtained a pledged repurchase business amount of approximately RMB30.0 billion from the subsidiaries of CITIC Group (being bank institutions, insurance institutions and fund institutions). In 2023, the Company and subsidiaries of CITIC Group (being financial institutions) conducted pledged repurchase business of RMB50.0 billion in total. Considering the Company's continuous expansion of business and increasing financing needs, if the financing cost of pledge repurchase businesses is lower, the Company may adjust part of interbank borrowing businesses with CITIC Group to pledged repurchase businesses. Therefore, for prudent consideration, the Company takes the available maximum credit of the pledged repurchase businesses as one of the factors for considering the annual caps for the non-exempt financial assistance provided by CITIC Group to the Company, so that the Company can flexibly carry out finance business.

(iv) The Company conducts distressed asset management business and revitalizes problematic enterprises by using M&A loans (i.e. the loans issued by commercial banks to mergers or their subsidiaries for the payment of the M&A transaction borrowings and fees) provided by China CITIC Bank. Currently, the transactions that the Company has carried out or has held business leads for amount to approximately RMB10.0 billion, and successfully issued an M&A loan. Considering that the amount of a single M&A loan is relatively large (around RMB1.0–2.0 billion) and the duration of the loan is long, it is expected that the Company will gradually increase such business in the next three years, with the scale of approximately RMB30.0 billion.

(v) The Company's subsidiary, China CITIC Financial AMC International Holdings Limited ("**International Company**"), proposes to obtain a bond buy-out repurchase financing amount of RMB300 million from the Hong Kong banking institution under CITIC Group to increase the source of liquidity for the liquidity reserve. The Company expects to conduct financial assistance transactions such as bond transactions and repurchase agreements with the Hong Kong banking subsidiary of CITIC Group in the future.

b. Non-exempt financial assistance provided by the Company to CITIC Group

In determining the annual caps for non-exempt financial assistance provided by the Company to CITIC Group, the Company has taken into account the following factors:

(i) Since the Company engaged in the inter-bank borrowing and lending market at the end of 2012, the inter-bank borrowing and lending business, as an important tool for the Company's liquidity management, has played an important role in improving the return on provision assets, reducing overall financing costs, mitigating liquidity pressure and optimizing asset and liability structure, etc. According to the data published by the People's Bank of China, the cumulative turnover of the national inter-bank borrowing and lending market in 2023 was RMB143 trillion, with an average daily turnover of RMB571.9 billion, representing a year-on-year decrease of 2.6%. From the perspective of maturity structure, the turnover of overnight lending accounted for 89.5% of the total lending volume, representing an increase of 0.3 percentage point over the same period last year. As the inter-bank borrowing and lending market develops steadily, the Company will continue to conduct capital financing in the inter-bank borrowing and lending market in the future to enhance liquidity management.

(ii) The Company has formulated a list of inter-bank lending credit institutions and credit lines, and a whitelist and limit program for interbank certificates of deposit. The formulation basis of the aforesaid lists was mainly made with reference to the relevant entities' asset size, corporate credit rating, nature of institutions, historical cooperation, and the daily tradable positions and other elements. The Company only conducted the transactions within the credit line with the entities included in the lists. Currently, two affiliated institutions of CITIC Group were approved by the Company to be included in the list of inter-bank lending credit institutions of the Company, to which the Company granted credit lines of approximately RMB8.5 billion in aggregate. One affiliated institution of CITIC Group was approved by the Company to be included in the whitelist for interbank certificates of deposit of the Company with an approved limit of RMB3.0 billion. Based on this, the Company prudently expects that the transaction amount caps for the inter-bank borrowing and lending, interbank certificates of deposit conducted with the CITIC Group in the next three years will be RMB6.4 billion, RMB7.4 billion and RMB8.9 billion, respectively.

(iii) In order to increase the income from reserve funds, in 2023, the cumulative scale of pledged financing business carried out by the Company reached hundreds of billions. Considering the industry status with the banks and other financial institutions under CITIC Group, the Company will strengthen its financing cooperation with it in the future, and it is expected that the transaction amount of pledged lending business with CITIC Group will be capped at approximately RMB4.0 billion.

(iv) Given that the Company sold 60% of shares in China Huarong Financial Leasing Co., Ltd. ("**Financial Leasing Company**") to CITIC Group on 28 May 2024 (for details, please refer to the announcement of the Company dated 28 May 2024), upon completion of the disposal, Financial Leasing Company will become a subsidiary of CITIC Group and constitutes a connected person of the Company. The shareholders' deposits and inter-bank borrowing and lending provided by the Company to Financial Leasing Company will be included in the scope of non-exempt financial assistance provided by the Company to CITIC Group under the Financing and Asset Transactions Framework Agreement, and the estimated financing will not exceed RMB8.5 billion.

Deposit

In determining the annual caps for the deposit of the Company in CITIC Group, the Company has taken into account the following factors:

(i) The scale of the Company's historical deposits (including deposits with the connected parties and independent third parties). As of the end of 2023, the maximum daily deposit balance of the Company was RMB25,833 million.

(ii) There is a continuous increase in the operating income of the Company. In 2023, the Company recorded a total income of RMB75,800.1 million from continuing operations, representing an increase of 105% as compared with last year. In 2023, losses in operating results have been significantly reduced and the Company has turned losses into profits. The Company has achieved structural and trend-oriented improvements in the operation of the core business, and asset quality has continued to improve. In the next stage, the Company will focus on the "One-Three-Five" strategic objectives, accelerate reform and transformation, strive to improve quality and efficiency, and enhance its four major business capabilities of acquisition and disposal, mergers, acquisitions and restructurings, equity investment, and special bond investment. It will intensify efforts to develop innovative businesses such as the revitalization of inefficient state-owned assets, relief for real enterprises, acquisition of defaulted bonds, bankruptcy reorganization, and risk resolution of small and medium-sized financial institutions. It is expected that the Company's operating income will increase and its deposits demand will also increase accordingly.

(iii) As the annual cap for the Company's deposit in CITIC Group is the maximum daily balance, the Company, when determining the cap, considered the fact that a significant increase in cash due to the concentration or short-term vesting of funds such as project repayment and bond issuance of the Company, resulting in an increase in deposit demand of the Company.

(iv) China CITIC Bank, under CITIC Group, is an important joint stock commercial bank in China and a state-owned company. China CITIC Bank has a good credit record, which is able to effectively guarantee the Company's access to funds from time to time and the safety of deposits of the Company. The Company may also choose other major commercial banks to deposit funds, and the Company will choose counterparty in terms of the needs for deposit, deposit interest rates of banks and the amount of deposits that can be absorbed by banks, to ensure the safety of the Company's funds. Please refer to "2. Internal Management Measures for Continuing Connected Transactions" for details of deposit security measures.

(v) The Company plans to further deepen financing transactions with subsidiaries of CITIC Group (being bank institutions). Considering the large total scale of deposits that can be formed from the Company's reserve funds, liquidity support provided to subsidiaries through the entrusted loan system, repayment of funds for overseas bond issuance, currency exchange business, etc., in order to ensure that the annual caps can satisfy the needs of peak value of the daily deposit balance of the Company in CITIC Group, the cap is determined to be RMB80.0 billion by the Company.

Asset transactions

a. CITIC Group purchases assets from and pays consideration to the Company

In determining the caps for the total amount of consideration paid by CITIC Group to the Company (including the purchase of financial products and distressed assets by CITIC Group from the Company), the Company has considered the following major factors:

Financial products

The total volume of bond transactions (including transactions with connected parties and independent third parties) of the parent company of the Company in the last two years (2022 to 2023) was RMB27.9 billion, of which the total amount of bonds purchased by the parent company of the Company in the past two years was approximately RMB16.3 billion. As of the end of June 2024, the balance of the Company's bonds amounted to approximately RMB10.0 billion in total. Considering the industry position of the subsidiaries of CITIC Group (being bank institutions and securities institutions) and the expected increase of business cooperation between the Company and CITIC Group, the Company expects that the bond transaction volume with the subsidiaries of CITIC Group (being bank institutions and securities institutions) will increase. In combination with the Company's needs for assets and liabilities management and liquidity management, the Company estimates that the annual cap for the consideration of bonds sold to subsidiaries of CITIC Group will be approximately RMB8.0 billion in each of the next three years, respectively.

Distressed assets

(i) CITIC Group engages in a broad range of fields such as finance, real estate, infrastructure, energy and machinery. Since CITIC Group became a substantial shareholder of the Company, the Company has continuously strengthened its business cooperation with CITIC Group and broadened the acquisition and disposal channels of its distressed assets, and the Company will increase cooperation with CITIC Group in asset disposal, risk resolution and restructuring of problematic enterprises in the future, which is expected to increase the amount of transactions of acquisition and disposal of distressed assets with CITIC Group.

(ii) The acquisition and disposal of distressed assets is the Company's core business and an important source of income. As of the end of 2023, the Company's total distressed debt assets amounted to RMB398.5 billion, and the disposal of distressed debt assets in 2023 amounted to RMB28.2 billion. The Company's core business is expected to continuously develop, and in the future, the Company will continue to enrich the approaches of asset disposal and increase the disposal of distressed assets, and it is expected that the amount of distressed asset disposal will increase year-on-year. The Company estimates that the caps for consideration received by the Company from the disposal of distressed assets to CITIC Group in each of the next three years will be approximately RMB8.0 billion, RMB7.0 billion and RMB7.0 billion, respectively. The Company determined the transaction caps based on the scale of existing assets and comprehensively taking into account the Company's asset disposal plan and the effectiveness of intensive disposal in the early stage.

b. The Company purchases assets from and pays consideration to CITIC Group

In determining the caps for the total amount of consideration paid by the Company to CITIC Group (including the purchase of financial products and distressed assets by the Company from CITIC Group), the Company has considered the following major factors:

Financial products

(i) According to the data published by the People's Bank of China, a total of RMB71.0 trillion of various bonds was issued in the bond market in 2023, representing a year-on-year increase of 14.8%. Among them, bonds of RMB61.4 trillion were issued in the inter-bank bond market and bonds of RMB9.6 trillion were issued in the exchange market. In light of the continuous development of the financial market in the PRC and the continuous issuance of new financial products, it is expected that the number and scale of financial products purchased and sold between the Company and CITIC Group will further increase. In combination with the Company's needs for assets and liabilities management and liquidity management, the Company estimates that the annual cap for the consideration of bonds purchased from subsidiaries of CITIC Group will be approximately RMB8.0 billion in each of the next three years, respectively.

(ii) As of the end of June 2024, the foreign currency exposure of significant subsidiaries of the Company was approximately RMB68.0 billion. Based on the needs of the Company for foreign currency exposure management, the Company intends to use half of the foreign currency exchange exposure for foreign exchange hedging. Considering the financial status of the subsidiaries of CITIC Group such as China CITIC Bank and CLSA Limited and comprehensively taking into account the Company's hedging needs for other risk exposures, the estimated amount of derivative transactions between the Company and CITIC Group's subsidiaries was determined based on no more than 30% of the above-mentioned hedging scale, that is, the annual cap for notional amount is approximately RMB9.0 billion.

(iii) According to the Company's strategic development plan, in order to give full play to the synergistic advantages with CITIC Group, improve investment risk management and control ability, and strengthen investment professional capability support, in accordance with the principles of marketization and rules of law, the Company intends to, in the future, continue to entrust professional institutions such as CITIC Securities with the establishment of asset management plans, and set up professional asset management teams to carry out investment businesses within the scope prescribed by the regulatory authorities, with an estimated investment scale of RMB40.0 billion. Such investment of RMB40.0 billion will be used for the Company's subscription of financial products issued by the subsidiaries of CITIC Group (being financial institutions), and is expected to be utilized in 2025. Therefore, the annual caps for total amount of consideration paid by the Company to CITIC Group in the years 2026 and 2027 decrease obviously.

Distressed assets

(i) Currently, commercial banks and other financial institutions have a prominent demand for the disposal of distressed assets. As a financial asset management company, our Company specializes in the operation of distressed assets, and grasps the "Large Distressed" business opportunities on our own initiative, actively seeks and acquires assets with restructuring value and appreciation potential, strengthens the core business of distressed assets, and adjusts and optimizes the asset structure by increasing the investment in high-quality core businesses. Meanwhile, the Company makes full use of asset restructuring, resource integration, reverse cyclical cultivation and other profitability models based on value enhancement, promotes diversification of assets disposal and refinement of management, and plays a leading role in the national distressed assets industry.

(ii) In respect of the overall market of distressed assets, the banking industry disposed of RMB3.13 trillion, RMB3.10 trillion and RMB3.00 trillion of distressed assets for the entire years from 2021 to 2023, respectively, representing all disposal scales remaining over RMB3 trillion. The market for the distressed assets of banking institutions has been an important source of distressed assets acquisition for the Company. The banking industry has been stepping up its efforts to dispose of distressed assets, which furnished the Company with more opportunities for business development.

(iii) According to the 2023 annual report published by China CITIC Bank, the balance of non-performing loans was RMB64.8 billion at the end of 2023, and the non-performing loan ratio was 1.18%, representing a slight decrease as compared with the end of 2022. Considering that CITIC Trust and CITIC Financial Leasing also have intentions to dispose of distressed assets, the Company expects that the scale of distressed asset acquisitions will experience an upward trend. In determining the caps, the Company considered the scale and disposal status of distressed assets of subsidiaries of CITIC Group, the scale and discount rate of the Company's previous assets acquisitions from subsidiaries of CITIC Group, and took into account the projects and disposal plans that both parties have a preliminary intention of cooperation. The Company estimates that the caps for the consideration that the Company purchased distressed assets from CITIC Group in the next three years will be approximately RMB26.2 billion, RMB24.9 billion and RMB23.7 billion, respectively.

(iv) In determining the caps, considering the high frequency of Company's participation in the bidding of distressed assets and the uncertainty of the transactions, the Company has set aside a certain cushion fund to respond to changes in market conditions.

Most of the acquisition and disposal of distressed assets business of the Company is to participate in the bidding of banks' distressed assets portfolios through the open market, and not all of the distressed assets acquisition business of the Company is expected to be successfully promoted, and commercial banks dispose of distressed asset portfolios according to their own distressed assets, the transaction amount of asset portfolios is not fixed, the transaction amount of a single asset portfolio is large, and the Company fails to bid or the bank fails to issue the portfolio as scheduled. Therefore, there is a certain deviation between the use of the annual caps for the asset transactions of the Company and the estimated maximum of the transaction amounts.

As of the end of 2022, 2023 and the end of June 2024, the utilization rate of the annual caps of the total amount of consideration paid by the Company to CITIC Group for the asset transactions was 5.59%, 13.88% and 43.28%, respectively, and achieved a year-on-year increase in the utilization rate. Since 2023, the Company has adhered to the general principle of "consolidating foundation, seeking progress while maintaining stability, and improving quality and efficiency", accelerated its transformation and development, gave full play to the synergistic effect of CITIC Group's comprehensive financial platform. Operating performance, core business development and asset quality continued the positive momentum. According to the strategic development requirements of the Company, the Company will further develop its core business of distressed assets, and it is expected that the demand for the acquisition and disposal of distressed assets will continue to increase in the next three years.

When determining the annual caps for the total amount of consideration paid by the Company to CITIC Group for the asset transactions in 2025, 2026 and 2027, the maximum cushion fund set by the Company is RMB5.0 billion, accounting for 5.6%, 10.6% and 10.8% of the caps for the total amount of consideration paid by the Company to CITIC Group for the asset transactions, respectively.

In summary, the Board has approved the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps, and considers that the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps are entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

2. Internal Management Measures for Continuing Connected Transactions

The Company has formulated certain internal guidelines and policies for financing and asset transactions, as well as internal procedures and systems for approving and monitoring such services and transactions. Such guidelines and policies set out the requirements for pre-trade quotations, applicable prices, pricing procedures, approval bodies and procedures, monitoring and review procedures for relevant financing and asset transactions. The Company will put forward equivalent pricing terms to all customers when providing customers (including connected parties and independent third parties) with similar capital or conducting similar asset transactions, and will not grant preferential terms to customers who are connected persons. Before carrying out specific transactions, relevant business departments and subsidiaries will obtain market reference prices for similar transactions to confirm whether the prices with connected persons are in line with the market price range and are fair and reasonable. The pricing mechanisms and related procedures for relevant types of transactions are as follows:

(1) The financing and asset transactions carried out by the Company shall be subject to strict supervision by regulatory authorities in the PRC and shall comply with applicable PRC laws and regulations. During the specific transactions carried out by the Company, the relevant business review department, risk management department, internal control department and other departments will review the business compliance pursuant to the regulatory requirements strictly.

Conducting acquisition and disposal of distressed assets by the Company shall be based on the relevant specification requirements of the MOF and the NFRA, etc., in relation to the acquisition and disposal of distressed assets by financial asset management companies, including the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》), the Administrative Measures on the Engagement in Non-Financial Enterprise Distressed Assets Business for Financial Asset Management Companies (《金融資產管理公司開展非金融機構不良資產業務管理辦法》), etc. The relevant regulatory documents regulate the due diligence, feasibility studies, asset pricing, scheme design, project implementation and other work that asset management companies should carry out in conducting the acquisition and disposal business of distressed assets, including requiring asset management companies to prudently and objectively price the underlying assets to be acquired in a reasonable manner, and the pricing results should fully reflect the coverage of risks and costs; asset management companies should carefully measure the expected income and cost of acquired assets, and rationally quote according to their own risk tolerance, etc.

The financial products transactions of the Company are mainly conducted through the PRC interbank bond market and the PRC exchange bond market. The pricing of such transactions is strictly regulated by regulatory authorities in the PRC and must comply with applicable PRC laws and regulations, such as the Measures for the Administration of Bond Transactions in the National Interbank Bond Market (《全國銀行間債券市場債券交易管理辦法》).

(2) The Company's department in charge of valuation business is responsible for arranging the selection and engagement of valuation institutions, while managing, supervising and checking the implementation of valuation work. The department in charge of the valuation business is separated from the business department in terms of organizational structure and staffing, and is separated from the business review regarding review procedures. The Company has established a candidate storehouse of valuation institutions. When engaging a professional valuation institution to carry out asset valuation, the Company will determine the engagement of a valuation institution in accordance with internal procedures while considering its actual business demand, the qualifications and specialties as well as work experience and quality of candidate institutions, etc. The Company and the valuation institution will discuss and determine the value types of valuation projects, and applicable valuation methods, etc. Upon review and approval of the valuation results from the valuation institution by the relevant internal organization of the Company, the Company will determine the realizable value on the comprehensive basis of the valuation results set out in the asset valuation report issued by the intermediary, and such factors as the market value of assets, impacts of court auction and organization disposal of such assets on the price.

(3) The Company can trade in the inter-bank bond market through the NIFC and CCDC systems. The Company can review the bond market information published by NIFC, CCDC and other agents, and NIFC also prepares repurchase rates (one of the main indicators of repurchase transactions in the financial market in the PRC). In addition, the Company has subscribed to information service providers (e.g. Wind Information) and has access to information channels and websites such as the Asset Management Association of China (www.amac.org.cn), ChinaMoney (www.chinamoney.com.cn) and ChinaBond (www.chinabond.com.cn), to view official and voluntary industry statistics/information. The Company can look up the interest rates on deposits and loans published from time to time on the official websites of the People's Bank of China and other major commercial banks in the PRC. By checking and collecting such industry information, the Company can compare and make judgements on the reasonability of the pricing of the connected transactions.

(4) For the finance transactions, the Company has set up a system for approving borrowings, pledged repurchase and inter-bank funding, and the relevant positions were pre-approved to ensure that the relevant transactions are carried out at market prices, controlling the level of borrowings as well as inter-bank funding provided to CITIC Group. For the deposit transactions, the relevant management of the Company will obtain and compare similar deposits from independent commercial banks for the same period, as well as the benchmark deposit interest rate of the People's Bank of China. Transactions carried out in the inter-bank bond market and PRC exchange bond market will be submitted to the Company's internal system for approval and record keeping. The independent trading middle office of the Company will monitor and control the trading process through the system and the issued daily reports. The Company has established a strict pricing system for the acquisition and disposal of distressed assets. During the pre-investment approval of specific transactions, the review department will review together whether the pricing of the acquisition/disposal of distressed assets complies with the Company's regulations and the requirements of regulatory authorities, and whether it is fair and reasonable.

(5) The cash part of the Company's standing funds is mainly deposited in the Company's fund vesting account in the form of demand deposits. The Company plans to take the account opened in subsidiaries of CITIC Group (being bank institutions) as one of the main fund collection accounts in the future, and determines the deposit transaction caps based on the cash balance in the Company's historical standing funds. Demand deposits are funds that can be withdrawn at any time. The relevant business department of the Company will formulate a capital plan and reasonably plan the arrangement of fund placement and withdrawal. The financial department of the Company will carry out fund allocation according to relevant arrangements, and will regularly monitor the fund balance in the account. The Company will also communicate with subsidiaries of CITIC Group (being bank institutions) about the fund position in a timely manner in accordance with the capital plan to ensure the smooth development of large-amount capital withdrawals.

The Company comprehensively considers fund security, liquidity management needs, fund cost, historical conditions and other factors, measures the fund position and determines the capital plan in accordance with the capital inflows and outflows. China CITIC Bank, under CITIC Group, is an important joint stock commercial bank in China and one of the 19 domestic systemically important banks recognized by the People's Bank of China and the NFRA. According to the 2023 annual report of China CITIC Bank, its total assets amounted to RMB9,052,484 million. China CITIC Bank continues to strengthen its comprehensive risk management, effectively transmits a stable risk appetite, and enhances risk control capabilities across full institutions, products, clients and processes. The Company is of the view that China CITIC Bank, as a state-owned holding enterprise with a good credit record, is able to effectively guarantee the Company's access to funds from time to time. The Company will also regularly inspect the operation and financial positions of China CITIC Bank. In case of any potential security risks to the Company's funds deposited in China CITIC Bank, the Company will take measures in a timely manner to transfer the funds out from and suspend deposits in China CITIC Bank to effectively protect the security of its deposit funds.

(6) According to the Financing and Asset Transactions Framework Agreement, entering into the Financing and Asset Transactions Framework Agreement shall not preclude the Company and CITIC Group thereto from choosing counterparties at their discretion or conducting transactions with third parties. Under the Financing and Asset Transactions Framework Agreement, if one party is unable to satisfy the other party's requirements on financing or asset transactions, or if the conditions offered by independent third parties are more favorable, the other party shall

be entitled to conduct transactions with independent third parties. The Company's choosing of CITIC Group as one of the potential customers of its financial assets and distressed assets is a commercial decision. Our Directors believe that the decision is in the best interests of the Company and the Shareholders as a whole, after prudent consideration and with reference to the following factors:

a. The nature of the Company makes it easy for the Company to seek independent third-party customers. The Company is a state-owned financial asset management company and a major participant in the primary market and an important participant and supplier in the secondary market for distressed assets. In recent years, the Company took proactive measures to adapt to changes in the market, proactively expanded business areas, focused on the core business of distressed assets, continuously enhanced its four major business capabilities of acquisition and disposal, mergers, acquisitions and restructurings, equity investment, and special bond investment, strengthen innovation in business models, and gave full play the role of the main force in the distressed assets industry.

b. It has been the intention of the Company to strengthen its business with other independent third-party customers and therefore the Company is actively looking for opportunities to maintain a healthy balance in the diversity of its income sources and business operations. The Company strives to extend its business cooperation with existing independent customers and at the same time source new customers and optimize incremental business investment.

c. The Company believes that CITIC Group is a state-owned enterprise with an extremely low risk of default and a good credit history accordingly. As CITIC Group is the Shareholder of the Company, it maintains a more stable, reliable and trustworthy relationship with the Company compared with any other independent third-party customers.

The Directors and senior management of the Company will closely monitor and regularly review the various continuing connected transactions of the Company. The Company will adopt a series of risk management arrangements to maintain the independence of the Company in various continuing connected transactions, the fairness of the transaction prices, the fairness of the trading conditions and the option of the Company to trade with independent third parties other than CITIC Group. Such arrangements include:

a. The Company will collect as much information as practicable on the price and terms of the transactions from potential counterparties (particularly independent third parties) and, the Company will regularly review the public information and the online public data from agents, information service providers, the People's Bank of China and the major commercial banks to collect the transaction price range in the market. Before conducting the transaction, the Company will also collect the quotation information about independent third parties on the same transaction through price inquiry, open procedures and other methods, after comparing the market price range, quotations from different parties and terms, select and determine the final suitable counterparty strictly in accordance with the principle of best interests of the Company. For the detailed procedures for collecting data and comparing the prices of the Company, please refer to the preceding section under "Pricing Principles";

b. The transaction process will not be influenced in any way by the participation of CITIC Group members and no preference will be given to them as members of CITIC Group in order to avoid dependence on CITIC Group members;

c. The Company will maintain the independence of the Company's decision-making, the fairness of the transaction prices and the Company's option for continuing connected transactions through framework agreements and a series of management arrangements in accordance with regulatory requirements, thereby avoiding dependence on the controlling Shareholders. Relevant measures include, but are not limited to, the Company's right to make independent decisions on the relevant transaction prices and quantities, and to access and obtain market information through various means, so as to cause the trading conditions obtained by the Company from CITIC Group are no less favorable than those obtainable from independent third parties.

In addition, the Company will also adopt the following internal control measures for continuing connected transactions:

(i) Monitoring usage of the annual caps: Relevant business departments and subsidiaries of the Company will be responsible for initiating the application process for connected transaction authority through the Company's connected transaction system prior to entering into specific contracts according to the Financing and Asset Transactions Framework Agreement, and the connected transaction management department is responsible for determining whether the transaction amount applied for exceeds the annual caps. Meanwhile, the connected transaction management department of the Company will regularly collect data on a quarterly basis or as needed from time to time, review the actual amount of various financing and asset transactions, to ensure the actual amount will not exceed the annual caps and remind relevant departments and subsidiaries to control such connected transactions without exceeding the proposed annual caps.

(ii) Conducting connected transactions trainings: Each of the business departments and subsidiaries of the Company has contact persons for connected transactions. The Company will conduct connected transactions trainings for contact persons irregularly to enable them to record and review the actual transaction amount, transaction pricing and terms of various financing and asset transactions, so as to ensure compliance with all applicable limits.

(iii) Conducting annual review: The independent non-executive Directors and the auditor of the Company will conduct the annual review on the continuing connected transactions and confirm in the annual reports in accordance with the Listing Rules.

(iv) Prudently managing connected transactions: The Company has formulated a management system for connected transactions, which specifies the identification and determination of connected transactions, approval procedures, concentration limits, prohibitive regulations, continuing connected transaction caps and other management requirements. The Company clearly requires all business departments and affiliated institutions to prudently manage connected transactions, and effectively prevent and control possible improper interest transfer and regulatory arbitrage. When the Company conducts specific transactions with connected parties, the connected transaction management department of the Company will review the rationality and compliance of the transactions, and measure whether the concentration limit of connected parties after the relevant transactions occur is in compliance with the regulations, so as to effectively prevent the concentration risks of connected transactions.

Based on the above, the Company considers that the Financing and Asset Transactions Framework Agreement and the continuing connected transactions thereunder are in the interests of the Company and all Shareholders. At the same time, the Company has a complete business system and the ability to operate independently in the market, therefore, the Financing and Asset Transactions Framework Agreement and the continuing connected transactions thereunder will not affect the independence of the Company.

3. Reasons for and Benefits of the Transactions

CITIC Group makes efforts in the five business segments of comprehensive finance, advanced manufacturing, advanced materials, new consumption and new urbanization. Its member companies, such as China CITIC Bank, CITIC Securities, CITIC Trust and other institutions are leading enterprises in their respective industries, and boast strong comprehensive strengths. After CITIC Group became the substantial shareholder of the Company, the Company entered into the initial financing and asset transactions framework agreement with CITIC Group, achieving significant synergic and cooperative results. The Company accelerates its core business transformation, substantially improves its operating performance and consolidates its positive momentum. The transactions under the renewal of the Financing and Asset Transactions Framework Agreement with CITIC Group are based on the demand in the ordinary and usual course of business of the Company, and may further integrate strengths and resources of the Company and CITIC Group, effectively improve the Company's economic benefits and promote the Company's business development. Such transactions can also constantly deepen the cooperation between the Company and CITIC Group in terms of project development, business innovation and investment and financing, strengthen information linkage and win-win cooperation, so as to increase the Company's comprehensive competitiveness in its core business of distressed asset operation.

In the first half of 2024, the Company adhered to the general principle of "consolidating foundation, seeking progress while maintaining stability, and improving quality and efficiency", accelerated its transformation and development, and gave full play to the synergy effect of CITIC Group as an integrated financial platform, with the operating performance, core business development and asset quality continuing a positive momentum.

The Directors (including the independent non-executive Directors) consider that the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps are entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. As (1) Mr. Liu Zhengjun and Mr. Xu Wei hold positions in CITIC Group; (2) Mr. Li Zimin has been recommended by CITIC Group as a Director, Mr. Liu Zhengjun, Mr. Li Zimin and Mr. Xu Wei are deemed to be interested in the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder, and they have abstained from voting on the Board resolution approving the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps. Save for the above, none of the Directors has a material interest in the Financing and Asset Transactions Framework Agreement.

4. Listing Rules Implications

As at the Latest Practicable Date, CITIC Group holds 21,230,929,783 Domestic Shares of the Company (representing 26.46% of the total issued Shares of the Company), being a substantial shareholder of the Company, and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Financing and Asset Transactions Framework Agreement and the transactions thereunder constitute the continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The finance transactions proposed by the Company and CITIC Group pursuant to the Financing and Asset Transactions Framework Agreement constitute financial assistance under Rule 14A.24(4) of the Listing Rules. Among them, in accordance with the Financing and Asset Transactions Framework Agreement, part of the financial assistance provided by CITIC Group to the Company is on normal commercial terms, and no security over the assets of the Company will be granted in respect of such financial assistance, it therefore can be fully exempt pursuant to Rule 14A.90 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the non-exempt financial assistance to be provided by CITIC Group to the Company exceed 5%, which is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the highest applicable percentage ratio calculated for the non-exempt financial assistance to be provided by CITIC Group to the Company under the Financing and Asset Transactions Framework Agreement exceeds 25% and the transaction does not involve acquisition or disposal of assets pursuant to Chapter 14 of the Listing Rules, the transaction also constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the non-exempt financial assistance to be provided by the Company to CITIC Group exceed 5%, which is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the highest applicable percentage ratio calculated for the non-exempt financial assistance to be provided by the Company to CITIC Group under the Financing and Asset Transactions Framework Agreement exceeds 25% and the transaction does not involve acquisition or disposal of assets pursuant to Chapter 14 of the Listing Rules, the transaction also constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the deposit services to be provided by CITIC Group to the Company exceed 5%, which is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the highest applicable percentage ratio calculated for the deposit services to be provided by CITIC Group to the Company under the Financing and Asset Transactions Framework Agreement exceeds 25% and the transaction does not involve acquisition or disposal of assets pursuant to Chapter 14 of the Listing Rules, the transaction also constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for CITIC Group's purchase of assets from the Company exceed 5%, which is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the Company's purchase of assets from CITIC Group exceed 5%, which is subject to the announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

If a specific asset transaction of the Company contemplated under the Financing and Asset Transactions Framework Agreement constitutes a notifiable transaction under Chapter 14 of the Listing Rules, the Company will separately comply with all applicable requirements in relation to the notifiable transactions under Chapter 14 of the Listing Rules.

5. NFRA Regulations Implications

As at the Latest Practicable Date, CITIC Group held 21,230,929,783 Domestic Shares of the Company (representing 26.46% of the total issued Shares of the Company), being a substantial shareholder of the Company and constitutes a related party of the Company as defined by the NFRA. Therefore, according to the Administrative Measures for the Related Party Transactions of Banking and Insurance Institutions, the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps between the Company and CITIC Group constitutes a unified transaction agreement between the Company and the related party, which is subject to internal review, reporting and information disclosure in accordance with the requirements of material related party transactions.

6. Financial Effect

According to the Financing and Asset Transactions Framework Agreement, the financial effect resulting from non-exempt financial assistance provided by CITIC Group to the Company, non-exempt financial assistance provided by the Company to CITIC Group and deposit services provided by CITIC Group to the Company is as follows:

(1) Non-exempt financial assistance provided by CITIC Group to the Company: The Company expects to further strengthen the financing cooperation with the relevant financial institutions of CITIC Group to expand financing channels and enhance liquidity reserves. The Company expects that it will continue to accept financial assistance from CITIC Group in 2025–2027, which will increase the Company's bank deposit and the corresponding liabilities and generate interest expenses during the continuance of such assistance. The financial assistance received by the Company from CITIC Group and interest expenses only account for a small portion of the Company's borrowings and interest payments, and the interest on such borrowings is not significantly different from that paid by the Company on borrowings from independent third-party banks. Considering that the 2025–2027 annual caps for non-exempt financial assistance provided by CITIC Group to the Company are close to the 2022–2024 annual caps, the Company expects that the non-exempt financial assistance provided by CITIC Group to the Company will not have a material effect on the earnings and assets and liabilities of the Company.

(2) Non-exempt financial assistance provided by the Company to CITIC Group: The Company provides financial assistance to CITIC Group, including inter-bank lending, pledged financing and other business, which has played an important role in improving the return on provision assets, lowering overall financing costs and optimizing asset and liability structure, etc. The financial assistance provided by the Company to CITIC Group will increase the Company's interest income. Considering that the transaction amounts of financial assistance provided by the Company to CITIC Group in 2022–2024 are relatively small and the interest income of the relevant business only accounts for a small portion of the profits, assets and liabilities of the Company, as well as 2025–2027 annual caps of non-exempt financial assistance provided by the Company to CITIC Group are lower than its 2022–2024 annual caps, the Company expects that non-exempt financial assistance provided by the Company to CITIC Group will not have a material effect on the earnings and assets and liabilities of the Company.

(3) Deposit services provided by CITIC Group to the Company: The Company expects to carry out deposit transactions with the banking institutions of CITIC Group in 2025–2027 to enhance the Group's centralized capital management, thereby improving the efficiency of the capital utilisation and the overall operation of the Company's capital. The deposit transactions carried out between the Company and CITIC Group will increase the Company's returns on surplus capital and bring a positive influence on the Company's earnings. Considering that the annual interest income generated from the Company's deposits in the banking institutions of CITIC Group is expected to represent a very small portion of the Company's earnings, assets and liabilities, the Company expects that the deposit services provided by CITIC Group to the Company will not have a material effect on the earnings and assets and liabilities of the Company.

7. General Information

The Company mainly engages in such businesses as distressed asset management, financial services, and asset management and investment business in the PRC.

CITIC Group, a limited liability company incorporated in China, is a state-owned large comprehensive multi-national enterprise group deeply engaged in five business sectors, namely comprehensive finance, advanced intellectual manufacture, advanced material, new consumption and modern urbanization. The MOF is the ultimate beneficial owner of CITIC Group.

III. THE EGM

The Company will convene the EGM at 10:00 a.m. on Friday, 27 December 2024 at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC, the notice of which is set out in this circular.

In order to determine the list of H Shareholders who are entitled to attend the EGM, the H Share Register of members of the Company will be closed from Friday, 20 December 2024 to Friday, 27 December 2024 (both days inclusive). H Shareholders who intend to attend the EGM shall deposit the share certificates together with the transfer documents at the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before 4:30 p.m. on Thursday, 19 December 2024. Shareholders whose names appear on the H Share register of members of the Company at the close of business on Thursday, 19 December 2024 are entitled to attend and vote at the EGM.

A proxy form for use at the EGM is enclosed herein and also published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). H Shareholders shall return the proxy form(s) to Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 24 hours before the time appointed for holding the EGM (i.e. before 10:00 a.m. on Thursday, 26 December 2024) or any adjournment thereof (as the case may be). Domestic Shareholders shall return the proxy form(s) to the Board office of the Company at No. 8 Financial Street, Xicheng District, Beijing, the PRC no later than 24 hours before the time appointed for holding the EGM (i.e. before 10:00 a.m. on Thursday, 26 December 2024) or any adjournment thereof (as the case may be). Completion and return of the proxy form(s) will not preclude you from attending and voting at the EGM in person should you so wish.

We hereby remind you that, according to Article 65 of the Articles of Association, where the number of equity interests of the Company pledged by a shareholder reaches or exceeds 50% of the equity interests held by such shareholder in the Company, no voting right in respect of the pledged equity interests shall be exercised at the shareholders' general meeting until the ceasing of the relevant condition.

In accordance with Rule 2.15 and Rule 14A.36 of the Listing Rules, where a transaction or arrangement is subject to shareholders' approval, any shareholder that has a material interest in the transaction or arrangement shall abstain from voting on the resolution(s) whether to approve the transaction or arrangement at the relevant general meeting. As at the Latest Practicable Date, CITIC Group held 21,230,929,783 Domestic Shares of the Company, representing 26.46% of the total issued Shares of the Company, which shall abstain from voting at the EGM on the resolution approving the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps.

Save as disclosed above, to the best knowledge, information and belief of the Directors, no other Shareholders are required to abstain from voting on the resolution to be proposed at the EGM.

Voting at the EGM shall be taken by way of registered poll.

IV. RECOMMENDATION

The Independent Board Committee, having taken into account the advice of Maxa Capital, considers that the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps are entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the resolution on the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps. The letter from the Independent Board Committee is set out in Appendix I to this circular.

The Directors (including the independent non-executive Directors) consider that the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps are entered into in the ordinary and usual course of business of the Group on normal commercial terms, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolution to be proposed at the EGM.

As (1) Mr. Liu Zhengjun and Mr. Xu Wei hold positions in CITIC Group; (2) Mr. Li Zimin has been recommended by CITIC Group as a Director, Mr. Liu Zhengjun, Mr. Li Zimin and Mr. Xu Wei are deemed to be interested in the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder, and they have abstained from voting on the Board resolution approving the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps. Save for the above, none of the Directors has a material interest in the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder.

You should pay attention to other sections of and the appendices to this circular.

V. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make this circular or any statement herein misleading.

By order of the Board
China CITIC Financial Asset Management Co., Ltd.
LIU Zhengjun
Chairman

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)

11 December 2024

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS — RENEWAL OF THE FINANCING AND ASSET TRANSACTIONS FRAMEWORK AGREEMENT AND ITS 2025–2027 ANNUAL CAPS

We refer to the circular of the Company dated 11 December 2024 (the "**Circular**", of which this letter forms part). Unless otherwise indicated, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to review and advise the Independent Shareholders in respect of the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps. Maxa Capital has been appointed as the Independent Financial Adviser in this regard.

We wish to draw your attention to the "Letter from the Board" and the "Letter from the Independent Financial Adviser" as set out in the Circular. Having considered the principal factors and reasons, and the advice of Maxa Capital as set out in the Letter from Maxa Capital, we consider that the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps are entered into in the ordinary and usual course of business of the Company on normal commercial terms, are fair and reasonable, and in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution approving the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps at the EGM.

Yours faithfully
On behalf of the Independent Board Committee of
China CITIC Financial Asset Management Co., Ltd.

SHAO Jingchun	**ZHU Ning**	**CHEN Yuanling**	**LO Mun Lam, Raymond**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter from Maxa Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, in respect of the Transactions for the purpose of inclusion in this circular.

邁時資本
MAXA CAPITAL

Unit 2602, 26/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

11 December 2024

To the Independent Board Committee and the Independent Shareholders

Dear Sirs and Mesdames,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTIONS — RENEWAL OF THE FINANCING AND ASSET TRANSACTIONS FRAMEWORK AGREEMENT AND ITS 2025–2027 ANNUAL CAPS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder (the "**Transactions**"), details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 11 December 2024 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

Pursuant to the announcements dated 1 August 2022, 16 August 2022 and 30 September 2022, and the circular dated 16 September 2022 of the Company, the current financing and asset transactions framework agreement entered into between the Company and CITIC Group on 16 August 2022 and its 2022–2024 annual caps will expire on 31 December 2024. On 15 November 2024, the Company and CITIC Group renewed the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps.

LISTING RULES IMPLICATION

As at the Latest Practicable Date, CITIC Group holds 21,230,929,783 Domestic Shares of the Company (representing approximately 26.46% of the total issued Shares of the Company), being a substantial shareholder of the Company, and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the Financing and Asset Transactions Framework Agreement and the transactions thereunder constitute the continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

The finance transactions proposed by the Company and CITIC Group pursuant to the Financing and Asset Transactions Framework Agreement constitute financial assistance under Rule 14A.24(4) of the Listing Rules. Among them, in accordance with the Financing and Asset Transactions Framework Agreement, part of the financial assistance provided by CITIC Group to the Company is on normal commercial terms, and no security over the assets of the Company will be granted in respect of such financial assistance, it therefore can be fully exempt pursuant to Rule 14A.90 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the non-exempt financial assistance to be provided by CITIC Group to the Company exceed 5%, which is subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the highest applicable percentage ratio calculated for the non-exempt financial assistance to be provided by CITIC Group to the Company under the Financing and Asset Transactions Framework Agreement exceeds 25% and the transaction does not involve acquisition or disposal of assets pursuant to Chapter 14 of the Listing Rules, the transaction also constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the non-exempt financial assistance to be provided by the Company to CITIC Group exceed 5%, which is subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the highest applicable percentage ratio calculated for the non-exempt financial assistance to be provided by the Company to CITIC Group under the Financing and Asset Transactions Framework Agreement exceeds 25% and the transaction does not involve acquisition or disposal of assets pursuant to Chapter 14 of the Listing Rules, the transaction also constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the deposit services to be provided by CITIC Group to the Company exceed 5%, which is subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as the highest applicable percentage ratio calculated for the deposit services to be provided by CITIC Group to the Company under the Financing and Asset Transactions Framework Agreement exceeds 25% and the transaction does not involve acquisition or disposal of assets pursuant to Chapter 14 of the Listing Rules, the transaction also constitutes a major transaction of the Company and is subject to the announcement, reporting and shareholders' approval requirements under Chapter 14 of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for CITIC Group's purchase of assets from the Company exceed 5%, which is subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In accordance with the Financing and Asset Transactions Framework Agreement, the applicable percentage ratios of the highest annual caps for the Company's purchase of assets from CITIC Group exceed 5%, which is subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

If a specific asset transaction of the Company contemplated under the Financing and Asset Transactions Framework Agreement constitutes a notifiable transaction under Chapter 14 of the Listing Rules, the Company will separately comply with all applicable requirements in relation to the notifiable transactions under Chapter 14 of the Listing Rules.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. SHAO Jingchun, Mr. ZHU Ning, Ms. CHEN Yuanling and Mr. LO Mun Lam, Raymond, has been established to advise the Independent Shareholders as to whether the terms of the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder, including — the 2025–2027 annual caps, are fair and reasonable, and on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote in respect of the relevant resolution(s) to be proposed at the EGM to approve the renewal of the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder, including — the 2025–2027 annual caps. We, Maxa Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company, its subsidiaries and any other parties that could reasonably be regarded as relevant to our independence in accordance with Rule 13.84 of the Listing Rules and accordingly, were qualified to give independent advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder. Save for this appointment as the Independent Financial Adviser in respect of the Transactions, there was no other engagement between the Company and us in the past two years. Apart from normal advisory fee payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, CITIC Group or their respective substantial shareholders or associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among other things: (i) the Financing and Asset Transactions Framework Agreement; (ii) the sample documents of the Transactions; (iii) the basis of calculation of the proposed annual caps; and (iv) the Company's internal control procedures in relation to the Transactions. We consider that we have reviewed sufficient and relevant information and documents and have taken reasonable steps as required under Rule 13.80 of the Listing Rules to reach an informed view and to provide a reasonable basis for our recommendation. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Group (the "**Management**"). We have assumed that (i) all statements, information and representations provided by the Directors and the Management; and (ii) the information referred to in the Circular, for which they are solely responsible, were true and accurate at the time when they were provided and continued to be so as at the Latest Practicable Date and the Shareholders will be notified of any material changes to such information and representations before the EGM. We have also assumed that all statements of belief, opinion, intention and expectation made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the representations and opinions expressed by the Company, its advisers and/or the Directors. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the Management nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group, CITIC Group and each of their respective subsidiaries or associates.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of us is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not be used out of context.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Financing and Asset Transactions Framework Agreement and the transactions contemplated thereunder (including the annual caps), we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Transactions

1.1 Information on the Group

The Company mainly engages in such businesses as distressed asset management, financial services, and asset management and investment business in China.

1.2 Information on CITIC Group

CITIC Group, a limited liability company incorporated in China, is a state-owned large comprehensive multi-national enterprise group deeply engaged in five business sectors, namely comprehensive finance, advanced intellectual manufacture, advanced material, new consumption and modern urbanization. The MOF is the ultimate beneficial owner of CITIC Group.

1.3 Reasons for and benefits of the Transactions

As stated in the Letter from the Board, CITIC Group makes efforts in the five business segments of comprehensive finance, advanced manufacturing, advanced materials, new consumption and new urbanization. Its member companies, such as China CITIC Bank, CITIC Securities, CITIC Trust and other institutions are leading enterprises in their respective industries, and boast strong comprehensive strengths. After CITIC Group became the substantial Shareholder of the Company, the Company entered into the initial financing and asset transactions framework agreement with CITIC Group, achieving significant synergic and cooperative results. The Company accelerates its core business transformation, substantially improves its operating performance and consolidates its positive momentum. The transactions under the renewal of the Financing and Asset Transactions Framework Agreement with CITIC Group are based on the demand in the ordinary and usual course of business of the Company, and may further integrate strengths and resources of the Company and CITIC Group, effectively improve the Company's economic benefits and promote the Company's business development. Such transactions can also constantly deepen the cooperation between the Company and CITIC Group in terms of project development, business innovation and investment and financing, strengthen information linkage and win-win cooperation, so as to increase the Company's comprehensive competitiveness in its core business of distressed asset operation.

Based on our review of the Financing and Asset Transactions Framework Agreement, we note that entering into the Financing and Asset Transactions Framework Agreement shall not preclude the Company and CITIC Group thereto from choosing counterparties at their discretion or conducting transactions with third parties. Under the Financing and Asset Transactions Framework Agreement, if one party is unable to satisfy the other party's requirements on financing or asset transactions, or if the conditions offered by independent third parties are more favorable, the other party shall be entitled to conduct transactions with independent third parties. The Company's choosing of CITIC Group as one of the potential customers of its financial assets and distressed assets is a commercial decision.

It has been the intention of the Company to strengthen its business with other independent third-party customers and therefore the Company is actively looking for opportunities to maintain a healthy balance in the diversity of its income sources and business operations. The Company strives to extend its business cooperation with existing independent customers and at the same time source new customers and optimise incremental business. The Company believes that CITIC Group is a state-owned enterprise with an extremely low risk of default and a good credit history accordingly. As CITIC Group is the shareholder of the Company, it maintains a more stable, reliable and trustworthy relationship with the Company compared with any other independent third-party customers.

To ensure the fairness and reasonableness of the Transactions, the Company has formulated certain internal guidelines and policies for financing and asset transactions, as well as internal procedures and systems for approving and monitoring such services and transactions. Such guidelines and policies set out the requirements for pre-trade quotations, applicable prices, pricing procedures, approval bodies and procedures, monitoring and review procedures.

In view of the above, we concur with the Directors' view that the renewal of the Financing and Asset Transactions Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Financing and Asset Transactions Framework Agreement

Set out below are the principal terms of the Financing and Asset Transactions Framework Agreement. For details of the scope of transactions, pricing principles and operation method of the Transactions, please refer to the section headed "1. Financing and Asset Transactions Framework Agreement" of the Letter from the Board.

Parties	:	CITIC Group; and The Company
Date	:	15 November 2024
Term and Termination	:	The Financing and Asset Transactions Framework Agreement shall come into effect upon approval of the Board, the shareholders' general meeting, etc. with company seals affixed by both parties in accordance with the requirements of laws and regulations, the Listing Rules and the Articles of Association. If any transactions under the Financing and Asset Transactions Framework Agreement constitute connected transactions under the Listing Rules, and such transactions are subject to the recognition by the stock exchange or the prior approval by the Independent Shareholders of the Company or compliance with any other provisions of the Listing Rules in relation to connected transactions, the performance of the Financing and Asset Transactions Framework Agreement and such transactions is conditional upon being carried out under the conditions given by the stock exchange and/or obtaining the prior approval of the Board and Independent Shareholders of the Company at the shareholders' general meeting in accordance with the requirements of the Listing Rules and/or complying with any other requirements of the Listing Rules in relation to connected transactions. Save as otherwise required by regulatory authorities and the laws, regulations and Listing Rules, the Financing and Asset Transactions Framework Agreement will be valid from 1 January 2025 to 31 December 2027 (both days inclusive). The Financing and Asset Transactions Framework Agreement, upon expiry, may be extended or renewed for three years with mutual consent in compliance with relevant laws, regulations and the Listing Rules.

If either party is in violation of any terms of the Financing and Asset Transactions Framework Agreement (the "**Defaulting Party of the Financing and Asset Transactions Framework Agreement**"), the other party (the "**Observant Party of the Financing and Asset Transactions Framework Agreement**") may notify such party in writing of its breach of contract, and require the Defaulting Party of the Financing and Asset Transactions Framework Agreement to remedy within a specified reasonable period of time. If the Defaulting Party of the Financing and Asset Transactions Framework Agreement fails to remedy such breach of contract within the aforesaid period of time, the Observant Party of the Financing and Asset Transactions Framework Agreement may immediately terminate the Financing and Asset Transactions Framework Agreement and reserve the right to claim compensation and any other legally permitted claims against the Defaulting Party of the Financing and Asset Transactions Framework Agreement.

Termination of the Financing and Asset Transactions Framework Agreement shall not affect any rights, obligations or liabilities of either party already incurred under the Financing and Asset Transactions Framework Agreement.

Scope of Transactions : The scope of financing transactions between the parties under the Financing and Asset Transactions Framework Agreement includes, but is not limited to:

- Finance transactions: i.e. capital financing activities provided by one party to the other party with or without guarantee measures, including but not limited to credit, loans, capital funding, interbank borrowing, inter-bank borrowing and lending, interbank deposits, interbank certificates of deposit, guarantee, letters of credit, pledged repurchase, bill discounting, investment in bonds issued by the other party;

- Deposit transactions: i.e. deposit services provided by CITIC Group to the Company, including but not limited to (a) deposits of cash balances arising from the Company's business operations, including cash from daily operations, proceeds from equity and bonds issuances; (b) cash deposits from the Company's customers; (c) funds in other currencies converted by the Company using deposit funds; and (d) cash equivalents with quasi-savings nature similar to demand deposits and other deposit services;

The scope of asset transactions between the parties under the Financing and Asset Transactions Framework Agreement includes, but is not limited to:

- Financial product transactions: i.e. a party purchases financial assets from the other party, including but not limited to bonds, derivatives, funds, wealth management products, asset management plans, trust products and insurance products issued by independent third parties that are underwritten or held by the other party;

- Distressed asset transactions: i.e. a party purchases the assets or interests related to distressed assets from the other party, including but not limited to debt assets, equity assets, real assets, income rights and other related asset interests (including the aforementioned assets formed directly or indirectly through asset management plans, trust plans, asset securitization methods, factoring or other forms), and reversely entrusts the other party to dispose of the aforementioned assets or interests.

CITIC Group shall take measures to ensure that its subsidiaries and/or its associates comply with the relevant covenants of the Financing and Asset Transactions Framework Agreement when carrying out financing transactions or asset transactions, and the Company shall take measures to ensure that its subsidiaries comply with the relevant covenants of the Financing and Asset Transactions Framework Agreement when carrying out financing or asset transactions.

Transaction Principles : Both parties agree that entering into the Financing and Asset Transactions Framework Agreement shall not preclude the parties thereto from choosing counterparties at their discretion or conducting transactions with third parties.

Under the Financing and Asset Transactions Framework Agreement, if one party is unable to satisfy the other party's requirements on financing or asset transactions, or if the conditions offered by independent third parties are more favorable, the other party shall be entitled to conduct transactions with independent third parties.

It is expected that CITIC Group will enter into specific transaction contracts with the Company within the scope agreed in the Financing and Asset Transactions Framework Agreement from time to time and as required.

Pricing Principles : The pricing principles for financing transactions are:

- Finance transactions: carried out on normal commercial terms and at the interest rates and prices of the same type during the same period and the market rates and price standards of the same type during the same period provided to independent third parties. The interest rates of loan or capital funding are determined by mutual negotiation based on the then applicable market rates of independent transaction parties of that type; the bond investment prices are determined by reference to the then applicable market prices of independent transaction parties of that type of bond; the interest rates and repurchase transaction of interbank business are determined by mutual negotiation based on the then applicable market rates and prices of independent transaction parties of that type;

- Deposit interest rates: not less than the deposit interest rates of commercial banks in the same period as published by the People's Bank of China, and the terms of the Company's deposits in the banking subsidiaries of CITIC Group are no less favorable than those available from independent third parties.

The pricing principles for asset transactions are:

- Financial product transactions: carried out on normal commercial terms and at the prices and rates of the same type during the same period offered to independent third-party customers, the market prices and rate standards of the same type during the same period and the subscription price and conditions for that type of product; on-market transactions of financial products shall be carried out at the then applicable market prices or market rates of that type of financial product; off-market and other transactions of financial products shall be carried out by mutual negotiation based on the then applicable market prices or market rates for that type of financial product; if there is no such then applicable market price or market rate for that type of financial product, the price or rate for that transaction shall be the price or rate negotiated by both parties in accordance with the arm's length principle;

- Distressed asset transactions: if the transaction is carried out by public bidding, the transaction price shall be determined on the basis of the auction transaction price; if the transaction is carried out by way of negotiated transfer, the transaction price is based on the market price or the valuation results set out in the valuation report issued by a valuation institution with corresponding business qualifications after valuation, and in accordance with the internal valuation methods of both parties, both parties shall give due consideration to the discount rate in combination with the actual situation of assets, and determine the transaction price by arm's length negotiation; for reversely entrusted disposal transactions, the entrusted fees will be negotiated by both parties in accordance with the arm's length principle.

In assessing the fairness and reasonableness of the terms in the Transactions, we have obtained and reviewed both the current financing and asset transactions framework agreement and renewed Financing and Asset Transactions Framework Agreement, and we note that the major terms of the renewed Financing and Asset Transactions Framework Agreement are similar to that of the current financing and asset transactions framework agreement, which was approved by the independent Shareholders in the extraordinary general meeting of the Company held on 30 September 2022.

As disclosed in the Letter from the Board, the prices/interest rates of finance transactions will be determined based on, among other things, comparable transactions with independent third parties, and applicable market prices or market rates. As part of our due diligence work, we have (i) randomly selected three types of finance transactions which were incurred during the period from 1 January 2022 and up to the Latest Practicable Date (the "**Review Period**"), namely interbank borrowing, investment in bonds issued by the other party and letters of credit (the "**Sample Finance Transactions**"); and (ii) obtained and reviewed one set of sample documents for each type of Sample Finance Transactions entered into between the Group and CITIC Group during the Review Period (the "**Reviewed Finance Transactions**"), and compared against the transaction documents of similar nature entered into between the Group and independent third parties (the "**Comparable Finance Transactions**") during the Review Period. Given that (i) the Sample Finance Transactions represent the types of finance transactions frequently incurred during the Review Period and were selected on a random basis; and (ii) the transaction nature of Comparable Finance Transactions are similar to the Reviewed Finance Transactions in terms of timing of the transactions and counterparties risk (i.e. reputable PRC financial institutions), we consider the Sample Finance Transactions and the Comparable Finance Transactions are fair and representative samples. Based on our review of the aforementioned transaction documents, we note that (i) in respect of the interbank borrowing and letters of credit transactions, the interest rates offered by CITIC Group under the Reviewed Finance Transactions are no less favourable than those offered by the independent third parties under the Comparable Finance Transactions; and (ii) in respect of the investment in bonds issued by the other party, the bond subscription price (i.e. coupon rate of the bond) offered by the Group to CITIC Group is the same as those offered to independent third parties. Hence, we conclude that (i) the pricing terms of the Sample Finance Transactions are in line with the pricing principles for financing transactions under the Financing and Asset Transactions Framework Agreement; and (ii) the pricing terms offered by CITIC Group to the Group are no less favourable than those provided by independent third parties, and vice versa. In view of the above, we are of the view that the financing transactions are carried out on normal commercial terms and the respective pricing principles are fair and reasonable.

As disclosed in the Letter from the Board, the prices/interest rates for deposit transactions will be no less favourable than, among other things, the deposit interest rates available from independent third parties. As part of our due diligence work, we have (i) randomly selected and obtained three samples of the daily balance slips for the deposit accounts maintained by the Group with China CITIC Bank during the Review Period and the deposit interest rates provided by China CITIC Bank to the Group on the respective sampling dates (the "**Sample Deposit Interest Rates**"); and (ii) independently researched the deposit rates published by four independent PRC commercial banks in their respective websites during the Review Period. Based on our review of the aforementioned documents and information, we note that the Sample Deposit Interest Rates are no less favourable than the deposit interest rates provided by the abovementioned independent commercial banks. In view of the above, we are of the view that the deposit transactions are carried out on normal commercial terms and the respective pricing principles are fair and reasonable.

As disclosed in the Letter from the Board, the pricing principles of the asset transactions include (i) for financial product transactions, the prices/interest rates will be determined based on, among other things, comparable transactions with independent third parties, applicable market prices or market rates, and subscription price and conditions; and (ii) for distressed asset transactions, (a) if the transaction is carried out by public bidding, the prices will be determined based on, among other things, the auction transaction price; and (b) if the transaction is carried out by negotiated transfer, the prices will be determined based on, among other things, the market price or the valuation results. As part of our due diligence work, we have (i) for distressed asset transactions, randomly selected and obtained two sets of sample distressed asset transaction documents (the "**Sample Distressed Asset Transaction(s)**") which were entered into between the Group with CITIC Group in 2023; and (ii) for financial product transactions, obtained one set of sample asset management plan document (the "**Sample Financial Product Transaction**") which were entered into between the Group with CITIC Securities in 2024. Having considered that (i) the Sample Distressed Asset Transactions covered both the transfer of distressed assets by way of public bidding and negotiated transfer and were selected on a random basis; and (ii) the Sample Financial Product Transaction, being the purchase of asset management plans by the Group, accounted for majority of historical amounts of the financial product transactions during the Review Period, we consider the Sample Distressed Asset Transactions and the Sample Financial Product Transaction are fair and representative samples. In respect of the Sample Distressed Asset Transactions, (i) for distressed asset transaction conducted through public bidding, we have independently searched the auction transaction price of the subject distressed asset published on the website of the relevant asset and equity exchange (產權交易所), and noted that the aforementioned price is not publicly disclosed. Alternatively, we have obtained and reviewed the on-site auction record sheet (競價會現場記錄單) for the Sample Distressed Asset Transaction, and note that the auction transaction price is in line with the final transaction price as stated in the Sample Distressed Asset Transaction; and (ii) for distressed asset transaction conducted through negotiated transfer, we have reviewed the valuation report of the subject distressed asset issued by third party appraisal company and note that the final transaction price as stated in the Sample Distressed Asset Transactions is no less favourable than the appraised value of the distress asset. In respect of the Sample Financial Product Transaction, we have independently researched on the websites of CITIC Securities and reviewed the pricing terms (mainly the asset management fee and custodian fee rates) of the asset management plan offered by CITIC Securities to independent third parties and note that the asset management fee and custodian fee rates stated in the Sample Financial Product Transaction are no less favourable than those offered by CITIC Securities to independent third parties. In view of the above, we are of the view that the asset transactions are carried out on normal commercial terms and the respective pricing principles are fair and reasonable.

In view of the above, we are of the view that the terms of the Financing and Asset Transactions Framework Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. The Proposed Annual Caps

3.1 Historical Transaction Amounts, Existing and Proposed Annual Caps

3.1.1 Finance Transactions

Set out below are (i) the maximum daily balance (including interests) of non-exempt financial assistance provided by CITIC Group to the Company and by the Company to CITIC Group for the two years ended 31 December 2023 and nine months ended 30 September 2024; (ii) the proposed annual caps (i.e. maximum daily balance (including interests) of non-exempt financial assistance provided by CITIC Group to the Company and by the Company to CITIC Group) for each of the three years ending 31 December 2025, 2026 and 2027 (such proposed annual caps do not include bond transactions (i.e. one party purchases bonds issued by independent third parties from the other party) under the asset transactions between the Company and CITIC Group in accordance with the Financing and Asset Transactions Framework Agreement); and (iii) the existing annual caps for each of the three years ending 31 December 2022, 2023 and 2024:

RMB'million (except for utilisation rates)	**Existing annual caps for the years ended/ ending 31 December**			**Proposed annual caps for the years ending 31 December**		
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
The provision of financial assistance by CITIC Group to the Company						
Annual Caps	67,850	67,850	67,850	69,680	69,780	69,580
Historical Amounts	961	7,935	1,400 Note 1	—	—	—
Utilisation Rates	1.42%	11.69%	2.06% Note 1	—	—	—
The provision of financial assistance by the Company to CITIC Group						
Annual Caps	14,140	14,140	14,140	20,000	20,000	20,000
Historical Amounts	208	54	148 Note 2	—	—	—
Utilisation Rates	1.47%	0.38%	1.05% Note 3	—	—	—

Note:

1. Unaudited, being the actual transaction amount for the nine months ended 30 September 2024.

2. The utilisation rate for the year ending 31 December 2024 is computed based on the historical amounts for the nine months ended 30 September 2024.

3. The Company confirmed that none of the existing annual caps have been exceeded as at the Latest Practicable Date.

3.1.2 Deposit Transactions

Set out below are (i) the maximum daily balance of the Company's deposits in CITIC Group for the two years ended 31 December 2023 and nine months ended 30 September 2024; (ii) the proposed annual caps (i.e. maximum daily balance of the Company's deposits in CITIC Group) for each of the three years ending 31 December 2025, 2026 and 2027; and (iii) the existing annual caps for each of the three years ending 31 December 2022, 2023 and 2024:

RMB'million (except for utilisation rates)	**Existing Annual Caps for the years ended/ending 31 December**			**Proposed Annual Caps for the years ending 31 December**		
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
Annual Caps	150,000	150,000	150,000	80,000	80,000	80,000
Historical Amounts	31,657	25,833	8,556[Note 1]	—	—	—
Utilisation Rates	21.10%	17.22%	5.70%[Note 2]	—	—	—

Note:

1. Unaudited, being the actual transaction amount for the nine months ended 30 September 2024.

2. The utilisation rate for the year ending 31 December 2024 is computed based on the historical amounts for the nine months ended 30 September 2024.

3. The Company confirmed that none of the existing annual caps have been exceeded as at the Latest Practicable Date.

3.1.3 Asset Transactions

Set out below are (i) the historical transaction amount (i.e. total amount of consideration paid by CITIC Group to the Company and by the Company to CITIC Group) for the two years ended 31 December 2023 and nine months ended 30 September 2024; (ii) the proposed annual caps (i.e. total amount of consideration paid by CITIC Group to the Company and by the Company to CITIC Group) for each of the three years ending 31 December 2025, 2026 and 2027; and (iii) the existing annual caps for each of the three years ending 31 December 2022, 2023 and 2024:

RMB'million (except for utilisation rates)	**Existing Annual Caps for the years ended/ending 31 December**			**Proposed Annual Caps for the years ending 31 December**		
	2022	**2023**	**2024**	**2025**	**2026**	**2027**
The purchase of assets from the Company by CITIC Group						
Annual Caps	39,500	39,500	39,500	16,320	15,280	15,280
Historical Amounts	1,516	1,110	46[Note 1]	—	—	—
Utilisation Rates	3.84%	2.81%	0.12%[Note 2]	—	—	—
The purchase of assets from CITIC Group by the Company						
Annual Caps	94,500	82,500	72,500	88,500	47,160	46,000
Historical Amounts	5,283	11,450	31,701[Note 1]	—	—	—
Utilisation Rates	5.59%	13.88%	43.73%[Note 2]	—	—	—

Note:

1. Unaudited, being the actual transaction amount for the nine months ended 30 September 2024.

2. The utilisation rate for the year ending 31 December 2024 is computed based on the historical amounts for the nine months ended 30 September 2024.

3. The Company confirmed that none of the existing annual caps have been exceeded as at the Latest Practicable Date.

3.2 Basis of determination of the proposed annual caps and our assessment

3.2.1 Finance Transactions

The provision of financial assistance by CITIC Group to the Company

In assessing the fairness and reasonableness of the proposed caps of the provision of financial assistance by CITIC Group to the Company, we have obtained the spreadsheet showing the breakdown of the proposed annual caps for the three years ending 31 December 2027. Based on our review of the spreadsheets, we note that the proposed annual caps primarily comprise of (i) pledged repurchase business by the subsidiary banking institutions of CITIC Group and the insurance and fund institutions affiliated with CITIC Group; (ii) interbank borrowing by CITIC Group to the Company; and (iii) M&A loans by China CITIC Bank to the Company.

(i) The pledged repurchase business and interbank borrowing with CITIC Group

As disclosed in the Letter from the Board, the Company has obtained a total credit line of approximately RMB125.3 billion from the subsidiary banking institutions of CITIC Group. As advised by the Management, from the beginning of 2022 and up to the end of June 2024, the maximum balance of the interbank borrowing of the Company ranged from approximately RMB500.0 billion to RMB600.0 billion, of which the maximum interbank borrowing provided by CITIC Group accounted for approximately 14% of the maximum balance of the Company's interbank borrowing during such period. As further advised by the Management, the aforesaid interbank borrowing balance provided CITIC Group to the Company was mainly exempted financial assistance. Nonetheless, for prudent sake, the Management has taken into consideration part of the interbank borrowing balance when determining the proposed annual caps.

In respect of the pledged repurchase business, the Company obtained a total credit line of approximately RMB30.0 billion from the subsidiaries of CITIC Group (being bank institutions, insurance institutions and fund institutions). As advised by the Management, the Company and subsidiaries of CITIC Group (being financial institutions) conducted pledged repurchase business of RMB50.0 billion in total for the year ended 31 December 2023. Considering the Company's continuous expansion of business and increasing financing needs, if the financing cost of pledge repurchase businesses is lower, the Company may adjust part of interbank borrowing businesses with CITIC Group to pledged repurchase businesses. Therefore, for prudent consideration, the Company takes the available maximum credit of the pledged repurchase businesses as one of the factors for considering the annual caps for the financial assistance by CITIC Group to the Company, so that the Company can flexibly carry out finance business.

(ii) The proposed M&A loan by CITIC Group to the Company

We have discussed with the Management and understand that, in determining the proposed amount of the M&A loans provided by CITIC Group, the Management mainly considered (i) the Company's existing credit line maintained with China CITIC Bank; and (ii) the existing business scale of M&A transaction undertaken by the Company. As disclosed in the Letter from the Board, the Company conducts distressed asset management business and revitalizes problematic enterprises by using M&A loans provided by China CITIC Bank. Currently, the transactions that the Company has carried out or has held business leads with amount up to approximately RMB10.0 billion, and successfully issued an M&A loan. As part of our due diligence work, we have obtained from the Management a restructuring proposal of a target company involving M&A loan ranged from approximately RMB1.0 billion to RMB2.0 billion. We have discussed with the Management and understand that the restructuring proposal was implemented in the 2nd half of 2024 and the corresponding M&A loan has been drawn down before the end of 2024. Considering that the amount of a single M&A loan is relatively large (around RMB1.0–2.0 billion) and the duration of the loan is relatively long, it is expected that the Company will gradually increase such business in the next three years, with the aggregate scale of approximately RMB30.0 billion.

In light of the above, we concur with the Directors' view that the proposed annual caps for the provision of financial assistance by CITIC Group to the Company for the three years ending 31 December 2027 are fair and reasonable so far as the Independent Shareholders are concerned.

The provision of financial assistance by the Company to CITIC Group

In assessing the fairness and reasonableness of the proposed caps of the provision of financial assistance by the Company to CITIC Group, we have obtained the spreadsheet showing the breakdown of the proposed annual caps for the three years ending 31 December 2027. Based on our review of the spreadsheet, we note that the proposed annual caps primarily comprise of (i) inter-bank lending credit lines to two affiliated institutions of CITIC Group included in the Approved Lists (as defined below); (ii) limit program for interbank certificates of deposits to one affiliated institution of CITIC Group included in the Approved Lists; and (iii) the shareholders' deposits and inter-bank borrowing and lending provided by the Company to China Huarong Financial Leasing Co., Ltd. ("**Financial Leasing Company**").

As advised by the Management, the Company purchases interbank certificates of deposits from or grants interbank lending credit line to financial institutions or banks, which (as the case may be) must be included in the internal approved (i) whitelist and limit program for interbank certificates of deposit; and (ii) list of inter-bank lending credit institutions and credit lines (the "**Approved List(s)**").

As further advised by the Management, the Approved Lists were prepared for the purpose of the management risks associated with the Company's (i) grant of inter-bank lending credit line to; and (ii) purchase of interbank certificates of deposit from, banks and financial institutions. The Approved Lists were prepared with reference to the relevant entities' asset size, corporate credit rating, nature of institutions, historical cooperation, and the daily tradable positions and other elements and will be submitted to Management. The

Approved Lists set out various financial institutions and banks with maximum purchased amount or interbank lending credit line amounts for each financial institution and bank. The Company will not purchase interbank certificates of deposits from or grant interbank lending credit line to any financial institution or bank if such entity is not included in the latest Approved Lists. In addition, unless the maximum purchased amount or interbank lending credit line amount for such financial institution or bank was adjusted with approval after relevant internal approval procedures, the Company will not purchase additional interbank certificates of deposits from or grant interbank lending to such financial institution or bank should the maximum purchased amounts or interbank lending credit line amounts be exceeded. The Company provided financial assistance according to the Approved Lists in the two years ended 31 December 2023 and nine months ended 30 September 2024.

As part of our due diligence work, we have obtained the existing Approved Lists as approved by the Management; and based on our review of the Approved Lists, we note that (i) two affiliated institutions of CITIC Group are included in the Approved Lists of the inter-bank lending credit institutions, to which the Company granted credit lines of approximately RMB8.5 billion in aggregate, and one affiliated institution of CITIC Group is included in the Approved Lists of the whitelist for interbank certificates of deposit with an approved limit of RMB3.0 billion; and (ii) the proposed purchase amounts of interbank certificates of deposits and proposed amounts of inter-bank lending credit line for the three years ending 31 December 2027 are determined based on the aforementioned approved limit and granted credit lines for the relevant affiliated institutions of CITIC Group in the Approved List, and the aforementioned approved limit and granted credit lines are higher than the aforementioned proposed amounts.

Reference is made to the Company's announcement dated 28 May 2024 in relation to the transfer of 60% issued shares of Financial Leasing Company held by the Company to CITIC Group (the "**Share Transfer**"). As a result of the Share Transfer, the shareholders' deposits and inter-bank borrowing and lending provided by the Company to Financial Leasing Company will be included in the scope of the Financing and Asset Transactions Framework Agreement, and the proposed financing amounts of the provision of financial assistance by the Company will not exceed RMB8.5 billion for each of the three years ending 31 December 2027.

According to the Company's annual report for the year ended 31 December 2023 (the "**2023AR**") and interim report for the six months ended 30 June 2024 (the "**2024IR**"), the Company achieved turnaround in its business operation as the Group recorded net profit of approximately RMB212.1 million for the year ended 31 December 2023 as compared to net loss of approximately RMB27.8 billion for the year ended 31 December 2022. The Group's financial performance remained satisfactory in the first half of 2024 as the Group recorded net profit of approximately RMB5.3 billion for the six months ended 30 June 2024 as compared to net loss of approximately RMB5.9 billion for the six months ended 30 June 2023. Benefited from the structural and trend-oriented improvements in the operation of the Group's core business and asset quality, the Group recorded net cash from operating activities of approximately RMB19.2 billion and RMB64.4 billion for the year ended 31 December 2023 and six months ended 30 June 2024 respectively. We have discussed with the Management and understand that, despite of the relatively low historical amounts of the provision of financial assistance by the Company to CITIC Group, with the Company's continued improvement in business operation and liquidity position as discussed above, the Company would have sufficient funding to provide financing to CITIC Group for generating additional interest income.

As disclosed in the 2024IR, the Company thoroughly implemented CITIC Group's collaborative initiatives and further deepened business synergies and cooperation to actively enhance synergistic value. In line with this strategy and the reinforcement of CITIC Group's collaborative development, the Company will strengthen the financing cooperation with relevant affiliated institutions of CITIC Group included in the Approved Lists in the future. As disclosed in the Letter from the Board, in order to increase the income from reserve funds, in 2023, the Company had carried out a significant scale of pledged financing business. Considering the industry status with the banks and other financial institutions under CITIC Group, the Company will strengthen its financing cooperation with it in the future, and it is expected that the transaction amount of pledged financing business with CITIC Group will be capped at approximately RMB4.0 billion.

In light of the above, we concur with the Directors' view that the proposed annual caps for the provision of financial assistance by the Company to CITIC Group for the three years ending 31 December 2027 are fair and reasonable so far as the Independent Shareholders are concerned.

3.2.2 Deposit Transactions

As shown from the table above, we note that the proposed maximum daily balance of the Group's deposits in CITIC Group of RMB80.0 billion for the three years ending 31 December 2027 represented (i) a decrease of approximately 46.7% as compared to the existing maximum daily balance of RMB150.0 billion the three years ending 31 December 2024; and (ii) an increase of approximately 152.7% as compared to the historical maximum daily balance of approximately RMB31.7 billion for the period from 1 January 2022 to 30 September 2024.

Based on our review of the 2024IR, we note that the Group's deposits with financial institutions amounted to approximately RMB64.9 billion, which represented approximately 81.2% of the proposed maximum daily balance. Apart from the improvement of the Company's financial performance and cash inflow from operating activities as discussed above, when determining the proposed maximum daily balance, the Management has also considered the fact that a significant increase in cash due to the concentration or short-term vesting of funds such as project repayment and bond issuance of the Company, resulting in an increase in deposit demand of the Company.

Based on our review of the 2023AR, on 15 August 2023 and 28 December 2023, the Company issued RMB20.0 billion and RMB6.4 billion financial bonds with both 3-year term and annual interest rate of 3.10% and 3.30% respectively. As part of our due diligence work, we have obtained the subscription agreements of the abovementioned two tranches of bond issued and note the total proceeds of approximately RMB26.4 billion were raised successfully and deposited in the Company's account, which we consider to be in line with the Management's insertion that the Company has a genuine need to maximise its proposed maximum daily balance to cater for short-term increases in the Group's funding balance.

Furthermore, as advised by the Management, the Company has maximum standing funds of more than RMB50.0 billion, which is mainly deposited in the Company's fund vesting account in the form of demand deposits. As part of the Company continues to implement CITIC Group's collaborative initiatives and further deepened business synergies, the Company plans to use the bank accounts opened with subsidiaries of CITIC Group (being bank institutions) as one of the main fund collection accounts in the future, and therefore determines the deposit transaction annual caps for the next three years with reference to balance of the Company's historical standing funds. Considering the large total scale of deposits that can be formed from the Company's reserve funds, liquidity support provided to subsidiaries through the entrusted loan system, repayment of funds for overseas bond issuance, currency exchange business, etc., in order to ensure that the annual caps can satisfy the needs of peak value of the daily deposit balance of the Company in CITIC Group, the annual caps are determined to be RMB80.0 billion by the Company for each of the three years ending 31 December 2027.

In light of the above, we concur with the Directors' view that the proposed maximum daily balance of the Group's deposit in CITIC Group for the three years ending 31 December 2027 are fair and reasonable so far as the Independent Shareholders are concerned and it enables the Company to cater for the short-term deposit demands resulting from cash inflow from the Group's operating and financing activities and provides more flexibility to the Group in allocating its deposits between CITIC Group and other financial institutions.

3.2.3 Asset Transactions

The purchase of assets from the Company by CITIC Group

In assessing the fairness and reasonableness of the proposed caps of the purchase of assets from the Company by CITIC Group, we have obtained the spreadsheet showing the breakdown of the proposed annual caps for the three years ending 31 December 2027. Based on our review of the spreadsheet, we note that the proposed annual caps primarily comprise of (i) proposed consideration to be paid by CITIC Group to the Company for purchase of distressed assets of approximately RMB8.0 billion, RMB7.0 billion and RMB7.0 billion for each of the three years ending 31 December 2025, 2026 and 2027 respectively; and (ii) proposed consideration to be paid by CITIC Group to the Company for purchase of financial products of approximately RMB8.3 billion for each of the three years ending 31 December 2027.

(i) The proposed consideration to be paid by CITIC Group to the Company for purchase of distressed assets

Based on our discussion with the Management, we understand that the proposed consideration to be paid by CITIC Group to the Company for purchase of distressed assets is determined with reference to the Company's asset disposal plan and the scale of the Company's existing distressed debt assets.

According to the 2023AR and 2024IR, we note that the balance of distressed debt assets (including acquisition-and-disposal debt assets and acquisition-and-restructuring debt assets) remained fairly stable and amounted to approximately RMB398.4 billion and RMB393.1 billion as at 31 December 2023 and 30 June 2024, respectively; whereas the gross amount of distressed debt assets disposed of for the year ended 31 December 2023 and six months ended 30 June 2024 amounted to approximately RMB28.2 billion and RMB15.2 billion, representing increase of approximately 7.1% and 17.5%, respectively, as compared to the same period last year. Based on our review of the 2023AR and 2024IR, we note that distressed asset management business is the core business of the Group and significant source of income, which accounted for more than 50% of the Group's total revenue (before inter-group elimination) for each of the year ended 31 December 2023 and six months ended 30 June 2024.

As advised by the Management, the Group will continue to enhance its efforts in the marketing of distressed assets, accelerate the cash recovery and improve the quality and efficiency of asset disposal. The Company's core business is expected to continuously develop, and in the future, the Company will continue to enrich the approaches of asset disposal and increase the disposal of distressed assets, and the Management also expects that the amount of distressed asset disposal will increase year-on-year. Against this background, we consider that the Group will strive to optimise its distressed asset disposal process as witnessed by the abovementioned period-over-period increases in the gross amount of distressed debt assets disposed of. Given that (i) the proposed consideration to be paid by CITIC Group to the Group for purchase of distressed assets of approximately RMB8.0 billion, RMB7.0 billion and RMB7.0 billion for the three years ending 31 December 2027 only accounted for approximately 28.4%, 24.8% and 24.8% of the Group's gross amount of distressed debt assets disposed of for the year ended 31 December 2023; and (ii) the scale of the Group's existing distressed asset balance and historical growth in the gross amount of distressed debt assets disposed of, we consider that the proposed considerations to be paid by CITIC Group to the Group for purchase of distressed assets for the three years ending 31 December 2027 to be justifiable.

(ii) The proposed consideration to be paid by CITIC Group to the Company for purchase of financial products

Based on our discussion with the Management, we understand that the proposed amounts mainly represent the considerations paid by CITIC Group to the Company for purchases of bond. In determining the aforesaid amounts, the Management mainly considered (i) historical amounts of the Group's bond transactions; and (ii) the expected growth in amounts of the bond transaction driven by the Company's business development and industry growth.

As disclosed in the Letter from the Board, the total volume of the Company's bond transactions for the two years ended 31 December 2023 amounted to approximately RMB27.9 billion. As part of our due diligence work, we have obtained the breakdown of the Company's bond transactions for the year ended 31 December 2023 and we note that a total of approximately RMB9.9 billion bonds were sold by the Company, which is higher than the proposed consideration of bonds sold to subsidiaries of CITIC Group of approximately RMB8.0 billion for each of the three years ending 31 December 2025, 2026 and 2027 respectively. In addition, according to the 2024IR, the aggregated balance of the Group's bond as at 30 June 2024 amounted to approximately RMB10.0 billion and the proposed consideration to be paid by CITIC Group to the Company for purchase of financial products of RMB8.3 billion would account for approximately 82.7% of the abovementioned bond balance. According to the data published by the People's Bank of China, a total of RMB71.0 trillion of various bonds was issued in the bond market in 2023, representing a year-on-year increase of 14.8%. Among them, bonds of RMB61.4 trillion were issued in the inter-bank bond market and bonds of RMB9.6 trillion were issued in the exchange market. In light of the continuous development of the financial market in the PRC and the continuous issuance of new financial products, it is expected that the financial market in the PRC will continue to develop and new financial products will continue to be issued. It is expected that the number and scale of mutual purchases and sales of financial products between the Company and CITIC Group will further increase.

In light of the above, we concur with the Directors' view that the proposed annual caps for purchase of assets from the Company by CITIC Group for the three years ending 31 December 2027 are fair and reasonable so far as the Independent Shareholders are concerned.

The purchase of assets from CITIC Group by the Company

In assessing the fairness and reasonableness of the proposed caps of the purchase of assets from CITIC Group by the Company, we have obtained the spreadsheet showing the breakdown of the proposed annual caps for the three years ending 31 December 2027. According to the spreadsheet, the proposed annual caps were calculated based on (i) proposed consideration to be paid by the Company to CITIC Group for purchase of distressed assets of approximately RMB26.3 billion, RMB24.9 billion and RMB23.8 billion for each of the three years ending 31 December 2025, 2026 and 2027 respectively; (ii) proposed consideration to be paid by the Company to CITIC Group for purchase of financial products of approximately RMB57.3 billion, RMB17.3 billion and RMB17.3 billion for each of the three years ending 31 December 2025, 2026 and 2027 respectively; and (iii) additional buffer of approximately RMB0.5 billion for the three years ending 31 December 2027.

(i) The proposed consideration to be paid by the Company to CITIC Group for purchase of distressed assets

According to the 2023AR and 2024IR, classified by the source of acquisition, the Company's distressed debt assets mainly include (i) distressed assets acquired from financial institutions ("**FI Distressed Assets**"); and (ii) distressed assets from non-financial enterprises. The balance of FI Distressed Assets remain fairly stable and amounted to approximately RMB197.1 billion and RMB198.1 billion as at 31 December 2023 and 30 June 2024 respectively; whereas the acquisition cost of newly added FI Distressed Assets for the year ended 31 December 2023 and six months ended 30 June 2024 amounted to approximately RMB33.7 billion and RMB15.3 billion, representing decrease of approximately 7.2% and increase of approximately 41.0%, respectively, as compared to the same period last year. As disclosed in the Letter from the Board, the banking industry disposed of approximately RMB3.13 trillion, RMB3.10 trillion and RMB3.00 trillion of distressed assets for the entire years from 2021 to 2023, respectively. The market for the distressed assets of banking institutions has been an important source of distressed assets acquisition for the Company. The banking industry has been stepping up its effort to dispose of distressed assets, which furnished the Company with more opportunities for development.

We have inquired with the Management and understand that, in determining the proposed consideration to be paid by the Company to CITIC Group for purchase of distressed assets, the respective management of provincial branches of the Company communicated and discussed with local subsidiaries of CITIC Group about the expected scale and number of distressed assets and disposal plans that both parties have a preliminary intention of cooperation. Taking into account the scale and discount rate of the Company's previous assets acquisitions from subsidiaries of CITIC Group, the management of provincial branches of the Company estimated the proposed consideration to be paid to CITIC Group, and the Management reviewed and consolidated the proposed consideration of all provincial branches. As part of our due diligence work, we have obtained the relevant spreadsheet of the proposed consideration to be paid by the Company to CITIC Group for purchase of distressed assets, with the breakdown of the proposed consideration for purchase of distressed assets to be paid by more than 30 branches of the Company to the subsidiaries of CITIC Group. We note that the aggregation of aforementioned proposed consideration of all provincial branches are slightly higher than the proposed annual caps for the consideration to be paid by the Company for the purchase of distressed assets from CITIC Group the three years ending 31 December 2025, 2026 and 2027, which are approximately RMB26.2 billion, RMB24.9 billion and RMB23.7 billion, respectively.

According to the annual report for the year ended 31 December 2023 and interim report for the six months ended 30 June 2024 published by China CITIC Bank, the balance of non-performing loans was approximately RMB64.8 billion and RMB66.6 billion as at 31 December 2023 and 30 June 2024; whereas China CITIC Bank disposed of non-performing loans totaling approximately RMB82.2 billion and RMB40.4 billion for the year ended 31 December 2023 and six months period ended 30 June 2024, respectively. Taking into account of the scale of China CITIC Bank's non-performing loans as well as the proposed disposal plans of distressed assets by other affiliated financial institutions of CITIC Group as discussed above, we consider that the proposed considerations to be paid by the Group to CITIC Group for purchase of distressed assets for the three years ending 31 December 2027 to be justifiable.

(ii) The proposed consideration to be paid by the Company to CITIC Group for purchase of financial products

Based on our review of the spreadsheet, the proposed consideration to be paid by the Company to CITIC Group for purchase of financial products for the three years ending 31 December 2027 mainly comprise of purchase of bond and derivative products.

In determining the proposed purchase consideration of bond for the three years ending 31 December 2027, the Management mainly considered (i) historical amounts of the Group's bond transactions; and (ii) the expected growth in amounts of the bond transaction driven by the Company's business development and industry growth.

In respect of the proposed purchase consideration of bond for the three years ending 31 December 2027. As part of our due diligence work, we have obtained the breakdown of the Company's bond transactions for the year ended 31 December 2023 and note that a total of approximately RMB16.0 billion bonds were purchased by the Company, which is higher than the proposed consideration of bonds purchased from subsidiaries of CITIC Group, which is approximately RMB8.0 billion for each of the three years ending 31 December 2025, 2026 and 2027 respectively.

In respect of the proposed purchase consideration of derivatives products, we have discussed with the Management and understand that it is necessary to continuously carry out foreign exchange hedging work to control the risk of exchange rate fluctuations. As at 30 June 2024, the foreign currency exposure of significant subsidiaries of the Company was approximately RMB68.0 billion. Based on the needs of the Company for foreign currency exposure management, the Company intends to use half of the foreign currency exchange exposure for foreign exchange hedging. Considering the financial status of the subsidiaries of CITIC Group such as China CITIC Bank and CLSA Limited and comprehensively taking into account the Company's hedging needs for other risk exposures, the estimated amount of derivative transactions between the Company and CITIC Group's subsidiaries was determined based on no more than 30% of the abovementioned hedging scale, that is, the annual cap for notional amount is approximately RMB9.0 billion for each of the three years ending 31 December 2027.

In addition, we note that the proposed consideration for the year ending 31 December 2025 of approximately RMB57.3 billion is significantly higher than the amounts of approximately RMB17.3 billion for the two years ending 31 December 2027. As advised by the Management, according to the Company's strategic development plan, in order to give full play to the synergistic advantages with CITIC Group, improve investment risk management and control ability, and strengthen investment professional capability support, the Company intends to continue to entrust professional institutions such as CITIC Securities with the establishment of new asset management plan, and set up professional asset management teams to carry out investment businesses within the scope prescribed by the regulatory authorities. As part of our due diligence work, we have reviewed the announcements and circulars of the Company dated from 1 January 2024 to the Latest Practicable Date and note the Company has entrusted CITIC Securities Asset Management Co., Ltd., a subsidiary of CITIC Securities, to establish a single asset management plan, and the scale of the entrusted funds shall not exceed RMB40.0 billion (inclusive), details of which are set out in the circular of the Company dated 9 January 2024. As advised by the Management, the Company has already invested approximately RMB31.0 billion in the aforementioned single asset management plan during the six months ended 30 June 2024, and based on the historical transaction amounts and past cooperation experience, it is estimated that the aggregated investment scale of the new asset management plans for the year ending 31 December 2025 amounted to approximately RMB40.0 billion.

In light of the above, we concur with the Directors' view that the proposed annual caps for purchase of assets from CITIC Group by the Company for the three years ending 31 December 2027 are fair and reasonable so far as the Independent Shareholders are concerned.

While we reckon that (i) the utilisation rates for the existing annual caps for each of the finance transactions and asset transactions for the three years ending 31 December 2024 (save for the purchase of assets from CITIC Group by the Company for the nine months ended 30 September 2024) are relatively low; (ii) the proposed annual caps for such transactions for the three years ending 31 December 2027 are generally in line with the existing annual caps and/or significantly higher than the historical transaction amounts, we consider that the actual transaction balances or amounts between the Company and CITIC Group would eventually depend various factors such as the prevailing economic or financial conditions, securities market volatility, change in monetary policies and regulatory environment, some of which are beyond the control of the Company. Therefore, we consider it would be difficult for the Management to determine the proposed annual caps for the three years ending 31 December 2027 with high degree of certainty. Nonetheless, we consider that it is in the interests of the Group and the Shareholders to determine the aforesaid proposed annual caps at appropriate level which can accommodate the potential growth of the Company's businesses and provide flexibility to the Company in conducting the finance transactions and asset transactions with CITIC Group. In particular, when determining the proposed annual caps for the three years ending 31 December 2027, the Directors have taken into consideration of (i) the increasing financing needs resulting from the continuous expansion of the Company's business as well as the proposed amount of M&A loans to be issued by the Company during the three years ending 31 December 2027; (ii) the improvement of the Company's financial performance and liquidity position as witnessed by the turnaround from loss to profit for the year ended 31 December 2023 and cash inflow from operating activities for the year ended 31 December 2023 and six months ended 30 June 2024; (iii) the Company's strategy to thoroughly implement CITIC Group's collaborative initiatives and further deepen business synergies and cooperation to actively enhance synergistic value, which in turn would increase the transactions volume between the Company and CITIC Group; (iv) the historical scale and amount of the Company's finance transactions asset transactions; and (v) the scale of distressed asset balance of both the Group and CITIC Group. In addition, the Company has appropriate internal control policies (please refer to the section headed "4. Internal Control Policies" below for reference) in place to safeguard the interests of the Shareholders. In light of the above and the due diligence work performed by us in relation to the proposed caps amount as discussed in this section, we consider that the proposed annual caps for the three years ending 31 December 2027 for the finance transactions and asset transactions to be fair and reasonable.

4. Internal Control Policies

The Company has formulated certain internal guidelines and policy specifications for the Transactions, details of which are included in the section headed "2. Internal Management Measures for Continuing Connected Transactions" in the Letter from the Board. We have also obtained and reviewed the Company's internal procedures and systems for approving and monitoring such services and transactions, including the Measures of the Administration of Connected Transactions (關連交易管理辦法).

Based on our review of the sample transaction documents as discussed in the section headed "2. Principal terms of the Financing and Asset Transactions Framework Agreement" above, we note that the Group had adhered to the aforementioned internal control policies, in particular, the pricing principles under the Financing and Asset Transactions Framework Agreement have been strictly complied.

We have also obtained and reviewed three sets of quarterly and annual monitor reports (covering finance transactions, deposit transactions and asset transactions) setting out the utilisation of the annual caps provided by the Group during the Review Period which were randomly selected by the Company as per our request and found that all the utilisation amount is within the annual caps which fully complied with the internal control policy of the Company. We consider that the Company has an effective mechanism in place to monitor the transactions on an on-going basis under the Financing and Asset Transactions Framework Agreement to ensure that the transaction amount under the Financing and Asset Transactions Framework Agreement will not exceed the relevant annual caps.

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the independent non-executive Directors and auditor of the Company will conduct annual review and issue confirmations regarding the continuing connected transactions of the Company each year. We have reviewed the Company's annual report for the year ended 31 December 2022 and the 2023AR and note that the independent non-executive Directors and the auditor of the Company have reviewed the Transactions, including the current financing and asset transactions framework agreement, during such years and provided the relevant confirmations. As confirmed with the Company, the Company will continue to comply with the relevant annual review requirement under the Listing Rules on an on-going basis.

Based on the above, we concur with the Directors' view that the Group has effective internal policies in place to continue to monitor the continuing connected transactions under the Financing and Asset Transactions Framework Agreement and relevant proposed annual caps, and hence the interest of the Independent Shareholders would be safeguard.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM of 27 December 2024 to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Maxa Capital Limited
Sammy Leung
Managing Director

Mr. Sammy Leung is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Maxa Capital to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 13 years of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three financial years ended 31 December 2021, 2022 and 2023 is set out in the relevant annual reports which have been published by the Company on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (www.famc.citic). Please also refer to the hyperlinks for the following relevant interim report and annual reports:

(1) The interim report of the Company for the six months ended 30 June 2024 published on 25 September 2024 (pages 77 to 140):

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0925/2024092500811.pdf

(2) the annual report of the Company for the year ended 31 December 2023 published on 26 April 2024 (pages 206 to 414):

https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042603323.pdf

(3) the annual report of the Company for the year ended 31 December 2022 published on 26 April 2023 (pages 218 to 430):

https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042602058.pdf

(4) the annual report of the Company for the year ended 31 December 2021 published on 27 April 2022 (pages 158 to 362):

https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042701339.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2024, being the Latest Practicable Date for the purpose of this indebtedness statement, the indebtedness of the Group is as follows:

Borrowings

The Group has arranged borrowings from banks and other financial institutions to fund its acquisitions of distressed debt assets and other investments. As at 31 October 2024, the Latest Practicable Date for the purpose of this indebtedness statement, the Group's borrowings from banks and other financial institutions amounted to RMB773,730.37 million.

	As at 31 October 2024 (in millions of RMB)
Unsecured and unguaranteed loans	746,308.96
Guaranteed but unsecured loans	6,208.73
Secured but unguaranteed loans	21,212.68
Total	773,730.37

Note: The borrowings are classified into three categories: (i) unsecured and unguaranteed loans, (ii) guaranteed but unsecured loans, (iii) secured but unguaranteed loans.

Unsecured and unguaranteed loans refer to loans without any collaterals, pledges or guarantors. Guaranteed but unsecured loans refer to loans guaranteed by a guarantor without any collaterals or pledges; the whole balance was borrowed by subsidiaries of the Company and guaranteed by the Company or subsidiaries of the Company, and there was no balance guaranteed by a third-party guarantor. Secured but unguaranteed loans refer to loans secured by collaterals or pledges without any guarantors.

Bonds and notes issued

As at 31 October 2024, the total carrying amount of the Group's outstanding bonds and notes issued amounted to RMB175,997.03 million, all of which were unsecured and unguaranteed.

	As at 31 October 2024 (in millions of RMB)
Due in 1 year	22,836.77
Due in 1–2 years	34,175.89
Due in 2–3 years	69,048.71
Due in 3–4 years	38,441.26
Due in 4–5 years	3,810.98
Due in more than 5 years	7,683.42
Total	175,997.03

Lease liabilities

As at 31 October 2024, lease liabilities recognized by the Group as a lessee which arose from its signing of non-cancellable lease agreements are set out as follows, all of which were unsecured and unguaranteed:

	As at 31 October 2024 (in millions of RMB)
Within one year	111.87
Within a period of more than one year but not more than two years	94.14
Within a period of more than two years but not more than five years	180.81
Within a period of more than five years	65.80
Total	452.62

Capital Commitments

	As at 31 October 2024 (in millions of RMB)
Contracted but not yet paid for	
— Commitments for the acquisition of long-term assets	6,530.42
Total	6,530.42

Credit Enhancements

As at 31 October 2024, the Group did not provide any credit enhancements to the borrowings of external transaction counterparties.

Off-balance Sheet Arrangements

As at 31 October 2024, there were no material off-balance sheet arrangements as defined under International Financial Reporting Standards (IFRS) in the Company and the subsidiaries.

Contingent Liabilities

Due to the nature of our businesses, the Company and subsidiaries are involved in various legal proceedings in the ordinary course of business, including litigations and arbitrations. We make provisions for probable losses arising from these claims when the management can reasonably estimate the outcome of the proceedings, in light of legal advice we have received. We do not make provisions for pending litigations when the outcome cannot be reasonably estimated or when the management believes that the probability of losses is remote or that any resulting liabilities will not have a material adverse effect on our financial position or business performance. As at 31 October 2024, in accordance with court judgments or the advice of legal counsels the Group has confirmed that the estimated contingent liabilities are as follows:

	As at 31 October 2024 (in millions of RMB)
Legal proceedings	72.92
Total	72.92

In addition, as at 31 October 2024, the Group's indebtedness also included placements from financial institutions and financial assets sold under repurchase agreements that arise from the normal course of business.

Other than disclosed above and apart from intra-group liabilities, as at 31 October 2024, the Group did not have any other outstanding bonds and notes issued, borrowings, bank overdrafts, mortgages or charges, liabilities under acceptance or other similar indebtedness, finance lease commitments, or any guarantees or other contingent liabilities.

The Directors have confirmed that there have been no material adverse changes in the indebtedness or contingent liabilities of the Group since 31 October 2024.

3. WORKING CAPITAL

The Directors, after prudent and careful consideration, are of the opinion that after taking into account the current available banking facilities and the internal resources of the Group, the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or operating position of the Group since 31 December 2023 (being the date on which the latest audited consolidated financial statements of the Group were made up).

5. 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 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.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes the information with regard to the Group given in compliance with the Listing Rules. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, all information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there is no other matter the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

As at the Latest Practicable Date, none of the Directors, supervisors or chief executives of the Company had any interests or short positions in the Shares, underlying Shares and debenture of the Company or any of its associated corporations which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, supervisors or chief executives of the Company were taken or deemed to have under such provisions of the SFO); (ii) required to be recorded in the register kept pursuant to Section 352 of the SFO; or (iii) as notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

3. DISCLOSURE OF INTERESTS HELD BY THE SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, to the best of our Directors' knowledge, the following persons (except for the Directors, supervisors and chief executives of the Company) have their interests or short positions held in the Company's Shares and underlying Shares to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO, or interests or short positions which were recorded in the register kept pursuant to Section 336 of the SFO or notified to the Company and the Hong Kong Stock Exchange:

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 the Latest Practicable Date.

(2) Calculated based on a total of 80,246,679,047 Shares in issue of the Company as at the Latest Practicable Date.

(3) According to the Corporate Substantial Shareholder Notices from CITIC Group filed with the Hong Kong Stock Exchange on 10 March 2023, CITIC Group directly holds 21,230,929,783 Domestic Shares of the Company and is a substantial shareholder of the Company. The MOF is the ultimate beneficial owner of CITIC Group.

(4) According to the Corporate Substantial Shareholder Notice from China Life Franklin Asset Management Co., Limited filed with the Hong Kong Stock Exchange on 15 February 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 24 November 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 28 November 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.

Save as disclosed in this circular, the Directors are not aware of any person that is entitled to exercise or control 5% or more voting rights at the general meeting of the Company as at the Latest Practicable Date and has the substantial capacity to direct or affect the management of the Company at the same time.

Save for Mr. Liu Zhengjun and Mr. Xu Wei who hold positions in CITIC Group, as at the Latest Practicable Date, no other Director or supervisor acted as director or employee of any company having any interests or short position in the Shares or underlying Shares of the Company or otherwise was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO.

4. SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

As at the Latest Practicable Date, the Company has not entered into or proposed to enter into any service contract with the Directors or supervisors of the Company which may not be terminated within one year without compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors directly or indirectly had any interests in any assets which have been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group since 31 December 2023 (being the settlement date on which the latest published audited accounts of the Group were made up).

As at the Latest Practicable Date, there is no contract or arrangement subsisting at the date of this circular in which a Director is materially interested and which is significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or candidate directors or their respective close associates has an interest, which shall be disclosed pursuant to Rule 8.10 of the Listing Rules in the event that each of them is a controlling Shareholder of the Company, in a business which competes or is likely to compete with the Group's business.

7. MATERIAL CONTRACTS

The Company or any of its subsidiaries has entered into the following material contracts within the two years immediately before the date of this circular and up to the Latest Practicable Date, which were not entered into in the ordinary and usual course of business:

(1) The share transfer agreement dated 15 November 2023 entered into between the Company and CITIC Group and CITIC Polaris Limited in relation to the acquisition of 1,457,422,158 shares of CITIC Limited at a consideration of HK$13,626,897,177.3;

(2) The share transfer agreement dated 20 November 2023 entered into between the Company and Chongqing Zhongxin No.1 Equity Investment Center (Limited Partnership) (重慶中新壹號股權投資中心(有限合夥)) in relation to the acquisition of 358,330,000 shares of China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司) at a consideration of RMB3,009,972,000;

(3) The share transfer agreement dated 28 May 2024 entered into between the Company and CITIC Group in relation to the transfer of 7,538,222,567 shares of Huarong Financial Leasing Co., Ltd. at a consideration of RMB11,997,543,239.36;

(4) The share transfer agreement dated 8 November 2024 entered into between the Company and ICBC Credit Suisse Asset Management Co., Ltd. and its subsidiary ICBC Credit Suisse Asset Management (International) Company Limited, Bosera Asset Management Co., Limited and its subsidiary Bosera Asset Management (International) Co., Limited, and Dacheng Fund Management Co., Ltd. and its subsidiary Da Cheng International Asset Management Company Limited in relation to the acquisition of 1,419,532,000 shares of CITIC Limited at a consideration of RMB11,266,222,182.90;

(5) The trust contract dated 8 November 2024 entered into between the Company and CITIC Trust in relation to the establishment of a single asset service trust at a value of no more than RMB20.0 billion; and

(6) The securities research comprehensive services agreement dated 8 November 2024 entered into between the Company and each of CITIC Securities and CSC Financial Co., Ltd. in relation to the provision of the consulting services to further promoting investment allocation.

8. MATERIAL LITIGATION

To the best knowledge of the Directors, as of the Latest Practicable Date, none of the member of the Group is involved in any other material litigation or arbitration or claim, neither are the Directors aware of other material litigation or claim that is pending or threatening by or against by any member of the Group.

9. EXPERT'S QUALIFICATION AND CONSENT

The qualification of the expert or professional adviser which has expressed opinions and suggestions in this circular is as follows:

Name	Qualification
Maxa Capital	A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

(1) The expert above has given its consent to the issue of this circular with the inclusion of its letter or the reference to its name in the form and context in which it is set out, and no withdrawal of the consent has been effected to date.

(2) As at the Latest Practicable Date, the expert above does not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate other persons to subscribe for the securities of any member of the Group.

(3) As at the Latest Practicable Date, the expert above does not, directly or indirectly, have any interests in any assets which any member of the Group has acquired or sold or leased, or intended to acquire or sell or lease since 31 December 2023 (namely the settlement date of the latest published audited accounts issued by the Group).

10. MISCELLANEOUS

(1) The registered office and head office of the Company is at No. 8 Financial Street, Xicheng District, Beijing, the PRC.

(2) The principal place of business in Hong Kong of the Company is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

(3) The H Share Registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(4) The joint company secretaries of the Company are Wang Yongjie (the Secretary of the Board) and Ngai Wai Fung (a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, a member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Chartered Governance Institute in the United Kingdom, a fellow member of The Hong Kong Chartered Governance Institute, a fellow member of The Hong Kong Institute of Directors, a member of the Hong Kong Securities and Investment Institute and a member of the Chartered Institute of Arbitrators).

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be available for display on the website of the Company (www.famc.citic) and the website of the Hong Kong Stock Exchange (www.hkexnews.hk) for the period from the date of this circular to the date of the EGM (inclusive):

(1) the Financing and Asset Transactions Framework Agreement; and

(2) the experts' consent mentioned in the paragraph headed "Expert's Qualification and Consent" in this Appendix.

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)

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that the fifth extraordinary general meeting of Shareholders (the "**EGM**" or "**Extraordinary General Meeting**") of China CITIC Financial Asset Management Co., Ltd. (the "**Company**") for 2024 will be held at Conference Room 1221, No. 8 Financial Street, Xicheng District, Beijing, the PRC, at 10:00 a.m. on Friday, 27 December 2024, for considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. To consider and approve the renewal of the Financing and Asset Transactions Framework Agreement and its 2025–2027 annual caps

Closure of Register of Members

The H Share register of members of the Company will be closed from Friday, 20 December 2024 to Friday, 27 December 2024 (both days inclusive), during which period no transfer of H Shares will be registered. H Shareholders and Domestic Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 19 December 2024 will be entitled to attend the EGM. Any H Shareholder who wishes to attend the EGM shall deposit the share certificates together with the transfer documents at the H Share Registrar of the Company, Computershare Hong Kong Investor Services Limited, no later than 4:30 p.m. on Thursday, 19 December 2024.

The address of the H Share Registrar is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

Details of the above resolution are set out in the circular of the EGM dated 11 December 2024 of the Company. Unless otherwise stated, terms used in this notice shall have the same meanings as defined in the circular.

By order of the Board
China CITIC Financial Asset Management Co., Ltd.
LIU Zhengjun
Chairman

Beijing, the PRC
11 December 2024

As at the date of this notice, the Board comprises Mr. LIU Zhengjun and Mr. LI Zimin as executive directors; Ms. ZHAO Jiangping, Mr. XU Wei and Mr. TANG Hongtao as non-executive directors; Mr. SHAO Jingchun, Mr. ZHU Ning, Ms. CHEN Yuanling and Mr. LO Mun Lam, Raymond as independent non-executive directors.

Notes:

1. The register of members of the Company will be closed from Friday, 20 December 2024 to Friday, 27 December 2024 (both days inclusive). H Shareholders and Domestic Shareholders of the Company whose names appear on the register of members of the Company at the close of business on Thursday, 19 December 2024 will be entitled to attend and vote at the EGM. H Shareholders who wish to attend and vote at the EGM shall deposit all the transfer documents together with the Share certificates with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 19 December 2024.

2. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxy(ies) to attend and vote on his/her behalf. A proxy need not to be a Shareholder, but he/she must attend the EGM in person to represent the relevant Shareholder.

3. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her attorney duly authorized in writing. If the Shareholder is a corporation, that instrument must be executed either under its common seal or under the hand of its legal representative, Director(s) or duly authorized attorney. If that instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarised.

4. In order to be valid, the proxy form, the notarised power of attorney or other authorization document (if any) must be delivered to the Board office of the Company at No. 8 Financial Street, Xicheng District, Beijing, the PRC for Domestic Shareholders and to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for H Shareholders no later than 24 hours before the time appointed for the holding of the EGM (i.e. before 10:00 a.m. on Thursday, 26 December 2024) or any adjournment thereof (as the case may be). Completion and return of a proxy form will not preclude a Shareholder from attending and voting in person at the EGM or any adjournment thereof if he/she so wishes.

5. Pursuant to the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll. As such, the resolution set out in the notice of the EGM will be voted on by poll. The EGM will adopt on-site voting method.

6. The EGM is expected to last for half a day. Shareholders (in person or by proxy) attending the EGM are responsible for their own transportation and accommodation expenses. Shareholders or their proxies attending the EGM shall produce their identity documents.

7. In the case of joint Shareholders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholder(s), and for this purpose, seniority will be determined by the order in which the names stand on the register of members in respect of the relevant joint holding.

8. According to the Articles of Association, where the number of equity interests of the Company pledged by a shareholder reaches or exceeds 50% of the equity interests held by such shareholder in the Company, no voting right in respect of the pledged equity interests shall be exercised at the shareholders' general meeting. Upon the registration of pledge of equity interests, such shareholder shall provide the Company with the relevant information of the pledged equity interests in a timely manner.