



中国信达资产管理股份有限公司
CHINA CINDA ASSET MANAGEMENT CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)
Stock Code: 01359 Preference Shares Stock Code: 04621

2024 Interim Report



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Definitions

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

“(our) Company”	China Cinda Asset Management Co., Ltd.
“(our) Group”	China Cinda Asset Management Co., Ltd. and its subsidiaries
“2021 Offshore Preference Shares”	85,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on November 3, 2021, which are listed and traded on the Hong Kong Stock Exchange (stock code: 04621)
“Articles”	the current Articles of Association of China Cinda Asset Management Co., Ltd.
“CBIRC” or “CBRC”	The former China Banking and Insurance Regulatory Commission and former China Banking Regulatory Commission
“Cinda Financial Leasing”	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
“Cinda Fund”	Cinda Fund Management Co., Ltd., a subsidiary of the Company
“Cinda Futures”	Cinda Futures Co., Ltd., a subsidiary of the Company
“Cinda Hong Kong”	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
“Cinda International”	Cinda International Holdings Limited, a subsidiary of the Company (a company listed on the Hong Kong Stock Exchange, stock code: 00111)
“Cinda Investment”	Cinda Investment Co., Ltd., a subsidiary of the Company
“Cinda Real Estate”	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 600657)
“Cinda Securities”	Cinda Securities Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 601059)
“Domestic Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) subscribed for or credited as fully paid up in Renminbi
“H Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) listed on the Hong Kong Stock Exchange
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS Accounting Standards”	International Financial Reporting Accounting Standards issued by the International Accounting Standards Board
“Jingu Trust”	China Jingu International Trust Co., Ltd., a subsidiary of the Company
“Latest Practicable Date”	September 19, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this announcement prior to its publication
“MOF”	the Ministry of Finance of the PRC
“NFRA”	National Financial Regulatory Administration
“NCB”	NCB Hong Kong and its subsidiaries
“NCB China”	Nanyang Commercial Bank (China) Limited, a wholly-owned subsidiary of NCB Hong Kong
“NCB Hong Kong”	Nanyang Commercial Bank, Limited, a licensed bank in Hong Kong, a subsidiary of the Company
“PRC GAAP”	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi
“Zhongrun Development”	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

1 Corporate Information

Official Chinese name	中國信達資產管理股份有限公司	Chinese abbreviation	中國信達
Official English name	China Cinda Asset Management Co., Ltd.	English abbreviation	China Cinda
Legal representative	Zhang Weidong		
Authorized representatives	Zhang Weidong, Ai Jiuchao		
Board Secretary	Ai Jiuchao		
Company Secretary	Ai Jiuchao		
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC	Postal code of place of registration	100031
Company's website	www.cinda.com.cn		
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong		
Website of Hong Kong Stock Exchange for publishing the H Shares interim report	www.hkexnews.hk		
Place for maintaining interim report available for inspection	Board of Directors' Office of the Company		
Place of listing of H Shares	Hong Kong Stock Exchange	Place of listing of 2021 Offshore Preference Shares	Hong Kong Stock Exchange
Stock short name of H Shares	China Cinda	Stock short name of 2021 Offshore Preference Shares	CINDA 21USDPREF
Stock code of H Shares	01359	Stock code of 2021 Offshore Preference Shares	04621
Registrar of H Shares	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong		
Unified social credit code	91110000710924945A		
Registration number of financial license	J0004H111000001		
Legal advisors as to PRC Law	Fangda Partners Haiwen & Partners Zhong Lun Law Firm Tian Yuan Law Firm	Legal advisor as to Hong Kong Law	Clifford Chance LLP
Domestic accounting firm	Ernst & Young Hua Ming LLP	International accounting firm	Ernst & Young

2 Financial Summary

The financial information contained in this report was prepared in accordance with the IFRS Accounting Standards. Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB.

In 2019, as approved at the general meeting, the Company entered into a legally binding transfer agreement with the transferees to transfer its 50.995% equity interests in Happy Life Insurance Co., Ltd. (“**Happy Life**”), and thus its equity interests in Happy Life were classified as assets held for sale. After such classification, insurance was no longer a business segment of the Group, and accordingly, it was presented as a discontinued operation. In July 2020, the CBIRC approved the transfer of equity interests and the Company ceased to have any interests in Happy Life. For the financial information for 2020 of the Group, the results of the discontinued operation and the results of continuing operations were presented separately, of which the profit or loss after tax from the discontinued operation was charged into the Consolidated Statement of Profit or Loss separately. Since 2021, the Group had no profit or loss after tax from a discontinued operation.

2 Financial Summary

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2024	2023	2023	2022	2021	2020
	(in millions of RMB)					
Continuing operations						
Fair value changes on distressed debt assets	4,948.9	2,836.3	7,618.4	11,284.3	15,475.8	12,547.0
Fair value changes on other financial instruments	5,353.7	4,906.0	11,214.2	5,410.4	14,674.8	12,566.5
Income from distressed debt assets at amortized cost	1,956.1	3,912.1	6,084.2	10,070.7	13,466.6	19,150.7
Investment income	254.3	258.9	289.2	216.8	156.8	322.5
Interest income	16,559.8	16,120.2	33,061.5	27,394.9	25,100.8	23,899.2
Revenue from sales of inventories	2,596.6	2,132.8	9,502.4	16,068.3	20,385.5	24,316.3
Other income and other net gains or losses	3,406.5	4,131.4	8,397.9	10,543.0	8,470.7	7,331.8
Total income	35,075.9	34,297.7	76,167.8	80,988.4	97,731.0	100,134.0
Interest expense	(21,905.3)	(21,558.4)	(44,080.5)	(40,081.1)	(41,936.9)	(39,618.5)
Impairment losses on assets	(4,913.9)	(3,111.6)	(9,749.5)	(13,258.0)	(11,722.9)	(14,096.8)
Purchases and changes in inventories	(2,025.7)	(1,812.7)	(7,716.7)	(12,859.5)	(16,906.4)	(17,360.4)
Other costs and expenses	(5,644.3)	(6,138.1)	(12,850.1)	(13,268.0)	(13,582.3)	(12,984.0)
Total costs and expenses	(34,489.2)	(32,620.8)	(74,396.8)	(79,466.6)	(84,148.5)	(84,059.7)
Change in net assets attributable to other holders of consolidated structured entities	(6.6)	(51.3)	(18.3)	(47.5)	(20.1)	(17.8)
Share of results of associates and joint ventures	2,354.7	3,723.9	6,433.5	8,983.3	5,816.5	252.7
Profit before tax from continuing operations	2,934.8	5,349.5	8,186.3	10,457.6	19,378.9	16,309.3
Income tax expense	(278.1)	(828.9)	(1,192.8)	(3,226.3)	(6,378.4)	(5,324.0)
Profit for the period/year from continuing operations	2,656.7	4,520.6	6,993.5	7,231.3	13,000.5	10,985.2
Discontinued operation						
Profit after tax for the period/year from a discontinued operation	-	-	-	-	-	3,752.0
Profit for the period/year	2,656.7	4,520.6	6,993.5	7,231.3	13,000.5	14,737.3
Profit attributable to:						
– Equity holders of the Company	2,155.9	4,067.6	5,820.9	6,313.4	12,061.7	13,247.9
– Non-controlling interests	500.8	453.0	1,172.6	917.9	938.7	1,489.4

2 Financial Summary

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2024	2023	2023	2022	2021	2020
	(in millions of RMB)					
Assets						
Cash and balances with central banks	13,167.9	14,226.4	15,237.5	16,677.4	18,045.7	15,375.0
Deposits with banks and financial institutions	84,044.2	107,256.7	81,997.6	97,830.1	99,921.3	87,953.6
Financial assets at fair value through profit or loss	510,113.7	514,001.0	518,309.8	503,495.9	456,203.8	446,916.7
Financial assets at fair value through other comprehensive income	176,145.5	146,231.2	170,875.9	130,487.7	122,592.3	123,728.5
Loans and advances to customers	393,934.5	407,505.8	403,161.8	396,530.0	368,031.4	353,456.3
Financial assets at amortized cost	97,149.3	147,625.7	119,749.9	169,994.3	183,535.0	220,233.0
Other assets	309,240.1	257,162.5	285,024.9	300,973.6	315,949.8	270,420.5
Total assets	1,583,795.2	1,594,009.3	1,594,357.4	1,615,989.0	1,564,279.3	1,518,083.6
Liabilities						
Borrowings from the central bank	9,629.3	986.1	986.1	986.1	996.0	986.1
Due to customers	371,821.2	320,222.6	339,219.8	323,040.5	298,748.1	273,644.2
Accounts payable to brokerage clients	17,916.6	19,990.5	17,264.1	19,107.2	17,605.6	16,583.8
Borrowings	549,552.8	586,359.8	558,870.5	615,357.9	555,079.1	556,912.1
Accounts payable	4,856.9	4,631.0	4,783.0	4,946.9	5,389.5	4,886.7
Bonds issued	276,814.2	288,937.7	302,762.1	292,882.8	367,806.7	355,777.5
Other liabilities	135,375.8	156,924.2	153,315.7	151,672.5	116,878.8	114,250.8
Total liabilities	1,365,966.8	1,378,051.9	1,377,201.3	1,407,993.9	1,362,503.8	1,323,041.2
Equity						
Equity attributable to equity holders of the Company	193,601.9	192,342.1	192,829.0	188,205.7	178,800.8	172,108.7
Non-controlling interests	24,226.6	23,615.3	24,327.2	19,789.4	22,974.7	22,933.7
Total equity	217,828.4	215,957.4	217,156.2	207,995.1	201,775.5	195,042.4
Total equity and liabilities	1,583,795.2	1,594,009.3	1,594,357.4	1,615,989.0	1,564,279.3	1,518,083.6

2 Financial Summary

	As at and for the		As at and for the year ended December 31,			
	six months ended June 30,		2023	2022	2021	2020
	2024	2023				
	(in millions of RMB)					
Financial indicators						
Return on average shareholders' equity ⁽¹⁾⁽³⁾ (%)	2.04	4.50	2.70	3.38	7.15	8.26
Average return on total assets ⁽²⁾⁽³⁾ (%)	0.33	0.56	0.44	0.45	0.84	0.97
Cost-to-income ratio ⁽⁴⁾ (%)	21.15	22.25	22.96	19.22	16.44	14.01
Earnings per share ⁽⁵⁾ (RMB)	0.04	0.09	0.11	0.14	0.29	0.32
Net assets per share ⁽⁶⁾ (RMB)	4.21	4.18	4.19	4.07	4.14	3.95

Notes:

- (1) Represents the percentage of net profit (including net profit from a discontinued operation) attributable to ordinary shareholders of the Company for the period in the average balance of equity attributable to ordinary shareholders of the Company as at the beginning and the end of the period.
- (2) Represents the percentage of net profit (including profit attributable to non-controlling interests and net profit from a discontinued operation) for the period in the average balance of total assets as at the beginning and the end of the period.
- (3) The average return on shareholders' equity and average return on total assets for the six months ended June 30 are annualized.
- (4) Calculated in accordance with the requirements of the Measures for Performance Evaluation for Financial Enterprises (Cai Jin [2016] No. 35) issued by the MOF, the comparative indicators of previous years and periods have been restated accordingly.
- (5) Represents the net profit (including net profit from a discontinued operation) for the period attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.
- (6) Represents the net assets attributable to equity holders of the Company after deducting the amount of the preference shares and the undated capital bonds at the end of the period divided by the number of ordinary shares as at the end of the period.

3 Management Discussion and Analysis

3.1 Economic and Regulatory Environment

Since 2024, the global economy has been experiencing a weak recovery trend with insufficient growth momentum. Geopolitical tensions persisted and the international situation was confronted with significant uncertainties. Global trade has shown signs of recovery from the bottom and commodity prices have risen, while the risk of trade friction remained prominent. Inflation in the United States and Europe has gradually slowed down, and European countries took the lead in lowering interest rates. Global debt level has repeatedly hit new highs, indicating a sustained period of elevated financial vulnerability.

In the first half of 2024, China's economy remained on an upturn trend. In the first half of the year, the GDP grew by 5% on a year-on-year basis, featuring steady growth in industrial and agricultural sectors, and a continuous rebound in service sector, while price level and employment situation remaining generally stable, the security of societies and livelihoods was consistently enhanced, the investment in high-technology industries was constantly increased, the development of new quality productivity was promoted by the scientific and technological progress, and the growth of import and export was fastened, all of which have contributed to the advancements in high-quality development.

The Chinese government, adhered to the general principle of seeking progress while maintaining stability, fully, accurately and comprehensively implemented the new development philosophy, accelerated the establishment of a new development pattern, and balanced both domestic and international situations. The Chinese government coordinated development with security efforts, focused on promoting high-quality development, intensified macroeconomic regulation, coordinated the expansion of domestic demand, and deepened supply-side structural reforms. On the basis of seeking progress while maintaining stability, the Chinese government promoted stability through progress, and gradually phased out old formats and old dynamics by establishing new ones, and stabilized expectations, growth and employment, while promoting the model transformation, structural adjustment, quality improvement and efficiency enhancement. These efforts aimed to consolidate and enhance the positive momentum of economic recovery and accelerate the advancement of the Chinese patch of modernization. Active fiscal policies were implemented with moderate intensity, enhanced quality and efficiency. The Chinese government made good use of the ultra-long special treasury bonds, maintained strong fiscal expenditure, optimized the expenditure structure, and conducted large-scale upgrading of equipment and the trade-in of old consumer goods. Structural tax cuts and fee reductions were implemented to provide targeted support for major strategies, key areas and weak links. Fiscal discipline was strictly enforced and debt risks were mitigated to enhance fiscal sustainability. The prudent monetary policy was flexible, moderate, precise and effective. In the first half of 2024, the PBOC lowered the reserve requirement ratio and interest rate once each, strengthening counter-cyclical adjustments to maintain reasonably ample liquidity and steadily reduce the overall cost of social financing. The government has fully capitalized on monetary policy tools to adjust both the monetary aggregate and the monetary structure, and guided and bolstered financial support for sectors such as scientific and technological innovation, green transformation, inclusive finance for small and micro enterprises, and digital economy, so as to serve the real economy efficiently. Additionally, macro-prudential management has been implemented effectively, promoting legislation in key areas such as financial stability. The financial supply-side structural reform has been deepened. These efforts have effectively prevented and controlled financial risks in critical areas, while firmly holding the bottom line of avoiding systemic financial risks.

3 Management Discussion and Analysis

The supervisory authorities have prioritized a comprehensive approach to strengthening supervision and preventing and defusing risks, adhered to the guiding principle of “maintaining overall stability, ensuring coordination actions, implementing differentiated policies, and defusing risks through targeted efforts”, so as to effectively safeguard financial stability and boost the country’s financial strength. Firstly, the supervisory authorities continuously intensified efforts to dispose of distressed assets, enhanced bank credit risk management, expedited the resolution of risks in small and medium-sized banks, and broadened the range of risk asset transfers to encompass those from large commercial banks and joint-stock commercial banks. Secondly, the supervisory authorities optimized real estate policies, established a coordinating mechanism for urban real estate financing, promoted the implementation of the “white list”, supported reasonable extensions of existing real estate financing, strengthened the efforts to ensure the delivery of housing projects, set up a re-lending of RMB300 billion for affordable housing and supported the acquisition of existing housing projects as affordable housing. Thirdly, the supervisory authorities guided banking and insurance institutions to focus on the “five priorities” of finance and required AMC’s to improve the service quality and efficiency for the real economy, leverage their expertise in revitalizing and managing distressed assets, and provide specialized financial services to optimize the asset-liability structures of enterprises. Overall, China is steadfast in its pursuit of high-quality financial development while coordinating the resolution of risks in key areas such as real estate, local debts and small and medium-sized financial institutions, which has opened up structural development opportunities for AMC’s.

3.2 Analysis of Financial Statements

3.2.1 Operating Results of the Group

In the first half of 2024, the net profit attributable to equity holders of the Company amounted to RMB2,155.9 million, representing a decrease of RMB1,911.7 million, or 47.0% year on year. The ROAE and ROAA were 2.04% and 0.33%, respectively.

3 Management Discussion and Analysis

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes on distressed debt assets	4,948.9	2,836.3	2,112.6	74.5
Fair value changes on other financial instruments	5,353.7	4,906.0	447.7	9.1
Income from distressed debt assets at amortized cost	1,956.1	3,912.1	(1,956.0)	(50.0)
Investment income	254.3	258.9	(4.6)	(1.8)
Interest income	16,559.8	16,120.2	439.6	2.7
Revenue from sales of inventories	2,596.6	2,132.8	463.8	21.7
Commission and fee income	2,529.2	2,649.6	(120.4)	(4.5)
Net gains or losses on disposal of subsidiaries, associates and joint ventures	(382.5)	296.9	(679.4)	(228.8)
Other income and other net gains or losses	1,259.7	1,184.9	74.8	6.3
Total income	35,075.9	34,297.7	778.2	2.3
Interest expense	(21,905.3)	(21,558.4)	(346.9)	1.6
Commission and fee expense	(344.3)	(413.1)	68.8	(16.7)
Purchases and changes in inventories	(2,025.7)	(1,812.7)	(213.0)	11.8
Employee benefits	(2,523.8)	(3,045.6)	521.8	(17.1)
Credit impairment losses	(4,764.3)	(3,108.0)	(1,656.3)	53.3
Impairment losses on other assets	(149.6)	(3.6)	(146.0)	4,055.6
Other expenses	(2,776.2)	(2,679.4)	(96.8)	3.6
Total costs and expenses	(34,489.2)	(32,620.8)	(1,868.4)	5.7
Change in net assets attributable to other holders of consolidated structured entities	(6.6)	(51.3)	44.7	(87.1)
Share of results of associates and joint ventures	2,354.7	3,723.9	(1,369.2)	(36.8)
Profit before tax	2,934.8	5,349.5	(2,414.7)	(45.1)
Income tax expense	(278.1)	(828.9)	550.8	(66.4)
Profit for the period	2,656.7	4,520.6	(1,863.9)	(41.2)
Profit attributable to:				
— Equity holders of the Company	2,155.9	4,067.6	(1,911.7)	(47.0)
— Non-controlling interests	500.8	453.0	47.8	10.6

3 Management Discussion and Analysis

3.2.1.1 Total Income

The total income of the Group increased by 2.3% from RMB34,297.7 million in the first half of 2023 to RMB35,075.9 million in the first half of 2024, mainly due to the increase in the fair value changes on distressed debt assets as compared with the same period of last year, which was partially offset by the decrease in income from distressed debt assets at amortized cost.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group increased by 74.5% from RMB2,836.3 million in the first half of 2023 to RMB4,948.9 million in the first half of 2024. In particular, the fair value changes on distressed debt assets at fair value through profit or loss increased by 20.4% from RMB4,050.1 million in the first half of 2023 to RMB4,874.9 million in the first half of 2024, accounting for 11.8% and 13.9% of the total income in the corresponding periods, respectively.

The table below sets out the components of fair value changes on distressed debt assets at fair value through profit or loss of the Group for the periods indicated.

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	4,602.1	2,955.0	1,647.1	55.7
Unrealized fair value changes	272.8	1,095.1	(822.3)	(75.1)
Subtotal	4,874.9	4,050.1	824.8	20.4

3 Management Discussion and Analysis

The table below sets out the changes on distressed debt assets at fair value through profit or loss of the Group as at the dates and for the periods indicated.

	For the six months ended June 30, (in millions of RMB)
As at December 31, 2022	233,437.2
Acquisition in the period	26,411.1
Disposal in the period	(21,984.4)
Unrealized fair value changes	1,095.1
As at June 30, 2023	238,959.0
As at December 31, 2023	241,982.1
Acquisition in the period	17,260.4
Disposal in the period	(27,336.0)
Unrealized fair value changes	272.8
As at June 30, 2024	232,179.3

In the first half of 2024, the fair value changes on distressed debt assets at fair value through profit or loss of the Group increased by 20.4% over the same period of 2023. In particular, the realized fair value changes increased by 55.7% from RMB2,955.0 million in the first half of 2023 to RMB4,602.1 million in the first half of 2024; the unrealized fair value changes decreased by 75.1% from RMB1,095.1 million in the first half of 2023 to RMB272.8 million in the first half of 2024.

In the first half of 2024, the Group kept an on-going focus on the distressed asset market, consolidated the dominant position of core business, and increased its efforts in the disposal of acquisition-operation distressed debt assets. In the first half of 2023 and the first half of 2024, the distressed debt assets at fair value through profit or loss of the Group recorded acquisition of RMB26,411.1 million and RMB17,260.4 million, respectively, and recorded disposal of RMB21,984.4 million and RMB27,336.0 million, respectively.

Fair Value Changes on Other Financial Instruments

The fair value changes on other financial instruments of the Group included the gains or losses on disposal, interest income, dividend income and unrealized fair value changes on financial assets at fair value through profit or loss (excluding the distressed debt assets at fair value through profit or loss), and the realized and unrealized fair value changes on loans and advances to customers at fair value through profit or loss, as well as on financial liabilities at fair value through profit or loss.

3 Management Discussion and Analysis

The fair value changes on other financial instruments of the Group increased by 9.1% from RMB4,906.0 million in the first half of 2023 to RMB5,353.7 million in the first half of 2024, accounting for 14.3% and 15.3% of the total income in the corresponding periods. Of which, the fair value changes on DES Assets were a gain of RMB1,064.0 million and a loss of RMB5.8 million, respectively.

The table below sets out the components of fair value changes on other financial instruments of the Group for the periods indicated.

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes⁽¹⁾	1,707.7	290.9	1,416.8	487.0
DES Assets of the Company	(730.1)	362.3	(1,092.4)	(301.5)
Others	2,437.8	(71.4)	2,509.2	3,514.3
Interest income	1,816.9	2,408.8	(591.9)	(24.6)
DES Assets of the Company	140.4	54.4	86.0	158.1
Others	1,676.5	2,354.4	(677.9)	(28.8)
Dividend income	1,829.1	2,206.3	(377.2)	(17.1)
DES Assets of the Company	583.9	647.3	(63.4)	(9.8)
Others	1,245.2	1,559.0	(313.8)	(20.1)
Total	5,353.7	4,906.0	447.7	9.1

Note:

(1) Comprising the realized net gains on disposal of and unrealized fair value changes on financial instruments at fair value through profit or loss.

The fair value changes on DES Assets at fair value through profit or loss changed from a gain of RMB362.3 million in the first half of 2023 to a loss of RMB730.1 million in the first half of 2024, mainly due to the decrease in the valuation of certain DES Assets of the Company as a result of market fluctuations.

The fair value changes on other financial instruments except for DES Assets at fair value through profit or loss changed from a loss of RMB71.4 million in the first half of 2023 to a gain of RMB2,437.8 million in the first half of 2024, mainly consisting of gains from other distressed asset business, through which the Company focused on distressed entities aid and distressed assets revitalization with flexible transaction structures.

3 Management Discussion and Analysis

Income from Distressed Debt Assets at Amortized Cost

The income from distressed debt assets at amortized cost of the Group, including the interest income and gains or losses from disposal of restructured distressed debt assets, decreased by 50.0% from RMB3,912.1 million in the first half of 2023 to RMB1,956.1 million in the first half of 2024, which accounted for 11.4% and 5.6% of the total income in the corresponding periods, respectively, mainly due to the fact that the Company actively adjusted the asset structure and the scale of restructured distressed debt assets decreased accordingly.

Interest Income

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

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	10,595.9	10,437.7	158.2	1.5
Financial assets at fair value through other comprehensive income	3,150.1	2,147.5	1,002.6	46.7
Other debt investments at amortized cost	1,128.9	1,525.8	(396.9)	(26.0)
Deposits with banks and financial institutions	909.2	1,117.7	(208.5)	(18.7)
Placements with banks and financial institutions	499.7	445.2	54.5	12.2
Financial assets held under resale agreements	149.6	252.6	(103.0)	(40.8)
Others	126.6	193.7	(67.1)	(34.6)
Total	16,559.8	16,120.2	439.6	2.7

The Group's interest income increased by 2.7% year on year in the first half of 2024, mainly due to the rise in the interest income from financial assets at fair value through other comprehensive income, partially offset by the decrease in the interest income from other debt investments at amortized cost and deposits with banks and financial institutions.

- (1) The interest income from financial assets at fair value through other comprehensive income increased by 46.7% from RMB2,147.5 million in the first half of 2023 to RMB3,150.1 million in the first half of 2024, mainly due to the increase in the investment scale of such bonds of NCB and the increase in the market interest rate.
- (2) The interest income from other debt investments at amortized cost decreased by 26.0% from RMB1,525.8 million in the first half of 2023 to RMB1,128.9 million in the first half of 2024, mainly due to the decrease in the scale of other debt investments at amortized cost of Cinda Investment.
- (3) The interest income from deposits with banks and financial institutions decreased by 18.7% from RMB1,117.7 million in the first half of 2023 to RMB909.2 million in the first half of 2024, mainly due to the decrease in the scale of deposits with banks and financial institutions.

3 Management Discussion and Analysis

Commission and Fee Income

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

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Trustee services	544.8	227.8	317.0	139.2
Fund and asset management business	529.3	728.3	(199.0)	(27.3)
Securities and futures brokerage	500.7	538.6	(37.9)	(7.0)
Agency business	412.9	531.7	(118.8)	(22.3)
Banking business	340.8	344.9	(4.1)	(1.2)
Consultancy and financial advisory services	99.7	211.7	(112.0)	(52.9)
Securities underwriting	33.1	18.9	14.2	75.1
Others	67.9	47.6	20.3	42.6
Total	2,529.2	2,649.6	(120.4)	(4.5)

The commission and fee income of the Group decreased by 4.5% from RMB2,649.6 million in the first half of 2023 to RMB2,529.2 million in the first half of 2024, mainly due to the decrease in the commission and fee income from fund and asset management business and agency business, partly offset by the increase in the income from trustee services, of which:

- (1) The commission and fee income from fund and asset management business decreased by 27.3% from RMB728.3 million in the first half of 2023 to RMB529.3 million in the first half of 2024, mainly due to the decrease in the management fee rate of mutual funds managed by Cinda Securities.
- (2) The commission and fee income from agency business decreased by 22.3% from RMB531.7 million in the first half of 2023 to RMB412.9 million in the first half of 2024, mainly due to the decrease in income from entrusted asset management business of the Company.
- (3) The commission and fee income from trustee services increased by 139.2% from RMB227.8 million in the first half of 2023 to RMB544.8 million in the first half of 2024, mainly due to the increase in income recognized by trust plans managed by Jingu Trust.

3 Management Discussion and Analysis

Revenue from Sales of Inventories and Purchases and Changes in Inventories

The table below sets out the components of revenue from sales of inventories and purchases and changes in inventories of the Group for the periods indicated.

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of properties held for sale	2,596.6	2,132.8	463.8	21.7
Purchases and changes in properties held for sale	(2,025.7)	(1,812.7)	(213.0)	11.8
Gross profit from sales of properties held for sale	570.8	320.1	250.7	78.3
Gross profit margin from sales of properties held for sale (%)	22.0	15.0	7.0	46.5

The revenue from sales of inventories and purchases and changes in inventories of the Group are generated from the real estate business. The revenue from sales of properties held for sale increased by 21.7% from RMB2,132.8 million in the first half of 2023 to RMB2,596.6 million in the first half of 2024, and the purchases and changes in properties held for sale increased by 11.8% from RMB1,812.7 million in the first half of 2023 to RMB2,025.7 million in the first half of 2024. The Group leveraged its synergistic advantages and was actively involved in revitalizing and mitigating risks of property projects, resulting in a year-on-year increase in the scale of projects delivered in the first half of 2024, as well as the revenue from sales of properties held for sale and purchases and changes in properties held for sale. The gross profit margin from sales of properties held for sale increased from 15.0% in the first half of 2023 to 22.0% in the first half of 2024.

Net Gains or Losses on Disposal of Subsidiaries, Associates and Joint Ventures

The net gains or losses on disposal of subsidiaries, associates and joint ventures by the Group changed from revenue of RMB296.9 million in the first half of 2023 to loss of RMB382.5 million in the first half of 2024, which represented the losses from the disposal of associates and joint ventures.

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group increased by 6.3% from RMB1,184.9 million in the first half of 2023 to RMB1,259.7 million in the first half of 2024.

3 Management Discussion and Analysis

3.2.1.2 Total Costs and Expenses

The Group's total costs and expenses increased from RMB32,620.8 million in the first half of 2023 to RMB34,489.2 million in the first half of 2024, representing an increase of 5.7%, mainly due to the increase in the credit impairment losses as compared with the same period of last year.

The table below sets out the components of the total costs and expenses of the Group for the periods indicated.

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Interest expense	(21,905.3)	(21,558.4)	(346.9)	1.6
Credit impairment losses	(4,764.3)	(3,108.0)	(1,656.3)	53.3
Employee benefits	(2,523.8)	(3,045.6)	521.8	(17.1)
Purchases and changes in inventories	(2,025.7)	(1,812.7)	(213.0)	11.8
Depreciation and amortization expenses	(982.6)	(964.1)	(18.5)	1.9
Tax and surcharges	(355.2)	(232.6)	(122.6)	52.7
Commission and fee expense	(344.3)	(413.1)	68.8	(16.7)
Impairment losses on other assets	(149.6)	(3.6)	(146.0)	4,055.6
Other expenses	(1,438.5)	(1,482.7)	44.2	(3.0)
Total	(34,489.2)	(32,620.8)	(1,868.4)	5.7

3 Management Discussion and Analysis

Interest Expense

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

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(9,806.3)	(10,478.7)	672.4	(6.4)
Due to customers	(5,666.3)	(3,916.5)	(1,749.8)	44.7
Bonds issued	(5,363.5)	(5,879.6)	516.1	(8.8)
Financial assets sold under repurchase agreements	(424.0)	(692.0)	268.0	(38.7)
Deposits from banks and financial institutions	(310.4)	(225.8)	(84.6)	37.5
Placements from banks and financial institutions	(227.1)	(224.0)	(3.1)	1.4
Accounts payable to brokerage clients	(49.2)	(57.5)	8.3	(14.4)
Lease liabilities	(31.7)	(17.6)	(14.1)	80.1
Others	(26.7)	(66.7)	40.0	(60.0)
Total	(21,905.3)	(21,558.4)	(346.9)	1.6

In the first half of 2024, the interest expense of the Group was RMB21,905.3 million, representing an increase of 1.6% from RMB21,558.4 million in the first half of 2023, mainly due to the increase in interest expense on due to customers, partially offset by the decrease in interest expense on borrowings and bonds issued. Of which:

- (1) Interest expense on due to customers increased by 44.7% from RMB3,916.5 million in the first half of 2023 to RMB5,666.3 million in the first half of 2024, mainly due to the increase in the scale of due to customers of NCB and the increase in interest rates on foreign currency deposits.
- (2) Interest expense on borrowings decreased by 6.4% from RMB10,478.7 million in the first half of 2023 to RMB9,806.3 million in the first half of 2024, mainly due to the decrease in the scale and interest rate of the Company's borrowings.
- (3) Interest expense on bonds issued decreased by 8.8% from RMB5,879.6 million in the first half of 2023 to RMB5,363.5 million in the first half of 2024, mainly due to the decrease in the scale of bonds issued as compared with the same period of last year.

3 Management Discussion and Analysis

Credit Impairment Losses

The table below sets out the components of the credit impairment losses of the Group for the periods indicated.

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets at amortized cost				
– Distressed debt assets	(1,393.0)	(1,224.6)	(168.4)	13.8
– Other debt investments	(801.1)	(444.0)	(357.1)	80.4
Loans and advances to customers	(2,293.2)	(1,748.5)	(544.7)	31.2
Financial assets held under resale agreements	(232.4)	51.0	(283.4)	555.7
Others	(44.6)	258.1	(302.7)	117.3
Total	(4,764.3)	(3,108.0)	(1,656.3)	53.3

The credit impairment losses of the Group increased by 53.3% from RMB3,108.0 million in the first half of 2023 to RMB4,764.3 million in the first half of 2024. Of which:

- (1) The impairment losses on financial assets at amortized cost increased by 31.5% from RMB1,668.6 million in the first half of 2023 to RMB2,194.1 million in the first half of 2024, mainly because the quality of financial assets at amortized cost came under pressure due to the impact of changes in the industrial situation, resulting in the increase in the provision made by the Company.
- (2) The impairment losses on loans and advances to customers increased by 31.2% from RMB1,748.5 million in the first half of 2023 to RMB2,293.2 million in the first half of 2024, mainly because the quality of loans and advances to customers came under pressure due to the impact of the changes in the external environment, resulting in a corresponding increase in the overall provision level.

3 Management Discussion and Analysis

3.2.1.3 Income Tax Expense

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

	For the six months ended June 30,			
	2024	2023	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax	2,934.8	5,349.5	(2,414.7)	(45.1)
Income tax expense	(278.1)	(828.9)	550.8	(66.4)
Effective tax rate (%)	9.5	15.5	(6.0)	(38.8)

The income tax expense of the Group decreased by 66.4% from RMB828.9 million in the first half of 2023 to RMB278.1 million in the first half of 2024. The effective tax rate of the Group was 15.5% and 9.5% in the first halves of 2023 and 2024, respectively. The decrease in effective tax rate was mainly influenced by the decrease in current taxable income and the increase in deferred tax income.

3.2.1.4 Segment Results of Operations

The Group has two business segments:

- (1) Distressed asset management business, which mainly includes: (i) management and disposal of distressed assets such as debt assets acquired from financial and non-financial institutions; (ii) investment, management and disposal of DES Assets; (iii) conducting distressed asset management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special situations investment; and (iv) entrusted operation business.
- (2) Financial services business, which mainly includes banking, securities, futures, mutual funds, trusts and leasing.

3 Management Discussion and Analysis

The following table sets forth the operation results and financial positions of the Group's business segments for the periods and as at the dates indicated.

	For the six months ended June 30,							
	2024	2023	2024	2023	2024	2023	2024	2023
	Distressed asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)							
Total income	18,434.9	18,950.2	16,927.8	15,518.7	(286.9)	(171.2)	35,075.9	34,297.7
Percentage of total (%)	52.6	55.3	48.3	45.2				
Total costs and expenses	(20,022.9)	(19,805.5)	(14,792.0)	(13,006.0)	325.7	190.7	(34,489.2)	(32,620.8)
Profit before tax	749.3	2,817.0	2,146.7	2,512.9	38.9	19.6	2,934.8	5,349.5
Percentage of total (%)	25.5	52.7	73.1	47.0				
Profit margin before tax (%)	4.1	14.9	12.7	16.2			8.4	15.6
Return on average net assets before tax ⁽¹⁾ (%)	1.3	4.2	4.6	6.7			2.7	5.0

	As at	As at	As at	As at	As at	As at	As at	As at
	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023	June 30, 2024	December 31, 2023
	Distressed asset management		Financial services		Elimination and unallocated part ⁽²⁾		Consolidation	
	(in millions of RMB)							
Total assets	885,123.1	913,550.3	693,944.9	695,994.2	4,727.2	(15,187.1)	1,583,795.2	1,594,357.4
Percentage of total (%)	55.9	57.3	43.8	43.7				
Net asset	112,940.4	119,416.4	95,974.2	91,807.2	8,913.8	5,932.5	217,828.4	217,156.2
Percentage of total (%)	51.8	55.0	44.1	42.3				

Notes:

- (1) Represents the annualized ratio of profit before tax divided by the average net asset balance as at the beginning and the end of the period.
- (2) Represents primarily income tax payable and deferred tax assets and liabilities that were not allocated to each business segment.
- (3) The classification criteria of the Group's operating segments was adjusted from the nature of institutions to the nature of business operations, and the comparative indicators were restated accordingly.

3 Management Discussion and Analysis

Distressed asset management business is the Group's core business and principal income contributor. The income generated from distressed asset management accounted for 55.3% and 52.6% of the total income, and 52.7% and 25.5% of the Group's profit before tax in the first halves of 2023 and 2024, respectively, as well as 57.3% and 55.9% of the Group's total assets, and 55.0% and 51.8% of the Group's net assets as at December 31, 2023 and June 30, 2024, respectively.

As a key component of the business of the Group and an important cross-selling driver, the financial services business benefited from the Group's synergistic operations and management strategies. The financial services segment accounted for 45.2% and 48.3% of the total income, and 47.0% and 73.1% of profit before tax in the first halves of 2023 and 2024, respectively, as well as 43.7% and 43.8% of the total assets, and 42.3% and 44.1% of the net assets as at December 31, 2023 and June 30, 2024, respectively.

For details of the development of each business segment of the Group, please refer to "Business Overview".

3.2.2 Summary of Financial Position of the Group

As at June 30, 2024, the assets and liabilities of the Group both decreased slightly, and the equity increased slightly, compared with the end of last year. As at December 31, 2023 and June 30, 2024, the total assets of the Group amounted to RMB1,594,357.4 million and RMB1,583,795.2 million, respectively, representing a decrease of 0.7%; total liabilities amounted to RMB1,377,201.3 million and RMB1,365,966.8 million, respectively, representing a decrease of 0.8%; and the total equity amounted to RMB217,156.2 million and RMB217,828.4 million, respectively, representing an increase of 0.3%.

3 Management Discussion and Analysis

The table below sets forth the major items of the Interim Condensed Consolidated Statement of Financial Position of the Group as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Assets				
Cash and balances with central banks	13,167.9	0.8	15,237.5	1.0
Deposits with banks and financial institutions	84,044.2	5.3	81,997.6	5.1
Financial assets at fair value through profit or loss	510,113.7	32.2	518,309.8	32.5
Financial assets at fair value through other comprehensive income	176,145.5	11.1	170,875.9	10.7
Loans and advances to customers	393,934.5	24.9	403,161.8	25.3
Financial assets at amortized cost	97,149.3	6.1	119,749.9	7.5
Other assets	309,240.1	19.5	285,024.9	17.9
Total assets	1,583,795.2	100.0	1,594,357.4	100.0
Liabilities				
Borrowings from the central bank	9,629.3	0.7	986.1	0.1
Accounts payable to brokerage clients	17,916.6	1.3	17,264.1	1.3
Due to customers	371,821.2	27.2	339,219.8	24.6
Borrowings	549,552.8	40.2	558,870.5	40.6
Accounts payable	4,856.9	0.4	4,783.0	0.3
Bonds issued	276,814.2	20.3	302,762.1	22.0
Other liabilities	135,375.8	9.9	153,315.7	11.1
Total liabilities	1,365,966.8	100.0	1,377,201.3	100.0
Equity				
Equity attributable to equity holders of the Company	193,601.9	88.9	192,829.0	88.8
Non-controlling interests	24,226.6	11.1	24,327.2	11.2
Total equity	217,828.4	100.0	217,156.2	100.0
Total equity and liabilities	1,583,795.2		1,594,357.4	

3 Management Discussion and Analysis

3.2.2.1 Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks, clearing settlement funds and deposits with banks and financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2023 and June 30, 2024, monetary capital amounted to RMB97,235.1 million and RMB97,212.1 million, respectively, representing a decrease of 2.4%.

Financial Assets at Fair Value through Profit or Loss

The table below sets forth the components of the Group's financial assets at fair value through profit or loss as at the dates indicated.

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets classified as at fair value through profit or loss				
Listed investments				
Debt securities	28,028.6	24,512.7	3,515.9	14.3
Equity investments	16,046.3	17,655.3	(1,609.0)	(9.1)
Funds	3,417.9	4,028.3	(610.4)	(15.2)
Asset-backed securities	2,192.7	2,916.8	(724.1)	(24.8)
Corporate convertible bonds	664.0	813.7	(149.7)	(18.4)
Unlisted investments				
Distressed debt assets	232,179.3	241,982.1	(9,802.8)	(4.1)
Funds	123,998.5	126,237.1	(2,238.6)	(1.8)
Equity investments	57,783.8	56,675.7	1,108.1	2.0
Trust products and asset management plans	21,074.1	17,305.0	3,769.1	21.8
Debt instruments	10,568.4	11,169.4	(601.0)	(5.4)
Securities investments	10,093.8	10,121.9	(28.1)	(0.3)
Wealth management products	1,768.3	2,700.6	(932.3)	(34.5)
Derivative financial assets	1,646.6	1,513.4	133.2	8.8
Others	651.4	677.8	(26.4)	(3.9)
Total	510,113.7	518,309.8	(8,196.1)	(1.6)

3 Management Discussion and Analysis

As at December 31, 2023 and June 30, 2024, financial assets at fair value through profit or loss were RMB518,309.8 million and RMB510,113.7 million, respectively, among which, distressed debt assets and funds decreased while trust products, asset management plans and debt securities increased.

- (1) As at December 31, 2023 and June 30, 2024, the distressed debt assets at fair value through profit or loss were RMB241,982.1 million and RMB232,179.3 million, respectively, decreasing by 4.1%, mainly because the Company kept an on-going focus on the distressed assets market, consolidated the dominant position of core business, and increased the disposal of acquisition-operation distressed debt assets.
- (2) As at December 31, 2023 and June 30, 2024, listed and unlisted funds at fair value through profit or loss were RMB130,265.4 million and RMB127,416.4 million, respectively, decreasing by 2.2%, mainly due to the decrease in the balance of unlisted funds.
- (3) As at December 31, 2023 and June 30, 2024, trust products and asset management plans at fair value through profit or loss were RMB17,305.0 million and RMB21,074.1 million, respectively, increasing by 21.8%.
- (4) As at December 31, 2023 and June 30, 2024, the debt securities at fair value through profit or loss were RMB24,512.7 million and RMB28,028.6 million, respectively, increasing by 14.3%.

3 Management Discussion and Analysis

The table below sets forth the components of equity investments at fair value through profit or loss by types of investment and listing or unlisting status as at the dates indicated.

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage (%)
(in millions of RMB)				
The Group				
Listed	16,046.3	17,655.3	(1,609.0)	(9.1)
Unlisted	57,783.8	56,675.7	1,108.1	2.0
Total	73,830.1	74,331.0	(500.9)	(0.7)
The Company				
Listed	9,714.7	7,515.0	2,199.7	29.3
Unlisted	22,487.0	23,878.2	(1,391.2)	(5.8)
Subtotal	32,201.7	31,393.2	808.5	2.6
Of which:				
DES Assets	30,811.3	29,752.9	1,058.4	3.6
Others	1,390.4	1,640.3	(249.9)	(15.2)
Subtotal	32,201.7	31,393.2	808.5	2.6

Financial Assets at Fair Value through Other Comprehensive Income

The financial assets at fair value through other comprehensive income include debt instruments held by the Group, which meet the contractual cash flow assessment, while with a business model whose objective is achieved by both collecting contractual cash flows and selling, and the equity instruments at fair value through other comprehensive income designated by the Group.

3 Management Discussion and Analysis

The table below sets forth the components of the Group's financial assets at fair value through other comprehensive income as at the dates indicated.

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
(in millions of RMB)				
				(%)
Debt securities	168,156.6	163,132.5	5,024.1	3.1
Equity instruments	6,684.7	6,372.3	312.4	4.9
Interest receivable	1,304.2	1,371.0	(66.8)	(4.9)
Total	176,145.5	170,875.9	5,269.6	3.1

As at December 31, 2023 and June 30, 2024, financial assets at fair value through other comprehensive income were RMB170,875.9 million and RMB176,145.5 million respectively, representing an increase of 3.1%, mainly due to the increase in balance of government bonds at fair value through other comprehensive income held by NCB.

3 Management Discussion and Analysis

Loans and Advances to Customers

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

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
	(in millions of RMB)			(%)
By business type				
Corporate and personal loans and advances	326,869.7	329,339.8	(2,470.1)	(0.8)
Loans to margin clients	10,300.9	11,105.1	(804.2)	(7.2)
Finance lease receivables	71,238.4	77,055.9	(5,817.5)	(7.5)
Total	408,409.0	417,500.8	(9,091.8)	(2.2)
By security type				
Mortgaged	92,631.2	63,072.0	29,559.2	46.9
Pledged	73,202.1	119,886.5	(46,684.4)	(38.9)
Guaranteed	78,009.2	75,010.5	2,998.7	4.0
Unsecured	164,566.5	159,531.8	5,034.7	3.2
Total	408,409.0	417,500.8	(9,091.8)	(2.2)
Allowances for impairment losses	(14,474.5)	(14,339.1)	(135.4)	0.9
Net balance	393,934.5	403,161.8	(9,227.3)	(2.3)

3 Management Discussion and Analysis

The table below sets forth the components of the Group's corporate and personal loans and advances by business type as at the dates indicated.

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
	(in millions of RMB)			(%)
Corporate loans and advances				
Loans and advances	279,964.5	282,524.1	(2,559.6)	(0.9)
Discounted bills	3,421.7	619.7	2,802.0	452.2
Subtotal	283,386.2	283,143.8	242.4	0.1
Personal loans and advances				
Mortgages	23,377.1	24,685.6	(1,308.5)	(5.3)
Personal consumption loans	20,106.4	21,510.4	(1,404.0)	(6.5)
Subtotal	43,483.5	46,196.0	(2,712.5)	(5.9)
Total	326,869.7	329,339.8	(2,470.1)	(0.8)

Financial Assets at Amortized Cost

Financial assets at amortized cost are the debt instruments held by the Group that meet both of the following conditions: (1) the financial assets are held in the business model whose objective is achieved by collecting contractual cash flow; and (2) according to the contractual terms of the financial assets, the cash flow generated at a particular date is only the payment of the principal and the interest on the outstanding principal amount.

3 Management Discussion and Analysis

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

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage (%)
(in millions of RMB)				
Distressed debt assets				
Acquired from financial institutions	1,530.5	1,775.7	(245.2)	(13.8)
Acquired from non-financial institutions	47,784.0	63,916.8	(16,132.8)	(25.2)
Subtotal	49,314.4	65,692.5	(16,378.1)	(24.9)
Interest accrued	3,204.9	4,408.3	(1,203.4)	(27.3)
Allowances for impairment losses	(11,100.5)	(10,907.7)	(192.8)	1.8
Net balance	41,418.8	59,193.0	(17,774.2)	(30.0)
Other debt investments	56,466.2	61,560.6	(5,094.4)	(8.3)
Interest accrued	4,893.6	4,437.7	455.9	10.3
Allowances for impairment losses	(5,629.2)	(5,441.5)	(187.7)	3.4
Net balance	55,730.5	60,556.9	(4,826.4)	(8.0)
Total	97,149.3	119,749.9	(22,600.6)	(18.9)

As at June 30, 2024, the total balances of distressed debt assets at amortized cost were RMB49,314.4 million, all of which are the Group's restructured distressed debt assets, decreasing by 24.9% from RMB65,692.5 million as at December 31, 2023, mainly due to the decrease in restructured distressed debt assets caused by the Company's proactive adjustment in its asset structure.

3 Management Discussion and Analysis

As at June 30, 2024, the total balances of other debt investments at amortized cost were RMB56,466.2 million, decreasing by 8.3% from RMB61,560.6 million as at December 31, 2023.

3.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 40.2%, 27.2% and 20.3% of the total liabilities of the Group as at June 30, 2024, respectively.

The table below sets forth the components of the Group's interest-bearing liabilities as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Borrowings	549,552.8	42.8	558,870.5	43.1
Due to customers	371,821.2	28.9	339,219.8	26.2
Bonds issued	276,814.2	21.5	302,762.1	23.4
Financial assets sold under repurchase agreements	27,211.0	2.1	33,338.0	2.6
Placements from banks and financial institutions	25,949.2	2.0	29,474.6	2.3
Accounts payable to brokerage clients	17,916.6	1.4	17,264.1	1.3
Borrowings from the central bank	8,643.2	0.7	–	–
Deposits from banks and financial institutions	6,657.7	0.5	14,994.6	1.2
Total	1,284,565.9	100.0	1,295,923.7	100.0

3 Management Discussion and Analysis

Borrowings

As at June 30, 2024, the balance of borrowings of the Group amounted to RMB549,552.8 million, decreasing by 1.7% from RMB558,870.5 million as at December 31, 2023.

Bonds Issued

The table below sets forth the components of the Group's bonds issued as at the dates indicated.

	As at June 30, 2024	As at December 31, 2023
(in millions of RMB)		
Financial bonds	110,951.9	109,575.0
USD guaranteed senior notes	75,595.8	82,931.7
Corporate bonds	35,823.6	34,445.3
Asset-backed securities	22,429.6	34,870.6
Mid-term notes	12,024.9	12,978.2
Certificates of deposit	2,145.7	7,059.7
Tier-2 capital bonds	8,209.3	8,028.9
Subordinated notes	4,990.8	4,955.2
Beneficiary certificates	1,407.6	4,669.3
Private placement notes	1,732.4	1,746.1
RMB guaranteed senior notes	1,502.6	1,502.0
Total	276,814.2	302,762.1

As at June 30, 2024, the balance of the Group's bonds issued amounted to RMB276,814.2 million, representing a decrease of 8.6% from RMB302,762.1 million as at December 31, 2023, mainly because the Group optimized the liability structure based on the changes in bond and capital markets.

3 Management Discussion and Analysis

Due to Customers

As at December 31, 2023 and June 30, 2024, the balance of due to customers of the Group amounted to RMB339,219.8 million and RMB371,821.2 million, respectively, representing an increase of 9.6%, mainly due to the increase in personal time deposits and corporate demand deposits, partially offset by the decrease in corporate time deposits of NCB.

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

	As at June 30, 2024	As at December 31, 2023	Change	Change in percentage
(in millions of RMB)				
(%)				
Demand deposits	86,978.1	65,986.7	20,991.4	31.8
Corporate	52,395.9	31,308.7	21,087.2	67.4
Personal	34,582.2	34,678.0	(95.8)	(0.3)
Time deposits	270,140.2	259,929.8	10,210.4	3.9
Corporate	96,424.1	125,890.3	(29,466.2)	(23.4)
Personal	173,716.1	134,039.5	39,676.6	29.6
Guarantee deposits	10,285.0	9,500.5	784.5	8.3
Interest payable	4,417.9	3,802.9	615.0	16.2
Total	371,821.2	339,219.8	32,601.4	9.6

3.2.3 Contingent Liabilities

Due to the nature of business, the Group is involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. The Group duly makes provisions for the probable losses with respect to those claims when its management can reasonably estimate the outcome of the proceedings, in light of the legal opinions it has received. The Group does not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when its management considers that legal liability is unlikely to be incurred or that any resulting liabilities will not have material adverse impacts on the financial position or operating results.

As at December 31, 2023 and June 30, 2024, the claim amounts of pending litigation in which the Group was the defendant were RMB3,437.5 million and RMB8,666.4 million, respectively, and provisions of RMB6.0 million and RMB157.3 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believes that the final result of these lawsuits will not have material impacts on the financial position or operation results of the Group.

3 Management Discussion and Analysis

3.2.4 Difference between Condensed Consolidated Financial Statements Prepared under the PRC GAAP and IFRS Accounting Standards

There is no difference in the net profit and shareholders' equity for the Reporting Period between the Interim Condensed Consolidated Financial Statements prepared by the Company under the PRC GAAP and IFRS Accounting Standards, respectively.

3.3 Business Overview

The principal business segments of the Group include: (1) distressed asset management business, including debt asset management conducted with respect to distressed assets, DES Assets management, other distressed asset management, and entrusted operation businesses; and (2) financial services business, including banking, securities, futures, mutual funds, trusts and leasing.

The table below sets out the total income of each business segment for the periods indicated.

	For the six months ended June 30,			
	2024		2023	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	18,434.9	52.6	18,950.2	55.3
Financial services	16,927.8	48.3	15,518.7	45.2
Elimination	(286.9)	(0.8)	(171.2)	(0.5)
Total	35,075.9	100.0	34,297.7	100.0

3 Management Discussion and Analysis

The table below sets out the profit before tax of each business segment for the periods indicated.

	For the six months ended June 30,			
	2024		2023	
	Profit before tax	% of total (in millions of RMB)	Profit before tax	% of total
Distressed asset management	749.3	25.5	2,817.0	52.7
Financial services	2,146.7	73.1	2,512.9	47.0
Elimination	38.9	1.3	19.6	0.4
Total	2,934.8	100.0	5,349.5	100.0

3.3.1 Distressed Asset Management

The distressed asset management business of the Group includes: (1) management and disposal of distressed assets such as debt assets acquired from financial and non-financial institutions; (2) investment, management and disposal of DES Assets; (3) conducting distressed asset management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special situations investment; and (4) entrusted operation business.

Distressed asset management is the main business and the primary source of income and profit of the Group. In the first half of 2023 and the first half of 2024, the income from the distressed asset management business accounted for 55.3% and 52.6% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 52.7% and 25.5% of the profit before tax of the Group, respectively.

3 Management Discussion and Analysis

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

	As at June 30, 2024	As at December 31, 2023
	(in millions of RMB)	
Net balance of distressed debt assets ⁽¹⁾	288,589.9	307,879.9
Book value of DES Assets	102,391.5	100,881.1
Book value of other distressed assets ⁽²⁾	191,795.1	190,630.9

	For the six months ended June 30,	
	2024	2023
	(in millions of RMB)	
Distressed debt assets		
Acquisition cost of distressed debt assets	18,014.3	26,556.0
Income from distressed debt assets ⁽³⁾	7,065.5	8,493.3
DES Assets		
Gains on fair value changes ⁽⁴⁾	(5.8)	1,064.0
Gains on other equity ⁽⁵⁾	1,666.7	3,455.0
Other distressed assets		
New investment in other distressed assets	16,161.4	26,291.0
Income from other distressed assets ⁽⁶⁾	4,090.1	453.9

Notes:

- (1) Mainly include the Company's distressed debt assets at fair value through profit or loss and distressed debt assets at amortized cost.
- (2) Mainly include book value of assets such as non-standard debt investments and equity investments, investments in asset management products, investments in securitized asset products and debenture investments related to the distressed asset business.
- (3) Mainly include the Company's fair value changes on acquisition-operation distressed debt assets and income from distressed debt assets at amortized cost.
- (4) Income of the DES Assets at fair value through profit or loss attributed to distressed asset management segment, including the net gains or losses on disposal, dividend income, interest income and unrealized fair value changes of DES Assets.
- (5) The net gains or losses from DES Assets accrued in consolidated structured entities and associates and joint ventures attributed to distressed asset management segment, dividend income from DES Assets at fair value through other comprehensive income.
- (6) Gains on other distressed asset business, including profit and loss on fair value changes.

3 Management Discussion and Analysis

3.3.1.1 Source of Acquisition of Distressed Debt Assets

The Company classifies the distressed debt assets into two main categories based on the source of acquisition: (1) FI Distressed Assets, including non-performing loans and other distressed debt assets from banks and non-banking financial institutions; and (2) NFI Distressed Assets, including receivables from non-financial institutions.

The table below sets forth the key financial indicators of the Company's FI Distressed Assets and NFI Distressed Assets as at the dates and for the periods indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Net balance of distressed debt assets⁽¹⁾				
FI Distressed Assets	206,985.9	71.7	213,670.5	69.4
NFI Distressed Assets	81,604.0	28.3	94,209.4	30.6
Total	288,589.9	100.0	307,879.9	100.0

	For the six months ended June 30,			
	2024		2023	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Acquisition cost of distressed debt assets⁽²⁾				
FI Distressed Assets	16,266.4	90.3	19,206.0	72.3
NFI Distressed Assets	1,747.9	9.7	7,350.0	27.7
Total	18,014.3	100.0	26,556.0	100.0
Income from distressed debt assets⁽³⁾				
FI Distressed Assets	4,505.5	63.8	3,508.7	41.3
NFI Distressed Assets	2,560.0	36.2	4,984.6	58.7
Total	7,065.5	100.0	8,493.3	100.0

Notes:

- (1) Mainly include the Company's distressed debt assets at fair value through profit or loss and distressed debt assets at amortized cost.
- (2) Represents the carrying amount of distressed debt assets acquired during the period indicated.
- (3) Mainly include the Company's fair value changes on acquisition-operation distressed debt assets and income from distressed debt assets at amortized cost.

3 Management Discussion and Analysis

FI Distressed Assets

The FI Distressed Assets acquired by the Company primarily include non-performing loans and other distressed debt assets from banks, including large commercial banks, joint-stock commercial banks, city and rural commercial banks, policy banks and foreign banks. The Company also acquires distressed debt assets from non-banking financial institutions.

The table below sets forth details on the FI Distressed Assets in terms of acquisition costs among different types of banks and non-banking financial institutions for the periods indicated.

	For the six months ended June 30,			
	2024		2023	
	Acquisition amount	% of total (in millions of RMB)	Acquisition amount	% of total
Large commercial banks	4,220.5	25.9	4,189.2	21.8
Joint-stock commercial banks	3,012.4	18.6	7,412.5	38.6
City and rural commercial banks	6,370.3	39.2	6,176.2	32.2
Other banks ⁽¹⁾	1,048.7	6.4	1,081.9	5.6
Non-banking financial institutions ⁽²⁾	1,614.5	9.9	346.2	1.8
Total	16,266.4	100.0	19,206.0	100.0

Notes:

- (1) Include banking financial institutions such as policy banks and foreign banks.
- (2) Mainly include non-banking financial institutions such as trust companies, financial leasing companies and finance companies.

NFI Distressed Assets

The NFI Distressed Assets acquired by the Company are primarily distressed assets which are held by non-financial institutions or managed by financial institutions as trustees. The NFI Distressed Assets primarily include accounts receivable, other receivables, corporate bonds, entrustment loans and trust loans, etc.

3 Management Discussion and Analysis

3.3.1.2 Business Model of Distressed Debt Assets

The Company mainly employs two business models in distressed debt asset management, which are: (1) acquisition-operation model; and (2) restructuring model.

The table below sets forth details on the acquisition and disposal of distressed assets by the Company using the acquisition-operation model and restructuring model as at the dates and for the periods indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total (in millions of RMB)	Amount	% of total
Net balance of distressed debt assets				
Acquisition-operation Distressed Assets ⁽¹⁾	247,182.9	85.7	248,706.6	80.8
Restructured Distressed Assets ⁽²⁾	41,407.0	14.3	59,173.3	19.2
Total	288,589.9	100.0	307,879.9	100.0

	For the six months ended June 30,			
	2024		2023	
	Amount	% of total (in millions of RMB)	Amount	% of total
Acquisition cost of distressed debt assets				
Acquisition-operation Distressed Assets	18,014.3	100.0	26,556.0	100.0
Restructured Distressed Assets	–	–	–	–
Total	18,014.3	100.0	26,556.0	100.0
Income from distressed debt assets				
Acquisition-operation Distressed Assets ⁽³⁾	5,109.3	72.3	4,581.2	53.9
Restructured Distressed Assets ⁽⁴⁾	1,956.2	27.7	3,912.1	46.1
Total	7,065.5	100.0	8,493.3	100.0

Notes:

- (1) Mainly include the Company's distressed debt assets at fair value through profit or loss.
- (2) Equivalent to the Company's distressed debt assets at amortized cost minus impairment losses, as presented in the Interim Condensed Consolidated Financial Statements.
- (3) Mainly include the Company's fair value changes on acquisition-operation distressed debt assets, which include realized and unrealized parts.
- (4) Equivalent to the Company's income from distressed debt assets at amortized cost, as presented in the Interim Condensed Consolidated Financial Statements.

3 Management Discussion and Analysis

Acquisition-operation Distressed Assets

Acquisition-operation Distressed Assets refer to distressed debt assets acquired from financial institutions and non-financial institutions through competitive biddings, public auctions, blind auctions or negotiated acquisitions by the Company. Based on the characteristics of the distressed debt assets, the Company applied suitable strategies and various disposal methods to maximize the value of assets and achieve cash recovery, including debt restructuring, debt-to-equity swap, asset swap, receipt of equity in satisfaction of debt, litigation recovery, and disposal, etc.

In the first half of 2024, the Company actively adopted effective measures to cope with the new changes in the distressed asset market and continued to promote the high-quality development of acquisition-operation business. In terms of asset acquisition, the Company closely followed up the changes in the market, enhanced high-quality marketing and actively unblocked supply and demand chains to continually expand acquisition channels, deeply dove into the business opportunities in the reform and derisking of small and medium-sized financial institutions and actively supported all kinds of financial institutions to revitalize their distressed assets, maintaining the dominance of the core business. In terms of asset disposal, the Company balanced disposal turnover and value preservation, grasped disposal opportunities, accelerated cash recovery, and improved disposal efficiency.

3 Management Discussion and Analysis

The table below sets forth certain details of the operation of the Acquisition-operation Distressed Assets of the Company as at the dates and for the periods indicated.

	As at June 30, 2024	As at December 31, 2023
	(in millions of RMB)	
Net balance of Acquisition-operation Distressed Assets	247,182.9	248,706.6

	For the six months ended June 30, 2024	2023
	(in millions of RMB)	
Acquisition cost of Acquisition-operation Distressed Assets	18,014.3	26,556.0
Carrying amount of Acquisition-operation Distressed Assets disposed ⁽¹⁾	23,088.1	19,209.9
Unrealized fair value changes	316.8	1,269.6
Net income from Acquisition-operation Distressed Assets	5,109.3	4,581.2
Internal rate of return ⁽²⁾ (%)	10.9	8.2

Notes:

- (1) Represents the amounts of Acquisition-operation Distressed Assets disposed of in a given period.
- (2) The internal rate of return, or IRR, is a discount rate calculated from a series of cash flows including the cash proceeds from the disposal of Acquisition-operation Distressed Assets in the current period and the costs and expenses incurred at the time of acquisition of such assets, which will provide a net present value of all cash flows equal to zero.

Restructured Distressed Assets

The primary sources of Restructured Distressed Assets are non-financial enterprises. When acquiring debts, the Company would enter into a tripartite agreement with the creditor and debtor. The Company acquires the debts from the creditor, and the Company, the debtor and its related parties also enter into a restructuring agreement that details a series of arrangements of reorganization including the repayment amount, repayment method, repayment schedule, and collateral and guarantee, with the goal of activating the existing assets of the debtor, recovering the debt in full and achieving target gains.

3 Management Discussion and Analysis

In the first half of 2024, in response to the external environment changes, the Company stuck to the principle of focusing on prudent operation in the principal business of “extensive distressed asset”, and earnestly fulfilled its professional responsibilities of preventing and defusing financial risks, serving the real economy, and supporting supply-side structural reform. Meanwhile, the Company proactively adjusted the business model and strategy, and vigorously strengthened the activation and disposal of assets.

The table below sets forth the business condition of the Restructured Distressed Assets of the Company as at the dates and for the periods indicated.

	As at June 30, 2024	As at December 31, 2023
(in millions of RMB)		
Net balance of Restructured Distressed Assets	41,407.0	59,173.3
Balance of Restructured Distressed Assets classified as substandard, doubtful and loss ⁽¹⁾	10,180.0	9,552.9
Impaired Restructured Distressed Assets ratio ⁽²⁾ (%)	19.45	13.66
Allowance for impairment losses	10,929.7	10,736.8
Impaired Restructured Distressed Assets coverage ratio ⁽³⁾ (%)	107.4	112.4

	For the six months ended June 30,	
	2024	2023
(in millions of RMB)		
Acquisition cost of Restructured Distressed Assets	–	–
Income from Restructured Distressed Assets	1,956.2	3,912.1
Annualized return on monthly average balance of Restructured Distressed Assets ⁽⁴⁾ (%)	6.1	6.8

Notes:

- (1) Equals Restructured Distressed Assets classified as substandard, doubtful and loss with reference to the “Guidelines for the Classification of Loan Risks” of the CBRC.
- (2) Equals Restructured Distressed Assets classified as substandard, doubtful and loss divided by the gross balance of Restructured Distressed Assets.
- (3) Equals asset impairment reserve balance divided by the balance of Restructured Distressed Assets classified as substandard, doubtful and loss.
- (4) Equals the income from Restructured Distressed Assets (excluding the profits or losses on the disposal of impaired assets) divided by monthly average balance of Restructured Distressed Assets.

3 Management Discussion and Analysis

The table below sets forth details of the Restructured Distressed Assets of the Company classified by industry as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Real estate	35,265.6	67.4	44,404.6	63.5
Leasing and commercial services	5,301.6	10.1	6,218.2	8.9
Manufacturing	5,300.0	10.1	6,485.5	9.3
Wholesale and retail trade	3,589.8	6.9	4,011.4	5.7
Water conservancy, environment and public facilities management	765.5	1.5	1,324.8	1.9
Construction	704.0	1.3	3,133.2	4.5
Mining	299.9	0.6	2,872.2	4.1
Others	1,110.3	2.1	1,460.2	2.1
Total	52,336.7	100.0	69,910.1	100.0

The table below sets forth details of the Restructured Distressed Assets of the Company classified by region as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Bohai Rim	18,776.4	36.0	22,164.5	31.7
Yangtze River Delta	4,241.9	8.1	6,819.4	9.8
Pearl River Delta	7,338.3	14.0	8,369.4	12.0
Central China	11,364.7	21.7	13,864.3	19.8
Western China	8,654.7	16.5	16,510.9	23.6
Northeastern China	1,960.7	3.7	2,181.6	3.1
Total	52,336.7	100.0	69,910.1	100.0

3 Management Discussion and Analysis

3.3.1.3 DES Assets Management

The Company acquires DES Assets through debt-to-equity swap, receipt of equity in satisfaction of debt and other transactions related to distressed asset management.

In the first half of 2024, the Company continued its efforts in the DES business and further enhanced the activation and disposal of existing DES projects including the timely disposal of listed equity assets. Furthermore, the Company continued to promote the market-oriented DES business to support state-owned enterprises to deleverage and to support enterprises in strategic emerging industries to reduce costs and increase efficiency and serve the construction of a modern industrial system, further consolidating the Company's professional brand image.

The table below sets forth the business condition of DES Assets of the Company as at the dates and for the periods indicated.

	As at June 30, 2024	As at December 31, 2023
(in millions of RMB)		
Total book value		
DES Assets at fair value through profit or loss	35,713.9	34,325.7
DES Assets at interests in consolidated structured entities and associates and joint ventures	62,371.6	62,948.2
DES Assets at fair value through other comprehensive income	4,306.0	3,607.2
Total	102,391.5	100,881.1
	For the six months ended June 30, 2024	2023
(in millions of RMB)		
DES Assets income		
Fair value changes ⁽¹⁾	(5.8)	1,064.0
Gains realized with other accounting approaches ⁽²⁾	1,666.7	3,455.0

Notes:

- (1) Refers to fair value changes of the DES Assets at fair value through profit or loss, including the net gains or losses on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.
- (2) Includes net gains or losses from DES Assets at interests in consolidated structured entities and associates and joint ventures and dividend income from DES Assets at fair value through other comprehensive income.

3.3.1.4 Other Distressed Asset Businesses

Other distressed asset business of the Group is mainly the distressed asset business conducted in a comprehensive operation method other than distressed debt asset business and DES business. The Group mainly conducts other distressed asset business through the Company, Cinda Hong Kong, Cinda Investment and Zhongrun Development.

Other Distressed Asset Business of the Company

Other distressed asset business of the Company refers to the business, in which the Company focuses on distressed entities aid and distressed assets revitalizing, flexibly applies transaction structures such as private funds, trust plans and asset management plans, invests its own or undermanaged funds in specific projects, to resolve the risks of such projects and improve the operating conditions of enterprises, and then exits such investment in due course and achieves gains. The investment targets mainly include non-standard debt and equity, asset management products, securitization products and bonds.

The Company focused on the “five priorities” of finance, remained committed to the client-centric strategy, strengthened “headquarter-to-headquarter” marketing, created an ecosystem around the value chain of “extensive distressed asset” business, gave play to the marketing activities of “Ten Provinces and Twenty Cities” to consolidate brand advantages, actively participated in such fields as the divestiture of non-core business and the revitalization of existing inefficient assets, especially the disposal of “non-main business, non-dominant business”, “inefficient assets, ineffective assets”, and “receivables and inventories” from central enterprises and state-owned enterprises, steadily carried out businesses such as the value restoration and improvement of real estate, enterprise crisis relief, bankruptcy reorganization and listed company bailout, continuously consolidated the customer and business advantages formed through years of deep cultivation in the energy sector, actively explored opportunities for the development of new quality productivity, and provided comprehensive financial services for enterprises through reorganization investment, financial consulting and common benefits debt, etc. The Company’s other distressed asset business mainly covers four major business segments, including restructuring of energy and infrastructure industries, risk mitigation of real estate, transformation and upgrading of new quality productivity, and reform and derisking of central state-owned enterprise.

As at December 31, 2023 and June 30, 2024, the balance of other distressed asset business investment of the Company amounted to RMB190.63 billion and RMB191.80 billion, respectively. In the first half of 2023 and the first half of 2024, the new investment in other distressed asset business of the Company amounted to RMB26.29 billion and RMB16.16 billion, respectively and the income amounted to RMB0.45 billion and RMB4.09 billion, respectively.

3 Management Discussion and Analysis

The table below sets forth the new investment in other distressed assets of the Company classified by sector for the periods indicated.

	For the six months ended June 30,			
	2024		2023	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Restructuring of energy and infrastructure industries	7,195.0	44.5	8,146.8	31.0
Risk mitigation of real estate	3,586.6	22.2	7,724.5	29.4
Transformation and upgrading of new quality productivity	2,076.2	12.8	936.3	3.5
Reform and derisking of central state-owned enterprise	3,301.0	20.4	9,483.4	36.1
Others	2.6	0.1	–	–
Total	16,161.4	100.0	26,291.0	100.0

Cinda Hong Kong

As a cross-border distressed asset coordinated management platform of the Group, Cinda Hong Kong focuses on the development of overseas and cross-border distressed asset operation and asset management business, which mainly includes acquisition-operation business to prevent and resolve the overseas business risks of Chinese financial institutions in Hong Kong, as well as substantive restructuring business to support the restructuring of domestic customers to revitalize overseas distressed assets and resolve overseas debt risks.

As at December 31, 2023 and June 30, 2024, the balance of other distressed asset business investment of Cinda Hong Kong amounted to RMB42.97 billion and RMB49.46 billion, respectively. In the first half of 2023 and the first half of 2024, the income from other distressed asset business of Cinda Hong Kong amounted to RMB1.18 billion and RMB0.57 billion, respectively.

3 Management Discussion and Analysis

Cinda Investment

By shouldering its responsibility, Cinda Investment deeply integrated into the coordinated development of the Group, gave full play to the functions of the domestic shareholding platform and the distressed asset management platform, focused on and highlighted the main business, and promoted business transformation. Cinda Investment emphasized business characteristics of “proactive management, value restoration, stock revitalization, resources integration, and Group coordination”, and formed a mature business model and profit model in the real economy industry such as energy resources and advanced technology, so as to build a top-ranking professional investment institution in problematic institutions’ bailout.

As at December 31, 2023 and June 30, 2024, the balance of other distressed asset business investment of Cinda Investment amounted to RMB59.41 billion and RMB59.91 billion, respectively. In the first half of 2023 and the first half of 2024, the income from other distressed asset business of Cinda Investment amounted to RMB1.77 billion and RMB1.39 billion, respectively.

Zhongrun Development

Based on its professional ability and brand advantages in the field of enterprise custody, bankruptcy and liquidation management, Zhongrun Development focused on the custody and reconstruction, bankruptcy reorganization and related liquidity rescue of distressed enterprises, provided financing of bankruptcy costs and common benefits debt in the bankruptcy procedure for distressed enterprises by special fund, explored special investment opportunities such as enterprise restructuring and reorganization by means of custody, liquidation and reorganization consultation, so as to collaborate and promote the Group’s “extensive distressed asset” business.

As at December 31, 2023 and June 30, 2024, the balance of the other distressed asset business investment of Zhongrun Development amounted to RMB2.42 billion and RMB1.99 billion, respectively. In the first half of 2023 and the first half of 2024, the income from other distressed asset business of Zhongrun Development amounted to RMB0.06 billion and RMB0.16 billion, respectively.

3 Management Discussion and Analysis

Cinda Real Estate

As a professional real estate platform of the Group, Cinda Real Estate plays the role of “project management subject, post-investment management subject, and real estate investment advisor” in the Group’s distressed assets business of real estate. Cinda Real Estate revitalizes distressed real estate, unlocks and enhances the value of such assets, so as to provide effective channels for asset disposal and realization. Cinda Real Estate adopts various modes such as acquisition, merger, entrusted construction, joint construction, supervision, entrusted management and consultation to participate in the Group’s real estate business synergy, promote the resumption of real estate risk projects and practically “ensure the housing project delivery, stability and people’s livelihood”. In the first half of 2024, Cinda Real Estate participated in the mitigation of industry risk of 2.300 million square meters, among which 2.046 million square meters were collaboratively managed projects.

In the first half of 2023 and the first half of 2024, Cinda Real Estate’s real estate development business achieved revenue from sales of properties held for sale of RMB2.13 billion and RMB1.91 billion, respectively.

3.3.1.5 Entrusted Operation

The Group provides entrusted operation services to distressed assets and entities under the engagement of government authorities, enterprises and financial institutions. The entrusted distressed asset operation business is mainly conducted by the Company. As at December 31, 2023 and June 30, 2024, the balance of the entrusted operation distressed assets amounted to RMB9.65 billion and RMB18.16 billion, respectively.

3.3.2 Financial Services Business

According to the strategic plan, the Group has focused on the development of the financial services business that can provide services and support to the development of distressed asset business. A synergistic financial services platform has been established, covering banking, securities, futures, mutual funds, trusts and leasing business. The Group is committed to providing customized financial services and comprehensive solutions to customers.

In the first half of 2023 and the first half of 2024, the income from the financial services business accounted for 45.2% and 48.3% of the total income of the Group, respectively, and the profit before tax from the financial services business accounted for 47.0% and 73.1% of the total profit before tax of the Group, respectively.

3 Management Discussion and Analysis

The table below sets forth the key financial indicators of the financial service subsidiaries of the Group as at the dates and for the periods indicated.

	For the six months ended June 30,							
	2024		2023		As at June 30, 2024		As at December 31, 2023	
	Profit		Profit		Total assets	Net assets	Total assets	Net assets
	Income	before tax	Income	before tax				
(in millions of RMB)								
NCB	11,824.2	1,641.5	10,238.6	2,017.1	503,028.4	62,457.3	502,487.9	60,523.4
Cinda Securities	2,350.4	623.8	2,701.3	813.4	77,390.0	18,895.9	77,903.2	18,339.8
Jingu Trust	726.8	375.0	534.6	208.8	11,082.0	4,894.5	9,146.8	4,666.7
Cinda Financial Leasing	1,962.0	417.3	2,061.4	270.6	79,050.1	9,309.0	83,168.3	8,986.2

Note:

- (1) The key financial indicators of the financial service subsidiaries are presented based on the Group's Interim Condensed Consolidated Financial Statements prepared in accordance with IFRS Accounting Standards.

3.3.2.1 Banking Business

The Group conducts banking business in Hong Kong and Mainland China through NCB (mainly including NCB Hong Kong and NCB China).

The Group attaches great importance to the development of NCB. Considering both internal and external economic conditions and its strategies, the Group has put forward the goal of developing NCB into a platform for the Group's account management, cross-selling and integrated financial services, as well as a growth point of the Group's collaboration and transformation, which will promote the development of the entire financial services sector.

3 Management Discussion and Analysis

NCB

The table below sets forth the key financial and business indicators of NCB as at the dates and for the periods indicated.

	As at June 30, 2024	As at December 31, 2023
(in billions of RMB)		
Total assets	503.0	502.5
Total loans	263.9	270.3
Total deposits	362.1	357.4
Asset quality indicators (%)		
Non-performing loan ratio ⁽¹⁾	2.84	2.32
Capital adequacy ratio indicators (%)		
Total capital ratio ⁽²⁾	18.89	18.56
Tier-1 capital ratio ⁽³⁾	15.56	15.20
Tier-1 common capital ratio ⁽⁴⁾	13.58	13.23
Other indicators (%)		
Liquidity coverage ratio ⁽⁵⁾	214.18	165.02

	For the six months ended June 30,	
	2024	2023
(in billions of RMB)		
Net interest income	3.6	3.4
Net commission and fee income	0.7	0.7
Profitability indicators (%)		
Annualized return on average assets ⁽⁶⁾	0.62	0.80
Annualized return on average shareholder's equity ⁽⁷⁾	5.08	7.02
Net interest margin ⁽⁸⁾	1.53	1.53
Cost-to-income ratio ⁽⁹⁾	33.30	34.39

3 Management Discussion and Analysis

Notes:

- (1) Equals the sum of loans classified as substandard, doubtful and loss divided by total loans to customers.
- (2) Equals the sum of tier-1 capital and tier-2 capital divided by net risk-weighted assets.
- (3) Equals tier-1 capital divided by net risk-weighted assets.
- (4) Equals tier-1 common capital divided by net risk-weighted assets.
- (5) Equals high-quality liquid asset reserves divided by the difference between cash outflows over the next 30 days and cash inflows over the next 30 days.
- (6) Equals profit after tax for the period divided by the average balance of assets as at the beginning and the end of the period, which is annualized.
- (7) Equals net profit attributable to equity holders for the period divided by the average of equity attributable to equity holders as at the beginning and the end of the period, which is annualized.
- (8) Equals net interest income divided by daily average balance of interest-generating assets, which is annualized.
- (9) Equals operating expenses divided by operating income.

NCB Hong Kong

Rooted in Hong Kong, NCB Hong Kong focuses on providing professional service, and it is well-known for its expertise in personal wealth management and corporate banking services.

Adhering to the business philosophy of “serving two places with one line of continuity”, and actively integrating into the national strategies including the outline development plan for the Guangdong-Hong Kong-Macao Greater Bay Area, NCB Hong Kong supports Hong Kong to consolidate its position as one of the international finance centers. Leveraging the synergy of the Group, NCB Hong Kong gives full play to its expertise in cross-border finance, consolidated investment and commercial banking operation, offshore RMB businesses and others, continuously optimizes its products and service processes, enhances its online and offline customer service channels, accelerates the transformation of financial advisory and comprehensive financial steward business, strengthens the use of financial technology, improves cross-border service professional level and customer experience, and further establishes the characteristic advantages in each sub-sectors, so as to further improve the high-quality development of operating business. In the first half of 2024, NCB Hong Kong was honored by Asia Money, a leading magazine in the financial sector, with the “Rising Star in the Greater Bay Area 2023”.

NCB Hong Kong played the role of the core platform of the Group’s comprehensive financial services and supported the development of the Group’s credit granting and industrial investment, focused on the comprehensive marketing event of “Ten Provinces and Twenty Cities” of the Group, and visited key strategic customers on a regular basis and deeply explored their business demand. NCB Hong Kong actively expanded group-wide synergy scenarios and successfully implemented a new model of cross-border fund business synergy and collaboration. In the first half of 2024, NCB Hong Kong realized a synergy gain of HKD0.06 billion.

3 Management Discussion and Analysis

The table below sets forth certain details of loans and deposits of NCB Hong Kong as at the dates and for the periods indicated.

	As at June 30, 2024	As at December 31, 2023
	(in billions of RMB)	
From personal customers		
Balance of loans	26.4	27.9
Balance of deposits	200.8	169.7
From corporate customers		
Balance of loans	159.3	164.3
Balance of deposits	87.4	107.5

	For the six months ended June 30,	
	2024	2023
	(in billions of RMB)	
From personal customers		
Net interest income	0.5	0.5
Net commission and fee income	0.2	0.2
From corporate customers		
Net interest income	0.8	1.0
Net commission and fee income	0.3	0.3

3 Management Discussion and Analysis

NCB China

NCB China mainly engages in banking businesses including corporate banking business, personal banking business and financial markets business.

With the development outline of “keeping in mind the mission of red genes, returning to the origin of commercial banks and rediscovering the original aspiration of foreign banks”, NCB China has made solid progress in the “five priorities” of finance by virtue of the Group’s synergy advantages and cross-border resources, and has achieved positive results in serving the real economy, promoting risk mitigation, and increasing the efficiency of intensive operations and other areas.

NCB China exerted its professional advantages to effectively support the project process management of the Group’s main business of distressed assets through comprehensive financial services such as account opening and fund supervision, and conducted customer and project introduction within the Group. In the first half of 2024, the synergistic business of NCB China with the Group totaled RMB22.17 billion, and realized business synergy income of RMB0.12 billion, which effectively supported the Group’s business expansion in FI and NFI Distressed Assets acquisition and equity projects, and improved its capabilities for process management and risk forestalling of projects of the main business of distressed assets.

3 Management Discussion and Analysis

The table below sets forth the key financial and business indicators of NCB China as at the dates and for the periods indicated.

	As at June 30, 2024	As at December 31, 2023
(in billions of RMB)		
Total assets	146.1	149.4
Total loans	84.2	82.4
Total deposits	90.9	87.4
Asset quality indicators (%)		
Non-performing loan ratio	1.63	1.48
Provision coverage ratio	134.71	139.14
Capital adequacy ratio indicators (%)		
Core tier-one capital adequacy ratio	14.86	16.20
Tier-one capital adequacy ratio	14.86	16.20
Capital adequacy ratio	15.49	16.67

	For the six months ended June 30,	
	2024	2023
(in billions of RMB)		
Net interest income	0.8	0.9
Net commission and fee income	0.1	0.1
Profitability indicators (%)		
Annualized return on average assets	0.45	0.51
Annualized return on average shareholder's equity	3.92	4.44

3 Management Discussion and Analysis

The table below sets forth certain loan and deposit details of NCB China as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Balance	% of total	Balance	% of total
(in billions of RMB)				
Loans				
Corporate Banking Business	67.2	79.8	64.2	77.9
Personal Banking Business	17.0	20.2	18.2	22.1
Total	84.2	100.0	82.4	100.0
Deposits				
Corporate Banking Business	78.1	85.9	76.2	87.2
Personal Banking Business	12.8	14.1	11.2	12.8
Total	90.9	100.0	87.4	100.0

3 Management Discussion and Analysis

3.3.2.2 Securities, Futures and Fund Management

The Group conducts securities, futures and fund management business through Cinda Securities and its subsidiaries. In the first half of 2023 and the first half of 2024, the revenue of Cinda Securities amounted to RMB1,897.0 million and RMB1,595.8 million, respectively.

Cinda Securities continued to strengthen its capacity, vigorously cultivating and introducing high-quality research teams. Cinda Securities strengthened synergy with the main business of distressed assets, and provided industry and corporate research as well as investment banking services for projects of the Group, further enhancing the depth and breadth of its services. Giving full play to the role of the Group's synergistic ecosystem and strengths, Cinda Securities pooled such resources as customer channels, business information and business opportunities, formed a strategy of internal resource integration and external synergistic marketing, and continued to make efforts in areas including mergers and acquisitions, reorganization and private enterprise bailout. All these efforts accumulated rich operational experience, and formed differentiated advantages in the field of distressed asset management and special situations investment, which resulted in a continuously improved brand image.

Cinda Securities

The table below sets forth the revenue of Cinda Securities and their corresponding percentages by business for the periods indicated.

	For the six months ended June 30,			
	2024		2023	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities and futures brokerage	673.1	42.2	688.9	36.3
Proprietary securities trading	399.3	25.0	442.9	23.4
Investment banking	30.4	1.9	64.3	3.4
Asset management	328.2	20.6	547.1	28.8
Other business	164.8	10.3	153.8	8.1
Total	1,595.8	100.0	1,897.0	100.0

3 Management Discussion and Analysis

Cinda Futures

The Group conducts futures business through Cinda Futures. In the first half of 2023 and the first half of 2024, income from the futures business of Cinda Futures amounted to RMB106.0 million and RMB98.6 million, respectively, and the operating profit realized amounted to RMB43.1 million and RMB36.3 million, respectively.

Cinda Fund

The Group conducts mutual fund business through Cinda Fund. Such mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which mainly invest in equity assets and fixed income assets. As at December 31, 2023 and June 30, 2024, the Group had 67 and 73 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounting to RMB105.95 billion and RMB116.66 billion, respectively. In the first half of 2023 and the first half of 2024, management fee income from mutual funds and asset management plans amounted to RMB461.6 million and RMB288.2 million, respectively.

Cinda International

The Group conducts cross-border securities brokerage, financial product trading, investment banking and asset management businesses in Hong Kong through Cinda International. In the first half of 2023 and the first half of 2024, the revenue of Cinda International amounted to RMB61.3 million and RMB77.0 million, respectively.

3.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2023 and June 30, 2024, the existing trust AUM of the Group amounted to RMB185.67 billion and RMB322.89 billion, respectively, and the Group managed 439 and 556 existing trust projects, respectively. In the first half of 2023 and the first half of 2024, the commission and fee income generated from trust business were RMB0.43 billion and RMB0.60 billion, respectively, accounting for 82.7% and 83.3% of Jingu Trust's total revenue in respective periods.

Aiming at building an important platform for “asset management, trust services and wealth management”, Jingu Trust has been actively integrating resources, innovating special development models, and continuously strengthening strategic synergy with the Group. Giving full play to its features and advantages of trust business, Jingu Trust assisted the Group in the business of distressed assets operation. Jingu Trust had nearly RMB7.50 billion of new synergy projects in the first half of 2024, and the balance of the synergy business reached RMB57.52 billion, forming a close business synergy structure and an operable and replicable business model.

3 Management Discussion and Analysis

The table below sets forth details of distribution by industry of the trust AUM of the Group as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Infrastructure	57,381.0	17.8	30,889.9	16.6
Real estate	9,664.2	3.0	7,256.1	3.9
Securities markets	21,168.5	6.6	27,232.6	14.7
Industry and commerce	180,517.7	55.8	59,539.0	32.1
Financial institutions	977.8	0.3	799.1	0.4
Asset-backed securitization	52,157.3	16.2	59,413.8	32.0
Others	1,028.7	0.3	539.7	0.3
Total	322,895.2	100.0	185,670.2	100.0

3.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Financial Leasing. As at December 31, 2023 and June 30, 2024, the net finance lease receivables of the Group were RMB72.95 billion and RMB67.03 billion, respectively. In the first half of 2023 and the first half of 2024, the net revenue generated by the financial leasing business of the Group were RMB906.7 million and RMB944.9 million, respectively, and the net profit generated from the financial leasing business of the Group for the same period were RMB379.3 million and RMB440.4 million, respectively.

Cinda Financial Leasing focused on the Group's main responsibility and business of distressed assets and gave full play to the characteristic functions and product advantages of "fund financing + assets financing" to enrich the Group's integrated financial toolbox and to deeply integrate into the customer base of the ecosystem. Cinda Financial Leasing adhered to its strategic positioning, gave full play to its advantages, and served the real economy. Cinda Financial Leasing supported manufacturing enterprises to realize equipment upgrading, energy saving and emission reduction, helped enterprises to improve energy efficiency and achieve sustainable development. Cinda Financial Leasing provided tailored financial services by focusing on the new generation of information technology industry, new materials industry, new energy industry and other areas of enterprise development needs. Cinda Financial Leasing also increased the support for micro, small and medium-sized enterprises to precisely input financial "living water" for enterprises. In the first half of 2024, Cinda Financial Leasing made 11 new collaborative investments in the Group's strategic and important customers, with a contract value of RMB3.32 billion.

3 Management Discussion and Analysis

Product Types

In the first half of 2024, the net income from specialized products and non-specialized products was RMB370.4 million and RMB574.5 million, respectively, representing 39.2% and 60.8% of Cinda Financial Leasing's net income for the periods, respectively.

Industry Distribution

The table below sets forth the outstanding finance lease receivables of the Group by industry as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Manufacturing	23,564.2	33.3	20,979.4	27.4
Leasing and commercial services	13,728.1	19.4	15,007.2	19.6
Construction	12,029.8	17.0	16,462.0	21.5
Mining	5,731.8	8.1	6,278.5	8.2
Transportation, logistics and postal services	5,307.2	7.5	5,589.4	7.3
Production and supply of power, heat, gas and water	3,396.6	4.8	3,522.1	4.6
Water conservancy, environment and public facilities management	3,255.1	4.6	4,594.0	6.0
Others	3,750.5	5.3	4,134.6	5.4
Total	70,763.3	100.0	76,567.3	100.0

3.3.3 Human Resources Management

In the first half of 2024, the Company sustained the momentum of the in-depth integration of the Party building with business operations, deepened the inspection and rectification of the central government, strengthened the cadre team echelon construction, and solidly advanced various tasks to provide strong organizational and talent support for the Company's high-quality transformation and development.

3 Management Discussion and Analysis

3.3.3.1 Employees

The following table sets forth the distribution of the employees of the Group (including the Senior Management, excluding those employed through labor dispatch agencies) as at the dates indicated.

	As at June 30, 2024		As at December 31, 2023	
	Number of employees	Percentage (%)	Number of employees	Percentage (%)
By location				
Employees in Mainland China	12,199	87.9	12,144	87.3
Employees in Hong Kong and Macao	1,685	12.1	1,764	12.7
By gender				
Male	7,982	57.5	7,649	55.0
Female	5,902	42.5	6,259	45.0
Total	13,884	100.0	13,908	100.0

In the Company and its tier-one subsidiaries (head offices), employees with a bachelor's degree or above and employees with a master's degree or above accounted for 92% and 61% respectively. The Company has achieved employee diversity, including gender by taking diversity as the significant consideration factor in human resources management. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial conditions of the Company are not reliant on particular employee(s).

3.3.3.2 Remuneration Policy

The Company adheres to a remuneration policy that prioritizes performance while ensuring fairness. The remuneration management follows the market-oriented principle, the remuneration is aligned with business performance, and the payment is in line with associated business risks. The Company has established and continually refined the deferred payment and a clawback mechanism for remuneration to continuously encourage a focus on the main responsibilities and core business and promote the high-quality development of business.

3 Management Discussion and Analysis

3.3.3 Education and Training

In the first half of 2024, the Company established and implemented the hierarchical and multi-level training system effectively, carried out practical training on a regular basis, and organized 6 training camps, covering 268 business backbone personnel across the Company. The practical training camps extended from primarily supporting business development to comprehensively enhancing operation and management capabilities, with an increased emphasis on the full coverage of business and management competencies. The Company innovated the training methods of the “Selection System” and “Recruitment System”, integrated the Group’s professional talents to address challenges head-on, cultivated core and reserve talents at different levels to build a professional, practical and dynamic team that can quickly respond to business needs. According to the principle of iterative optimization, the Company updated and improved its core business training course system, supporting employees in their career growth, and providing talent support and guarantee for the Company’s high-quality development.

3.3.4 No Material Changes

Save as disclosed herein, there have been no material matters affecting the performance of the Company since the publication of the 2023 annual report that are required to be disclosed in accordance with Appendix D2 to the Hong Kong Listing Rules.

3.4 Risk Management

3.4.1 Framework of Comprehensive Risk Management

Comprehensive risk management is a continuous process which calls for the participation of the Board, Senior Management and all levels of employees to identify all types of potential risks and forecast the extent of risk impacts in strategy setting and routine operations, as well as to effectively manage the risks in all aspects within the Company’s risk appetite.

In the first half of 2024, the Company continued to promote the construction of the comprehensive risk management system and thoroughly implemented the risk management concept of “protecting the bottom-line by managing risks proactively”, ensured the consistent dissemination of risk appetite within the Group, formulated risk management and control policies in a timely manner, strengthened the Group’s risk management and control, optimized the risk management and control measures across the entire business process, proactively identified and addressed hidden risks, focused on optimizing risk mitigation mechanism, and further enhanced asset quality. The Company improved risk monitoring and pre-warning tools and stuck to the bottom line of risk management to constantly enhance the perspectiveness and effectiveness of the Group’s risk management.

3 Management Discussion and Analysis

3.4.2 Risk Appetite

At the beginning of 2024, the Risk Appetite Statement of the Group (2024) was formally implemented upon the approval of the Board and subject to its supervision in implementation. The Company continuously monitored and evaluated the performance of the risk appetite system, prepared quarterly reports on its execution, optimized indicators for risk appetite and improved the transmission mechanism of risk appetite, with a view to further enhance the guiding role of risk appetite system in the operation of the Group. Since its launch, the Group's risk appetite system has effectively facilitated the Company to strictly adhere to national policies and regulatory requirements, further focused on the main responsibilities and core business, enhanced support in addressing distressed institutions, distressed assets, risk businesses and other aspects, ensured the implementation of the Group's development strategy and encouraged the characteristic and differentiated business operation, which provided an effective guarantee for the stable operation of the Group's business and the smooth realization of the Group's risk control objectives.

The overall risk appetite statement of the Company is: the Company is devoted to strategically controlling risk profile, streamlining risk sequence, controlling risk exposure, maintaining a stable risk appetite, and constantly pursuing a balanced development of efficiency, quality and scale. The Company attaches importance to the alignment of business scale, operating income and risk exposure, and will not pursue higher profits at the expense of the bottom-line of risks. The Company strives to maintain the stability and sustainability of profitability within an acceptable risk level, to ensure an endogenous capital growth, to meet the required capital adequacy and to maintain a stable external rating. The Company will also ensure that all business activities are implemented effectively within the risk appetite framework. All substantive risks are to be accurately defined, clearly measured, carefully assessed and proactively managed in the ordinary course of business, so as to align with the risk tolerance and capital adequacy of the Company. The Company will also strive to optimize the risk-adjusted returns within the set risk tolerance.

3.4.3 Risk Management Organizational Structure

The Company has established and continuously optimized the risk management organizational system. The Board assumes the ultimate responsibility for comprehensive risk management, and exercises functions relevant to risk management, such as considering major issues of risk management, supervising and evaluating the establishment of risk management system and risk profile of the Group through its Risk Management Committee, Audit Committee and Connected Transaction Control Committee. The Board of Supervisors assumes the responsibility of monitoring comprehensive risk management, and is responsible for supervising and inspecting the due diligence performance of the Board and the Senior Management in risk management as well as their rectification. The Senior Management assumes specific responsibilities of comprehensive risk management in accordance with the authorization of the Board, and is accountable to the Board on the effectiveness of the risk management system. The risk management committee under the Senior Management exercises part of the risk management duties of the Senior Management in accordance with the authorization.

3 Management Discussion and Analysis

In the first half of 2024, the Risk Management Committee convened three meetings to consider various resolutions, such as the risk appetite statement of the Group, and the risk management report of the Group. The risk management committee under the Senior Management convened six meetings to consider various resolutions, such as the risk management policy, the risk limits management plan, the risk monitoring and evaluation plan of the Group, quarterly classification of risk assets and provisions for impairment.

The Company incorporated various requirements of risk management into its management activities and business processes, and gradually established and improved its three lines of defense for risk management, namely the business operation departments of the headquarters, branches and subsidiaries as the first line of defense; the functional departments of risk management as the second line of defense; the functional departments of internal audit as the third line of defense.

In the first half of 2024, the Company made further strides in its risk management structure. The independence and professionalism of risk management have been continuously improved, the risk management ability has been further strengthened, and the remarkable risk management results have been achieved. The Company also carried on its progress in constantly developing a dedicated risk management team, and strove to continuously improve the performance and competence of all personnel involved in risk management and comprehensively enhance the risk control awareness of all staff through methods such as the reassessment and review of risk projects, risk business training, qualification verification and performance assessment.

3.4.4 Risk Management Policy System

The Company has established a comprehensive risk management system covering all major risk categories, and has continuously amended and improved the system according to the management needs. The system has been well implemented.

At the beginning of 2024, the Company formulated and issued the Group's risk management policy for 2024 covering the major types of risks, including credit risk, market risk, operational and compliance risk, liquidity risk, concentration risk, related party transaction risk, reputation risk, overseas business and country risks, and the Group's risk limit management scheme for 2024 with five major parts, including credit risk limit, market risk limit, liquidity risk limit, concentration risk limit and related party transaction risk limit. The Company enhanced the comprehensive risk management system and mechanism, continuously strengthened the level of risk prevention and control as well as internal control and compliance management, made every effort to improve the quality and efficiency of risk resolution, comprehensively sped up the activation and disposal of inefficient assets, ensured that risk indicators were kept within an appropriate range, and the occurrence of systematic and regional risks was resolutely prevented. In the first half of 2024, the Company revised systems including the Management Measures of Risk Reporting, and optimized the working process of the management of major types of risks, so as to further improve the effectiveness of risk management and control.

3 Management Discussion and Analysis

3.4.5 Risk Management Tools and System

The Company has intensified its vigilance over risks in key regions, industries and customers through launching a risk management and transmission mechanism that seeks a balance among capital, risk and income, and comprehensively raised its risk identification, measurement, monitoring and control capabilities by utilizing various risk management tools such as economic capital, risk limit, rating classification, impairment provision, stress test and risk assessment.

In the first half of 2024, the Company promptly adjusted its business strategy and business structure in alignment with regulatory requirements and market changes, and strictly controlled the risk policy boundaries of business, so as to ensure that the risks associated with the customers, industries and regions were under control. The Company also adjusted the management and control methods in response to changes in risk exposure on a timely basis to ensure the effectiveness and timeliness of risk management. With economic capital management on top of the agenda, the Company strictly controlled the risk limit standard and appropriately allocated the economic capital quota for each business line, with an aim to optimize the allocation of business and management resources. The Company actively promoted the construction of the risk management information system, continued to optimize and upgrade the functions of the risk monitoring platform, and established more accurate and sensitive models to constantly elevate the intelligent risk control level of the Company.

3.4.6 Management of Credit Risk

Credit risk of the Group is primarily related to its distressed debt asset portfolio, the corporate and individual loans of its financial subsidiaries, fixed-income investment portfolio, the finance lease receivables of its financial leasing business and other on- and off-balance sheet exposures to credit risk under the Consolidated Financial Statements.

Based on the principle of “maintaining robust operation, improving business quality, strengthening the source control, increasing effective investment, promoting risk defusion, and consolidating asset quality”, the Company has built a balanced risk-return business portfolio under capital constraints, and actively enhanced the management of credit risk based on the scale and development potential of the regional economy as well as its own status.

3 Management Discussion and Analysis

In the first half of 2024, the Company implemented the risk policies of the customers, industries, regions and products, enhanced its deployment in the “extensive distressed asset” business field with a focus on distressed institutions and distressed assets, accelerated the business reform and optimized the business structure to promote the high-quality development of business. Pursuant to its business strategy, the Company reassessed the annual credit rating of existing customers, and carried out internal rating evaluation for new customers and new acquisition projects, which further optimized the access standards for customers and projects and strictly controlled the Company’s asset quality from the onset; further improved the management mechanism for major projects, proactively strengthened risk source control, prevented substantive risks of major projects, strictly conducted risk assessment, and promoted the risk resolution of major projects; carried out asset classification in strict compliance with regulatory requirements and internal regulations, accurately measured risks and consolidated assets quality, and reduced the scale of endogenous distressed assets; continued to improve the unified credit management and control system for the group customers, strengthened the risk identification and credit line management for the group customers to realize the overall management of customer credit and rationally control the credit risk exposure to the group customers.

3.4.7 Management of Market Risk

Market risk refers to the risk that may bring losses due to adverse movements in interest rates, exchange rates and market prices such as stock and commodity prices, and losses from operating due to major crises. The market risk management of the Group refers to the comprehensive process of identifying, measuring, monitoring, controlling and reporting market risks in accordance with the risk tolerance of the Group to establish and refine the market risk management system, thereby controlling the market risk within an acceptable range so as to maximize the risk-adjusted returns and constantly improve the standard of market risk management.

With respect to interest rate risk, the Company, following the general principle of re-pricing maturities matching between assets and liabilities, has maintained the interest rate risk at an acceptable level by reasonably controlling asset maturities, flexibly adjusting debt duration, and effectively managing the pricing at the asset end and cost at the debt end. With respect to foreign exchange risk, the Company has effectively controlled its exposure to foreign exchange risks by matching currencies used in assets and liabilities, executing the general principle of risk neutral. As for the USD bonds and preference shares issued by the Company, invested assets were mainly denominated in USD or in HKD pegged to USD.

3 Management Discussion and Analysis

3.4.8 Management of Liquidity Risk

Liquidity risk refers to the risk that, while the Company remains solvent, it fails to obtain sufficient funds or obtain sufficient funds at reasonable cost to meet debt payments, perform other payment obligations to meet the financial needs of normal business development.

The Company, focusing on liquidity security, has resolutely implemented the regulatory authorities' requirements on liquidity risk management, constantly improved the liquidity risk management policies, procedures and monitoring systems, managed the liquidity risk of the Group in a holistic manner, and constantly strengthened the construction of financing system to effectively ensure the liquidity security of the Group.

In the first half of 2024, with the reasonable and sufficient market liquidity and the downward trend of funding interest rates, the Company took advantage of the market window to optimize the debt duration structure and further reduced financing costs, enhancing the alignment of assets and liabilities and ensuring the liquidity security of the Company. At the same time, the Company continuously monitored the liquidity of all entities within the Group relying on the information system, comprehensively strengthened the Group's liquidity management, promoted collaborative financing strategies and effectively improved the financing capabilities and liquidity management level of subsidiaries to ensure the medium- to long-term liquidity security of the Group.

3.4.9 Management of Concentration Risk

Concentration risk refers to the risk that a single or a combination of risk exposure may threaten the overall solvency or financial condition of the Company and result in a material change in the risk profile. The Company mainly monitors the concentration risk related to customers, industries, regions, and related party transactions, etc.

The Company managed the concentration risk in accordance with the principle of "sticking to the bottom line, proactively, differentially and precisely management and control" and strictly followed the relevant regulatory requirements. Under the leadership of the Board and the management, the Company conducted business in a compliant and stable manner, and promoted the optimization and adjustment of the business structure to ensure that there is no significant risk exposure.

In the first half of 2024, the Company further improved the risk management mechanism of key customers by strengthening the risk identification, measurement, monitoring, control and reporting, and focused on enhancing the perceptiveness and interconnectedness of risk management for key customers, in order to steadily improve the key customer management ability and effectively control the risk exposure of the major customers.

3 Management Discussion and Analysis

3.4.10 Management of Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or external events.

In the first half of 2024, the Company continued to strengthen its operational risk management. Beginning with a strategic approach, the Company improved relevant systems and processes in corporate governance, business operation, risk management and information technology, etc., strengthened the source control and continued to address any deficiencies. Under the framework of comprehensive risk management, the Company carried out operational risk investigation and aimed at identifying the root causes of the problems to implement timely supervision and rectification. The Company optimized key risk monitoring indicators, and prioritized enhancing the effectiveness of operational risk management tools.

3.4.11 Management of Reputation Risk

Reputation risk refers to the risk that the behaviors of the relevant units, employees or external events of the Company lead to negative evaluation by stakeholders, the public and the media, thus damaging the brand value, adversely affecting normal operation and even affecting the overall reputation of the Company.

In the first half of 2024, the Company thoroughly implemented the regulatory requirements, continued to improve the reputation risk management system and mechanism, and elevated the standardization of management practices. The Company conducted system re-inspection and update and reinforced the responsibilities of management; carried out investigation of reputation risks and enhanced the source control; paid attention to pre- and post-assessment and strengthened development of interconnected handling mechanisms; timely responded to the concerns from all stakeholders and provided reasonable guidance to social expectations; actively promoted a series of influential communication activities to earnestly maintain the Company's brand image.

During the Reporting Period, the Company's reputation risks remained generally stable and controllable, and the level of risk management was steadily improved.

3 Management Discussion and Analysis

3.4.12 Anti-Money Laundering

Attaching great importance to anti-money laundering, anti-terrorist financing and anti-proliferation financing, the Company has resolutely implemented relevant laws, regulations and regulatory requirements, and continuously enhanced the effectiveness of anti-money laundering in accordance with the “risk-oriented” guiding principle.

In the first half of 2024, the Company continued to identify and effectively prevent money laundering risks, and earnestly fulfilled the legal obligations and social responsibilities of anti-money laundering. The Company made reasonable allocation of resources, and took corresponding management and control measures based on the risk assessment of institutional money laundering; continuously optimized the administrative rules on anti-money laundering and embedded them into the information system, conducted comprehensive self-inspection and cross-check of money laundering risks, and carried out on-site inspection of anti-money laundering work of key institutions to boost the quality and efficiency of the anti-money laundering work of the Group. The Company organized various anti-money laundering training covering Senior Management, new hires and anti-money laundering personnel to further strengthen the performance ability of employees; regularly carried out the anti-money laundering propaganda on a quarterly basis and enriched the forms of publicity to achieve good publicity effect.

3.5 Capital Management

The Company established a management and development model on the basis of capital constraints with reference to relevant requirements on capital supervision issued by the NFRA. In the process of business expansion, the awareness of capital cost was continuously intensified. The Company put emphasis on the return level of risk-leveraged assets, and promoted more efficient and high-quality allocation of resources so that the Company could create constant and stable returns for its shareholders by a more intensive operation model with less capital consumption.

In accordance with the Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation) and the overall development strategy of the Group, the Company, adhering to the principle of making forward-looking planning while focusing on asset allocation, actively explored the capital-saving business model, improved the efficiency of capital utilization, monitored the real-time capital changes of every business sector and every product line, and the stable capital situation was maintained, so as to support the high-quality business development across the Company’s business.

3 Management Discussion and Analysis

The table below sets out the capital adequacy ratio, net capital and risk-weighted assets of the Company as at the dates indicated.

	As at June 30, 2024	As at December 31, 2023
(in millions of RMB)		
Core tier-1 capital adequacy ratio (%)	11.69	11.78
Tier-1 capital adequacy ratio (%)	16.34	16.49
Capital adequacy ratio (%)	17.48	18.02
Net core tier-1 capital	82,185.2	82,101.0
Net tier-1 capital	114,933.2	114,849.0
Net capital	122,956.9	125,568.4
Risk-weighted assets	703,327.7	696,676.5

As at December 31, 2023 and June 30, 2024, the leverage ratio (the ratio of interest-bearing liabilities, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group” – “Liabilities” in this report, to equity, as presented in “Management Discussion and Analysis” – “Summary of Financial Position of the Group” in this report) of the Company were 6.0:1 and 5.9:1 respectively.

3.6 Prospects

In the second half of 2024, the fundamentals of stable operation and long-term sound growth of China’s economy remain unchanged. However, it still faces difficulties and challenges, such as insufficient effective demand, obstacles in the domestic general economic circulation, prevalence of latent risk within pivotal domestic sectors, and a progressively complex, severe and uncertain external environment. The Chinese government will implement the new development concept in a complete, accurate and comprehensive manner, adhere to the general tone of seeking progress while maintaining stability, and vigorously push forward high-quality development. The Chinese government will speed up the effective implementation of macro policies, vigorously boost domestic effective demand, strengthen support for large-scale upgrading of equipment and the trade-in of old consumer goods, develop new quality productivity tailored to local conditions, accelerate to foster new growth drivers of foreign trade, solidly promote green and low-carbon development, and effectively ensure and improve people’s livelihoods. The Chinese government will consolidate and expand the results of poverty alleviation, coordinate development and security, effectively prevent and resolve various risks and maintain social stability, focus on advancing Chinese path to modernization to further deepen reforms in an all-round way, and comprehensively promote the construction of a strong country and the great rejuvenation of the nation with Chinese path to modernization.

3 Management Discussion and Analysis

In the second half of 2024, it is expected that macro policies will take a proactive stance, with continued implementation of proactive fiscal policies and prudent monetary policies. Consistency in policy orientation will be maintained, and expectations management will be effectively strengthened to drive a sustained economic recovery. Given the current risks and hidden dangers in the financial and economic fields, measures to prevent and resolve risks in key areas such as real estate, local debt, and small and medium-sized financial institutions will be further enforced. Banks will continue to improve asset quality and accelerate the disposal of existing non-performing assets. Reforms and risk mitigation for high-risk small and medium-sized financial institutions are in progress, with existing risks being mitigated in an orderly manner. The real estate market will remain at a low level; local financing platform transformations will continue; state-owned enterprise reforms will deepen; and the demand for restructuring and revitalizing distressed institutions and existing assets will persist. AMCs should stay focused on their duties and missions, stand fast to their main responsibilities and core business, further strengthen their functional advantages, and effectively play their role in reducing risks, adjusting structures, and stabilizing growth, which will make greater contributions in boosting the country's financial strength.

The Company will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the principles of the 20th National Congress of the CPC and the second and third plenary sessions of the 20th CPC Central Committee, study and apply the spirit of the Central Financial Work Conference and the Central Economic Work Conference. The Company will deeply embrace the political and people-oriented nature of financial work, place greater emphasis on reform, continuously refine its functional positioning, pursue innovation while upholding integrity, accelerate business transformation and upgrading, continue to enhance the quality and efficiency of risk prevention and resolution and serve the real economy, contribute in boosting the country's financial strength, and unwaveringly follow the path of financial development with Chinese characteristics. First, the Company will adhere to the main responsibilities and core business, and effectively give play to its functional advantages. The Company will enhance its deployment in the main business of distressed assets of financial institutions, participate in the reform and risk mitigation of small and medium-sized financial institutions, promote the risk mitigation in the real estate sector, carry out restructuring and reorganization of distressed enterprises and capital market bailout business, and prudently participate in the risk mitigation of local debts. The Company will intensify efforts to activate the existing assets, support the better and stronger development of central and local state-owned enterprises, provide characteristic financial services for the development of new quality productivity and green transformation, and conscientiously conduct the work regarding the "five priorities" of finance. Second, the Company will promote the upgrading of the business model and enhance the efforts in customer expansion. The Company will cultivate differentiated competitive advantages, promote the transformation towards capital-light businesses, continuously upgrade products and services, further expand and develop the market, accelerate the construction of strategic customer bases and ecosystems, and enhance the ability of value creation. Third, the Company will deepen the reform of institutional mechanisms and improve the quality of development. The Company will make continuous efforts to improve the level of comprehensive risk management and strengthen internal control and compliance management, broaden diversified financing channels, and optimize the asset and liability structure to effectively conduct the liquidity management. The Company also will establish a high-quality professional team, promote the integration of investment and research, improve the incentive and constraint mechanism, give full play to flexible organization to effectively enhance operational efficiency, and continue to promote the construction of Digital Cinda to improve its comprehensive empowerment.

4 Changes in Share Capital and Information on Substantial Shareholders

4.1 Changes in Ordinary Share Capital

As at June 30, 2024, there was no change in the ordinary share capital of the Company compared to that as at December 31, 2023, details of which were as follows:

Class of shares	Number of Shares	Percentage (%)
Domestic Shares	24,596,932,316	64.45
H Shares	13,567,602,831	35.55
Total	38,164,535,147	100.00

4.2 Substantial Shareholders of Ordinary Shares and De Facto Controller

4.2.1 Interests and Short Positions held by Substantial Shareholders and Other Persons

To the knowledge of the Directors, as at June 30, 2024, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company under the Section 336 of the Hong Kong SFO:

Name	Capacity	Number of Shares held directly and indirectly	Class of shares	Nature of interest	Approximate percentage to the total issued shares (%)	Approximate percentage to the relevant class of shares (%)
MOF	Beneficial owner	22,137,239,084	Domestic Shares	Long position	58.00	90.00
National Council for Social Security Fund, PRC	Beneficial owner	2,459,693,232	Domestic Shares	Long position	6.44	10.00
	Beneficial owner	2,431,615,939	H Shares	Long position	6.37	17.92
China COSCO Shipping Corporation Limited ⁽¹⁾	Interest of controlled corporation	1,907,845,112	H Shares	Long position	5.00	14.06
DBS Group Holdings Ltd ⁽²⁾	Interest of controlled corporation	767,673,611	H Shares	Long position	2.01	5.66
	Interest of controlled corporation	741,775,774	H Shares	Short position	1.94	5.47

4 Changes in Share Capital and Information on Substantial Shareholders

Notes:

- (1) As per the Corporate Substantial Shareholder Notice filed by China COSCO Shipping Corporation Limited with the Hong Kong Stock Exchange on December 30, 2016, Oversea Lucky Investment Limited directly held 1,907,845,112 H Shares in the Company. As Oversea Lucky Investment Limited, COSCO SHIPPING Financial Holdings Co., Limited and China Shipping (Group) Company are all controlled corporations directly or indirectly owned by China COSCO Shipping Corporation Limited, for the purpose of Hong Kong SFO, each of COSCO SHIPPING Financial Holdings Co., Limited, China Shipping (Group) Company and China COSCO Shipping Corporation Limited is therefore deemed to be interested in the long position of 1,907,845,112 H Shares held by Oversea Lucky Investment Limited in the Company.
- (2) As per the Corporate Substantial Shareholder Notice filed by DBS Group Holdings Ltd with the Hong Kong Stock Exchange on November 2, 2021, DBS Bank Ltd. directly held 767,673,611 H Shares (Long position) and 741,775,774 H Shares (Short position) in the Company. As DBS Bank Ltd. is a controlled corporation of DBS Group Holdings Ltd, DBS Group Holdings Ltd is therefore deemed to be interested in 767,673,611 H Shares (Long position) and 741,775,774 H Shares (Short position) in the Company held by DBS Bank Ltd.

4.2.2 De facto Controller

During the Reporting Period, the de facto controller of the Company remained unchanged, details of which are as follows:

MOF

MOF, as a ministry under the State Council, is the macro-control department in charge of China's fiscal revenue and expenditures, taxation policies and other issues.

4.3 Preference Shares

4.3.1 Issuance and Listing of Preference Shares

During the Reporting Period, the Company did not carry out any issuance and listing of preference shares.

4.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at June 30, 2024, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

Name of shareholder	Nature of shareholder	Class of shares	Increase/decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage
CCB Nominees Limited	Foreign legal person	2021 Offshore Preference Shares	-	85,000,000	100.00%

Note:

Particulars of shareholding of preference shareholders were based on the information set out in the register of preference shareholders kept by the Company. Based on the information available to the Company, the register of preference shareholders presented the information on proxies of placees. CCB Nominees Limited (a subsidiary of China Construction Bank (Asia) Corporation Limited) as the proxy is the only registered holder of the 2021 Offshore Preference Shares of the Company.

4 Changes in Share Capital and Information on Substantial Shareholders

4.3.3 Dividend Distribution of Preference Shares

Subject to the terms and conditions of the issuance of 2021 Offshore Preference Shares, each of the 2021 Offshore Preference Shares shall entitle the holder thereof to receive non-cumulative payable dividends in arrears which have not been otherwise cancelled each year. The 2021 Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.40% per annum, and thereafter at the relevant reset dividend rate.

The dividend distribution plan of 2021 Offshore Preference Shares was considered and approved at the fourth meeting and the third regular meeting of the Board in 2024, approving the Company to distribute dividends of 2021 Offshore Preference Shares on November 4, 2024, at the rate of 4.40% per annum (after tax). The total amount of dividends is USD74.8 million (after tax). For details of the dividend distribution of 2021 Offshore Preference Shares, please refer to the relevant announcement of the Company dated August 27, 2024.

4.3.4 Redemption or Conversion of Preference Shares

The Company has set a trigger event term for 2021 Offshore Preference Shares, upon the occurrence of which the offshore preference shares would be irrevocably and compulsorily converted into a certain number of H Shares. The trigger event refers to the earlier of: (a) the CBIRC having concluded that without a decision on the write-off or conversion into ordinary shares, the Company would become non-viable; and (b) the relevant regulatory authorities such as MOF and the People's Bank of China having concluded that without a decision on a public sector injection of capital or equivalent support, the Company would become non-viable. Assuming the trigger event occurs and all 2021 Offshore Preference Shares shall be converted to H Shares at the initial mandatory conversion price, the number will be 2,915,650,442 H Shares.

During the Reporting Period, the Company did not redeem or convert any preference shares.

4.3.5 Restoration of Voting Rights of Preference Shares

During the Reporting Period, there was no restoration of any voting right of preference shares of the Company.

4.3.6 Accounting Policy Adopted for Preference Shares and Grounds

According to the relevant requirements of the PRC GAAP and IFRS Accounting Standards and the terms of the issuance of 2021 Offshore Preference Shares, the Company classifies 2021 Offshore Preference Shares as equity instruments. Fee, commission and other transaction costs arising from the issuance of 2021 Offshore Preference Shares are deducted from equity. The dividends on 2021 Offshore Preference Shares are recognized as profit distribution at the time of declaration.

5 Directors, Supervisors and Senior Management

5.1 General Information

Directors

As of the Latest Practicable Date, the Board consisted of Mr. Zhang Weidong (Chairman), Mr. Liang Qiang and Mr. Zhao Limin as executive Directors, Mr. Wang Shaoshuang and Mr. Chen Xiaowu as non-executive Directors and Mr. Lu Zhengfei, Mr. Lam Chi Kuen, Mr. Wang Changyun, Mr. Sun Maosong and Ms. Shi Cuijun as independent non-executive Directors.

Supervisors

As of the Latest Practicable Date, the Board of Supervisors consisted of Mr. Zhen Qinggui, Mr. Liu Li and Mr. Cai Xiaoqiang as external Supervisors, Ms. Gong Hongbing, Mr. Lu Baoxing, Mr. Yuan Liangming and Ms. Zhou Lihua as employee Supervisors.

Senior Management

As of the Latest Practicable Date, the Senior Management consisted of Mr. Liang Qiang as President, Mr. Ling Gan as a Senior Management member, Mr. Liu Ligeng, Mr. Zhao Limin and Mr. Li Hongjiang as Vice Presidents, Mr. Jiu Zhengchao and Mr. Wang Zhengmin as Assistants to President, Mr. Luo Zhenhong as Chief Risk Officer, Mr. Ai Jiuchao as Board Secretary, and Mr. Yang Yingxun as Chief Financial Officer.

5.2 Information on Changes

Directors

Since February 26, 2024, Ms. Zhang Yuxiang has ceased to be the non-executive Director due to her age.

On August 27, 2024, Ms. Zhang Zhongmin was nominated as a non-executive Director at the fourth meeting and the third regular meeting of the Board in 2024. Ms. Zhang Zhongmin's appointment will be considered and approved by the general meeting and her qualification will take effect from the date of approval by the NFRA.

Since April 2024, Ms. Shi Cuijun has ceased to be the general counsel of TotalEnergies (Beijing) Corporate Management Co., Ltd.

Since May 2024, Mr. Wang Changyun has ceased to be the independent director of Sunway Co., Ltd.

Except for the above changes, the information regarding the appointments of Directors is consistent with the information disclosed in the 2023 annual report of the Company and the announcement of the Company dated August 27, 2024, and there is no other change in the information which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

5 Directors, Supervisors and Senior Management

Supervisors

Since July 2024, Ms. Zhou Lihua has served as the deputy general manager (general manager level) of the labor union work department (general affairs office) of the Company.

Since January 2024, Mr. Liu Li has served as an independent director of China Galaxy Securities Co., Ltd.

Except for the above changes, the information regarding the appointments of Supervisors is consistent with the information disclosed in the 2023 annual report of the Company, and there is no other change in the information which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Senior Management

Since September 10, 2024, Mr. Hu Jiliang has ceased to be the Vice President due to his age.

Except for the above change, the information regarding the appointments of Senior Management is consistent with the information disclosed in the 2023 annual report of the Company.

6 Significant Events

6.1 Corporate Governance

In strict compliance with the Company Law of the People's Republic of China, the Code of Corporate Governance of Banking and Insurance Institutions, the Hong Kong Listing Rules, other laws and regulations, regulatory documents and the Articles, the Company continued to optimize its corporate governance structure and standardized operation, actively promoted the integration of strengthening the Party's leadership with improving corporate governance to fully leverage the Party's role as the core leadership. Based on the actual operational situation and its own risk status, the Company constantly improved the risk management system and mechanism, continuously optimized the internal control procedure, strengthened compliance awareness, and gave full play to the supervisory role of internal and external audit, strove to enhance corporate governance effectiveness and operational efficiency.

During the Reporting Period, the Company strictly complied with laws, regulations and regulatory requirements, earnestly fulfilled its obligation of information disclosure, and ensured that the information disclosed was true, accurate, complete and timely, thereby effectively safeguarding investors' rights to obtain information in a fair and open manner. The Company attached great importance to and actively strengthened communication and information exchange with investors, the media and other parties. By expanding channels to serve investors, the Company further improved its transparency and credibility.

General Meeting

During the Reporting Period, the Company held the 2023 annual general meeting in Beijing on June 26, 2024, at which nine resolutions were considered and approved, including the work report of the Board for 2023, the report of the Board of Supervisors for 2023, the remuneration settlement scheme for Directors for 2022, the remuneration settlement scheme for Supervisors for 2022, the final financial account plan for 2023, the profit distribution plan for 2023, the budget of investment in capital expenditure for 2024, the appointment of accounting firms for 2024 and the external donation plan for 2024. The external donation plan for 2024 was a special resolution. The work report of the independent non-executive Directors for 2023, the 2023 annual evaluation report of major shareholder and the report on the management of related party transactions for 2023 were also reviewed at the annual general meeting.

The convening and holding of the general meeting was in strict compliance with applicable laws and regulations and the Hong Kong Listing Rules. The Directors, Supervisors and Senior Management members attended relevant meeting. For details of the time, venue, attendance, major issues and voting results of the general meeting held during the Reporting Period, please refer to the announcement regarding the poll results of the general meeting disclosed by the Company.

Board

As of the Latest Practicable Date, the Board comprised ten members, including three executive Directors, two non-executive Directors and five independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the total number of the Board members.

During the Reporting Period, the Board held a total of two meetings, at which 24 resolutions were considered and approved, including the final financial account plan for 2023, the profit distribution plan for 2023, the 2023 annual report (2023 annual results announcement), the risk management report for 2023, the internal control evaluation report for 2023, the corporate social responsibility (ESG) report for 2023, the comprehensive business plan of the Group for 2024, the budget of investment in capital expenditure for 2024, the appointment of accounting firms for 2024, the risk appetite statement of the Group (2024), the risk management policy of the Group for 2024, the external donation plan for 2024, evaluation report of substantial shareholders and major shareholder for 2023, the data governance report for 2023 and the compliance management report for 2023, and 16 reports were reviewed.

During the Reporting Period, the Board closely adhered to the Company's strategic plans and operation objectives, focused on its main responsibilities and core business, promoted the business development and innovation and constantly enhanced the internal management, which led to strengthened core competitiveness and provided a solid foundation for the Company's sound operation and high-quality development.

Board of Supervisors

As of the Latest Practicable Date, the Board of Supervisors comprised seven members, including three external Supervisors and four employee Supervisors.

The Board of Supervisors duly performed its supervision duties and diligently considered relevant proposals. During the Reporting Period, the Board of Supervisors held two meetings, at which nine resolutions were considered and approved, including the legal compliance for 2023, the final financial account plan for 2023, the profit distribution plan for 2023, the internal control evaluation report for 2023, the report on the due diligence of Directors, Supervisors and Senior Management for 2023, the report of the Board of Supervisors for 2023, the 2023 annual report (2023 annual results announcement), the focus of due diligence supervision of the Directors, Supervisors and Senior Management for 2024, and the remuneration settlement scheme for Supervisors for 2022.

6 Significant Events

During the Reporting Period, the Board of Supervisors continued to thoroughly study and implement the spirit of the Central Financial Work Conference. Focusing on the Company's core work and key areas of supervision, the Board of Supervisors diligently fulfilled its oversight responsibilities in compliance with laws and regulations. In response to evolving regulatory requirements and new challenges in the Company's development, the Board of Supervisors continuously followed up on regulatory feedback, compiled issues identified by regulators, analyzed the causes of issues, and promoted the implementation of rectification. The Board of Supervisors concentrated on the Company's main responsibilities and core business, forming research teams to conduct investigations on the Group's synergy to find the difficulties and challenges encountered in the Group's collaborative efforts, and provide insights and recommendations. The Board of Supervisors also paid attention to the implementation of strategic development plans, continuing to conduct research on the transformation and development of smaller branches, gaining a deeper understanding of the considerations, explorations, and specific measures related to the business transformation of these branches. All of these were in support of the Company's development.

Senior Management

During the Reporting Period, the Senior Management organized and implemented the operation and management under the Articles and authorizations of the Board. In accordance with the development strategies and operation plans set by the Board, the Senior Management consolidated the core business of distressed assets management, promoted the business transformation and asset structure optimization, enhanced risk management and strengthened the Group synergy to better accomplish various tasks, resulting in good operation management results.

Corporate Governance Code

During the Reporting Period, the Company has fully complied with the code provisions of the Corporate Governance Code (Appendix C1 to the Hong Kong Listing Rules) and most of the recommended best practices therein.

6.2 Information of Risk Management

The Company endeavors to develop a comprehensive risk management system which is in line with the scale and complexity of its business, and has developed a comprehensive risk management framework consisting of four levels and three lines of defense. The four levels are the Board and the Board of Supervisors, the Senior Management, the risk management department and relevant functional departments at the headquarters, branches and subsidiaries. The three lines of defense are the business operation departments, the functional departments of risk management and the internal audit departments. The Board and the Risk Management Committee evaluate the effectiveness of risk management in various aspects, including but not limited to finance, operation and compliance, and consider the risk management report at least once a year. During the Reporting Period, the Company's risk management system is effective and adequate, and the relevant risk is within the acceptable range of the Company. Considering that the above risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives, it can only provide reasonable assurance that the above objectives will be achieved.

Details of the Company's establishment of the risk management system, risk management structure and control measures during the Reporting Period are set out in the "Management Discussion and Analysis" – "Risk Management" in this report.

6.3 Internal Control

In the first half of 2024, the Company continued to improve the system and mechanism, and constantly consolidated the foundation of its internal control. The Company organized the comprehensive re-inspection across the entire organization, formulated the Company's system construction plan, and promoted the continuous improvement of the Company's institutional framework. The Company built the "class of compliance" to further strengthen the dissemination of policies and systems, thus improving the implementation effect. The Company systematically sorted out the outcomes of its system construction efforts, summarized the experience of system construction, and improved the systematicness and adaptiveness of the Company's system.

6 Significant Events

6.4 Internal Audit

The Company has implemented an internal audit system and the headquarters has set up an audit department with full-time auditors to conduct independent and objective supervision, inspection and evaluation of its business operation, risk exposures, revenue and expenditure and internal control. Such designated auditors are also responsible for reporting the material deficiencies found in the audit to the Board or the Audit Committee as well as the Board of Supervisors.

In the first half of 2024, the Company carried out internal audit work in an orderly manner in accordance with the annual internal audit work plan. Focusing on the strategic development goals, the Company gave full play to the audit and supervision function, and organized regular audits of certain branches; implemented regulatory requirements, and organized special audits such as write-offs of doubtful debts; strengthened the supervision of the performance of cadres, and completed the audit of the departure and economic responsibility of certain middle and senior management personnel; carried out the internal control evaluation of the Company for 2023, completed the internal control evaluation report, and continuously tracked the problems found in the internal control evaluation and internal control audit in recent years and their rectification; steadily promoted the implementation of the internal audit development plan, established and optimized a centralized internal audit supervision system, promoted the implementation of audit rectification, strengthened the application of audit findings, and upgraded the internal audit information system; actively organized training, strengthened the construction of the internal audit team, strengthened collaborative supervision, and continuously improved the quality and efficiency of internal audit.

6.5 Profit and Dividend Distribution

The Company formulated and implemented the cash dividend policy in line with the requirements of the Articles and resolutions of the general meeting. The cash dividend policy has a clear distribution standard and proportion with proper decision-making procedures and mechanisms and was considered and approved by the independent non-executive Directors. Minority shareholders can fully express opinions and suggestions to protect their legitimate interests.

Upon the approval of the 2023 annual general meeting held on June 26, 2024, the cash dividends for 2023 would be distributed by the Company to all holders of ordinary shares at RMB0.4576 (tax inclusive) per 10 shares, representing total cash dividends of approximately RMB1.746 billion. On August 16, 2024, the Company distributed cash dividends of RMB0.4576 (tax inclusive) per 10 shares to all holders of ordinary shares whose names appeared on the register of members on July 8, 2024. No interim dividends will be declared for 2024 and no capital reserves will be converted to the share capital of the Company.

Details of the Company's dividend on 2021 Offshore Preference Shares are set out in the section headed "Changes in Share Capital and Information on Substantial Shareholders" – "Preference Shares" in this report.

6.6 Use of Proceeds

All of the proceeds received by the Company in the past issues have been used in accordance with the purposes disclosed in the relevant documents such as their respective prospectuses, which was to replenish the capital of the Company for supporting its business development.

6.7 Material Litigation and Arbitration

During the Reporting Period, the Company was not involved in any litigation and arbitration which may materially and adversely affect its business, financial condition and operating results.

6.8 Major Acquisition and Disposal of Assets and Merger

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

6.9 Implementation of Share Plan

During the Reporting Period, the Company did not implement any share incentive plan. As of the date of this Report, the Company did not have any subsisting share incentive plan.

6.10 Material Custody, Contracting and Leasing

During the Reporting Period, the Company did not enter into any material contract relating to the custody, contracting and leasing of assets of other companies or custody, contracting and leasing of assets of the Company by other companies.

6.11 Sanctions Imposed on the Company and Directors, Supervisors and Senior Management

During the Reporting Period, to the knowledge of the Company, none of the Company or any of the incumbent Directors, Supervisors and Senior Management were subject to any investigation or administrative sanctions by securities regulatory authorities, publicly censured by any stock exchange, any penalty with material impact on the Company's operation imposed by other regulatory authorities, or prosecuted for criminal liabilities by judicial authorities.

6 Significant Events

6.12 Purchase, Sale and Redemption of Listed Securities

During the Reporting Period, neither the Company nor its subsidiaries have purchased, sold or redeemed any listed securities (including treasury shares sold) of the Company. As at June 30, 2024, neither the Company nor its subsidiaries held any treasury shares.

6.13 Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the code regarding the securities transactions by Directors, Supervisors and Senior Management, which is no less lenient than the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Hong Kong Listing Rules, to regulate such behaviors. The Company has made enquiries to all Directors and Supervisors who confirmed that they had complied with such code and the requirements set out therein during the Reporting Period.

6.14 Directors', Supervisors' and Chief Executive Officer's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at June 30, 2024, none of the Directors, Supervisors or chief executive officer had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO) as recorded in the register kept by the Company pursuant to Section 352 of the Hong Kong SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix C3 to the Hong Kong Listing Rules.

6.15 Review of Interim Report

The Interim Condensed Consolidated Financial Statements for 2024 prepared by the Company according to IFRS Accounting Standards have been reviewed by Ernst & Young in accordance with International Standards on Review Engagements.

This report has been considered and approved by the Board and the Audit Committee.

6.16 Statement for Changes of Accounting Firms in the Preceding Three Years

According to the relevant requirements of the Notice on Printing and Distributing the Administrative Measures for the Appointment of Accounting Firms by State-owned Financial Enterprises (Cai Jin [2020] No. 6) issued by MOF, the term of appointment of the same accounting firm by a state-owned financial enterprise shall not exceed eight years on a consecutive basis. The term of service of Ernst & Young Hua Ming LLP and Ernst & Young, as the Company's then accounting firms, had reached the period prescribed by the above regulations. As considered and approved at the 2023 fifth meeting of the Board and the 2022 annual general meeting, the Company engaged PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the domestic and international accounting firms for 2023, to undertake the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services of the Company for 2023.

On June 26, 2024, the term of engagement of PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, as the Company's then accounting firms, was terminated on the date of conclusion of the 2023 annual general meeting. As considered and approved at the 2024 second meeting and second regular meeting of the Board and the 2023 annual general meeting, the Company engaged Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international accounting firms for 2024, to undertake the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services of the Company for 2024.

7 Review Report and Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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Report on Review of Interim Condensed Consolidated Financial Statements



Ernst & Young

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.

(Established in the People's Republic of China with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at June 30, 2024, the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

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

Scope of Review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

August 27, 2024

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

	Note IV	For the six months ended June 30,	
		2024 (Unaudited)	2023 (Unaudited)
Fair value changes on distressed debt assets	1	4,948,899	2,836,255
Fair value changes on other financial instruments	2	5,353,683	4,905,995
Income from distressed debt assets at amortized cost	3	1,956,121	3,912,085
Investment income	4	254,320	258,880
Interest income	5	16,559,846	16,120,222
Revenue from sales of inventories	6	2,596,554	2,132,809
Commission and fee income	7	2,529,211	2,649,612
Net gains or losses on disposal of subsidiaries, associates and joint ventures	8	(382,473)	296,918
Other income and other net gains or losses	9	1,259,703	1,184,928
Total		35,075,864	34,297,704
Interest expense	10	(21,905,333)	(21,558,415)
Employee benefits		(2,523,799)	(3,045,559)
Purchases and changes in inventories	6	(2,025,713)	(1,812,677)
Commission and fee expense		(344,268)	(413,091)
Taxes and surcharges		(355,154)	(232,557)
Depreciation and amortization expenses		(982,573)	(964,053)
Other expenses		(1,438,464)	(1,482,760)
Credit impairment losses	11	(4,764,292)	(3,108,033)
Impairment losses on other assets	12	(149,575)	(3,607)
Total		(34,489,171)	(32,620,752)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

	Note IV	For the six months ended June 30,	
		2024 (Unaudited)	2023 (Unaudited)
Change in net assets attributable to other holders of consolidated structured entities		(6,614)	(51,347)
Profit before share of results of associates and joint ventures and tax		580,079	1,625,605
Share of results of associates and joint ventures		2,354,723	3,723,897
Profit before tax		2,934,802	5,349,502
Income tax expense	13	(278,130)	(828,906)
Profit for the period		2,656,672	4,520,596
Profit attributable to:			
Equity holders of the Company		2,155,895	4,067,628
Non-controlling interests		500,777	452,968
		2,656,672	4,520,596
Earnings per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share)	14		
– Basic		0.04	0.09
– Diluted		0.04	0.09

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Profit for the period	2,656,672	4,520,596
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the period	417,438	364,535
Amounts reclassified to profit or loss upon disposal	(277,644)	(79,972)
Amounts of profit or loss upon impairment	(36,025)	(205,132)
	103,769	79,431
Exchange differences arising on translation of foreign operations	339,277	279,617
Share of other comprehensive income of associates and joint ventures	(14,707)	62,665
Subtotal	428,339	421,713
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	423,331	810,809
Subtotal	423,331	810,809
Other comprehensive income for the period, net of income tax	851,670	1,232,522
Total comprehensive income for the period	3,508,342	5,753,118
Total comprehensive income attributable to:		
Equity holders of the Company	2,992,464	5,206,346
Non-controlling interests	515,878	546,772
	3,508,342	5,753,118

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

	Note IV	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Assets			
Cash and balances with central banks	16	13,167,868	15,237,506
Deposits with banks and financial institutions	17	84,044,153	81,997,616
Deposits with exchanges and others		2,443,867	2,622,029
Placements with banks and financial institutions	18	28,201,602	24,169,785
Financial assets at fair value through profit or loss	19	510,113,725	518,309,820
Financial assets held under resale agreements	20	14,872,862	9,239,139
Financial assets at fair value through other comprehensive income	21	176,145,468	170,875,858
Loans and advances to customers	22	393,934,536	403,161,759
Financial assets at amortized cost	23	97,149,316	119,749,889
Accounts receivable	24	4,481,295	4,186,709
Properties held for sale	25	67,363,457	58,859,876
Investment properties	26	8,905,865	9,041,575
Interests in associates and joint ventures	28	92,374,470	91,685,030
Property and equipment	30	13,387,447	13,274,412
Goodwill	31	23,328,316	23,160,416
Other intangible assets		4,020,359	4,043,300
Deferred tax assets	32	12,236,401	10,956,488
Other assets	33	37,624,201	33,786,240
Total assets		1,583,795,208	1,594,357,447

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

	Note IV	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Liabilities			
Borrowings from the central bank	34	9,629,258	986,058
Accounts payable to brokerage clients		17,916,593	17,264,084
Financial liabilities at fair value through profit or loss	35	8,681,177	9,449,199
Financial assets sold under repurchase agreements	36	27,210,952	33,338,049
Placements from banks and financial institutions	37	25,949,184	29,474,595
Borrowings	38	549,552,807	558,870,502
Due to customers	39	371,821,227	339,219,789
Deposits from banks and financial institutions	40	6,657,729	14,994,573
Accounts payable	41	4,856,910	4,782,991
Tax payable		2,407,177	3,582,550
Bonds issued	42	276,814,179	302,762,132
Contract liabilities	43	5,925,870	6,131,999
Deferred tax liabilities	32	2,089,009	1,723,273
Other liabilities	44	56,454,692	54,621,458
Total liabilities		1,365,966,764	1,377,201,252

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

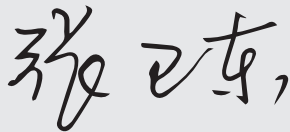
Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2024

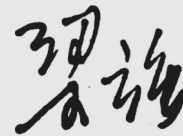
(Amounts in thousands of RMB, unless otherwise stated)

	Note IV	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Equity			
Share capital	45	38,164,535	38,164,535
Other equity instruments	46	32,748,001	32,748,001
Capital reserve	47	20,527,378	20,480,947
Other comprehensive income	48	(2,482,379)	(3,321,967)
Surplus reserve		11,270,467	11,270,467
General reserve	49	17,553,425	17,372,670
Retained earnings		75,820,460	76,114,348
Equity attributable to equity holders of the Company		193,601,887	192,829,001
Non-controlling interests		24,226,557	24,327,194
Total equity		217,828,444	217,156,195
Total equity and liabilities		1,583,795,208	1,594,357,447

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



CHAIRMAN



PRESIDENT

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)									
	Equity attributable to equity holders of the Company									
	Share capital (Note IV.45)	Other equity instruments (Note IV.46)	Capital reserve (Note IV.47)	Other comprehensive income (Note IV.48)	Surplus reserve	General reserve (Note IV.49)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2024	38,164,535	32,748,001	20,480,947	(3,321,967)	11,270,467	17,372,670	76,114,348	192,829,001	24,327,194	217,156,195
Profit for the period	-	-	-	-	-	-	2,155,895	2,155,895	500,777	2,656,672
Other comprehensive income for the period	-	-	-	836,569	-	-	-	836,569	15,101	851,670
Total comprehensive income for the period	-	-	-	836,569	-	-	2,155,895	2,992,464	515,878	3,508,342
Share-based payments	-	-	246	-	-	-	-	246	938	1,184
Acquisition of additional interests in subsidiaries	-	-	(4,223)	-	-	-	-	(4,223)	(153,619)	(157,842)
Acquisition of interests in subsidiaries	-	-	-	-	-	-	-	-	88,160	88,160
Appropriation to general reserve	-	-	-	-	-	180,755	(180,755)	-	-	-
Dividends recognized as distribution (Note IV.14, Note IV.15)	-	-	-	-	-	-	(2,266,009)	(2,266,009)	-	(2,266,009)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(323,281)	(323,281)
Dividends paid to capital securities issued by subsidiaries	-	-	-	-	-	-	-	-	(228,713)	(228,713)
Share of associates' equity changes other than comprehensive income and distribution	-	-	50,408	-	-	-	-	50,408	-	50,408
Other comprehensive income carried forward to retained earnings	-	-	-	3,019	-	-	(3,019)	-	-	-
As at June 30, 2024	38,164,535	32,748,001	20,527,378	(2,482,379)	11,270,467	17,553,425	75,820,460	193,601,887	24,226,557	217,828,444

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)									
	Equity attributable to equity holders of the Company								Non- controlling interests	Total
	Share capital (Note IV.45)	Other equity instruments (Note IV.46)	Capital reserve (Note IV.47)	Other comprehensive income (Note IV.48)	Surplus reserve	General reserve (Note IV.49)	Retained earnings	Subtotal		
As at January 1, 2023	38,164,535	32,748,001	19,481,312	(4,543,285)	10,756,092	16,859,366	74,739,721	188,205,742	19,789,380	207,995,122
Profit for the period	-	-	-	-	-	-	4,067,628	4,067,628	452,968	4,520,596
Other comprehensive income for the period	-	-	-	1,138,718	-	-	-	1,138,718	93,804	1,232,522
Total comprehensive income for the period	-	-	-	1,138,718	-	-	4,067,628	5,206,346	546,772	5,753,118
Capital contribution from non-controlling interests of subsidiaries	-	-	851,049	-	-	-	-	851,049	1,761,048	2,612,097
Acquisition of additional interests in subsidiaries	-	-	(27,752)	-	-	-	-	(27,752)	(76,069)	(103,821)
Issuance of capital securities	-	-	-	-	-	-	-	-	2,020,197	2,020,197
Appropriation to general reserve	-	-	-	-	-	293,646	(293,646)	-	-	-
Dividends recognized as distribution (Note IV.14, Note IV.15)	-	-	-	-	-	-	(2,413,706)	(2,413,706)	-	(2,413,706)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(273,133)	(273,133)
Dividends paid to capital securities issued by subsidiaries	-	-	-	-	-	-	-	-	(152,910)	(152,910)
Share of associates' equity changes other than comprehensive income and distribution	-	-	520,397	-	-	-	-	520,397	-	520,397
Other comprehensive income carried forward to retained earnings	-	-	-	(32,268)	-	-	32,268	-	-	-
As at June 30, 2023	38,164,535	32,748,001	20,825,006	(3,436,835)	10,756,092	17,153,012	76,132,265	192,342,076	23,615,285	215,957,361

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	2,934,802	5,349,502
Adjustments for:		
Impairment losses on other assets	149,575	3,607
Credit impairment losses	4,764,292	3,108,033
Depreciation of property and equipment, investment properties and right-of-use assets	743,003	747,558
Amortization of intangible assets and other long-term assets	239,570	216,495
Share of results of associates and joint ventures	(2,354,723)	(3,723,897)
Net gains or losses on disposal of property and equipment, investment properties and other intangible assets	(11,560)	23,247
Net gains or losses on disposal of subsidiaries, associates and joint ventures	382,473	(296,918)
Fair value changes on financial assets	(6,349,455)	(4,425,593)
Investment income	(147,850)	(183,033)
Interest income	(4,897,900)	(2,642,308)
Borrowing costs	6,490,453	9,706,441
Operating cash flows before movements in working capital	1,942,680	7,883,134
Decrease/(increase) in balances with central banks and deposits with banks and financial institutions	675,469	(895,971)
(Increase)/decrease in financial assets at fair value through profit or loss	(3,613,266)	22,310,950
Decrease in placements with banks and financial institutions	43,934	2,985,933
(Increase)/decrease in financial assets held under resale agreements	(4,092,669)	2,637,953
Decrease in financial assets at amortized cost	21,786,943	17,572,391
Decrease/(increase) in loans and advances to customers	9,761,240	(13,461,080)
(Increase)/decrease in accounts receivable	(292,638)	439,204
Increase in properties held for sale	(8,420,084)	(515,161)
Increase/(decrease) in due to customers and deposits from banks and financial institutions	24,264,594	(2,471,536)
Increase in accounts payable to brokerage clients	652,509	883,315
Decrease in financial assets sold under repurchase agreements	(5,804,729)	(2,404,645)
Decrease in borrowings	(13,251,899)	(43,472,985)
Increase/(decrease) in accounts payable	73,919	(315,890)
Decrease in contract liabilities	(206,129)	(2,188,136)
Increase in other operating assets	(7,596,369)	(3,251,869)
Increase in other operating liabilities	2,479,745	14,588,747
Cash inflow from operations	18,403,250	324,354
Income taxes paid	(1,853,797)	(1,433,702)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	16,549,453	(1,109,348)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	94,921,960	96,159,751
Dividends received from investment securities	4,228,258	7,040,742
Dividends received from associates and joint ventures	624,507	1,021,739
Interest received from investment securities	3,749,066	2,294,566
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	100,963	165,808
Net cash flows from disposals of associates and joint ventures	2,327,722	3,631,687
Cash payments to acquire investment securities	(103,381,935)	(145,655,955)
Net cash inflows due to acquisition of subsidiaries	(18,745)	–
Net cash flows from consolidated structured entities	5,052,788	1,631,446
Cash payments for purchase of property and equipment, investment properties and other intangible assets	(646,070)	(341,106)
Cash payments for establishment and acquisition of interests in associates and joint ventures	(326,984)	(1,612,040)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	6,631,530	(35,663,362)
FINANCING ACTIVITIES		
Proceeds from issuance of capital securities	–	2,020,197
Capital contribution from non-controlling interests of subsidiaries of the Company	–	851,049
Cash payment to acquire additional interests in subsidiaries	–	(76,069)
Cash receipts from borrowings raised	34,601,086	30,368,221
Cash receipts from bonds issued	23,510,491	51,305,956
Cash repayments of borrowings	(22,378,913)	(18,564,763)
Cash repayments of bonds	(53,299,536)	(60,374,404)
Interest expenses on borrowings and bonds	(6,649,646)	(7,881,528)
Redemption of capital securities issued	–	(27,752)
Cash paid for dividend distribution	(519,600)	(519,600)
Dividends paid to non-controlling interests of subsidiaries	(518,167)	(404,364)
Cash payments for other financing activities	(444,733)	(37,169)
NET CASH OUTFLOW FROM FINANCING ACTIVITIES	(25,699,018)	(3,340,226)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

	Note IV	For the six months ended June 30,	
		2024 (Unaudited)	2023 (Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,518,035)	(40,112,936)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		102,876,761	145,411,977
Effect of foreign exchange changes		658,578	3,651,372
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	50	101,017,304	108,950,413
Net cash flows from operating activities include:			
Interest received		11,661,946	13,477,914
Interest paid		(15,421,494)	(11,903,321)

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

I. GENERAL INFORMATION

China Cinda Asset Management Co., Ltd. (the “Company”) was transformed from China Cinda Asset Management Corporation (the “Former Cinda”), which was a wholly state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) on April 19, 1999 as approved by the State Council of the PRC (the “State Council”). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at June 30, 2024, the MOF directly owned 58.00% of the share capital of the Company.

The Company has financial services certificate No. J0004H111000001 issued by the National Financial Regulatory Administration (“NFRA” and the former China Banking and Insurance Regulatory Commission, “CBIRC”), and business license No. 91110000710924945A issued by the State Administration of Industry and Commerce of the PRC. The registered office of the Company is located at No.1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC.

The Company was listed on the Stock Exchange of Hong Kong Limited on December 12, 2013.

The Company and its subsidiaries are collectively referred to as the Group. The principal activities of the Group comprise acquiring and entrusting to manage, investing and disposal of both financial and non-financial institution distressed assets; receivership; foreign investment; securities and futures dealing; financial bond issuance; inter-bank borrowing and lending; commercial financing for other financial institutions; approved asset securitization business; financial institutions custody; closing and liquidation of business; consulting and advisory business on finance, investment, legal and risk management; asset and project evaluation; banking business; fund management; asset management; trusts; financial leasing services; real estate and industrial investments and other businesses approved by the National Administration of Financial Regulation or other regulatory bodies.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed financial statements have been prepared on a going concern basis.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2023.

The interim condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand, except when otherwise indicated.

2. Principal accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2024 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2023.

3. Standards and amendments effective in 2024

In the current interim period, the Group has applied the following applicable new standards and amendments to IFRSs that are effective for the Group’s annual period beginning on January 1, 2024.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Disclosures: Supplier Finance Arrangements

The adoption of the above standards and amendments did not have a significant impact on the amounts reported and disclosures set out in these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

4. Standards and amendments that are not yet effective in 2024

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
Amendments to IAS 21	Lack of exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely

The Group is considering the impact of these standards and amendments on the consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2023.

IV. EXPLANATORY NOTES

1. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets at fair value through profit or loss during the period (see Note IV.19 Financial assets at fair value through profit or loss).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets is included in fair value changes.

2. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note IV.19 Financial assets at fair value through profit or loss and Note IV.35 Financial liabilities at fair value through profit or loss).

The fair value changes comprise realized gains and losses on disposal and unrealized fair value changes, from financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss), loans and advances to customers at fair value through profit or loss and financial liabilities at fair value through profit or loss. Any interest or dividend income arising from such instruments is included in fair value changes.

For the six months ended June 30, 2024 and 2023, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

3. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note IV.23 Financial assets at amortized cost).

For the six months ended June 30, 2024, the net gain on the derecognition of distressed debt assets at amortized cost was RMB505 million (For the six months ended June 30, 2023: RMB814 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

4. Investment income

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Net realized gains/(losses) on disposal of		
– Financial assets at fair value through other comprehensive income	287,462	230,620
– Loans and advances to customers at amortized cost	103,242	68,627
– Other debt investments at amortized cost	3,228	7,220
Dividend income from		
– Financial assets at fair value through other comprehensive income	9,621	1,651
Others	(149,233)	(49,238)
Total	254,320	258,880

5. Interest income

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

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Loans and advances to customers		
– Corporate and personal loans and advances	8,456,593	8,239,891
– Finance lease receivables	1,854,854	1,908,386
– Loans to margin clients	284,483	289,384
Other debt investments at amortized cost	1,128,850	1,525,762
Financial assets at fair value through other comprehensive income	3,150,093	2,147,543
Deposits with banks and financial institutions	909,162	1,117,689
Placements with banks and financial institutions	499,668	445,228
Financial assets held under resale agreements	149,561	252,625
Others	126,582	193,714
Total	16,559,846	16,120,222

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

6. Revenue from sales of inventories and purchases and changes in inventories

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Revenue from sales of inventories	2,596,554	2,132,809
Purchases and changes in inventories	(2,025,713)	(1,812,677)
Gross profit from sales of inventories	570,841	320,132

Timing of recognition of revenue from sales of properties held for sale

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Recognized at a point in time		
Sales of properties held for sale	2,576,574	2,029,792
Recognized over time		
Primary land development	19,980	103,017

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at June 30 are as follows:

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Amounts expected to be recognised as revenue:		
Within one year	3,986,840	5,191,731
After one year	324,488	800,984
Total	4,311,328	5,992,715

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

7. Commission and fee income

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Trustee services	544,821	227,843
Fund and asset management business	529,257	728,304
Securities and futures brokerage	500,745	538,638
Agency business	412,868	531,724
Banking business	340,816	344,898
Consultancy and financial advisory services	99,701	211,660
Securities underwriting	33,059	18,914
Others	67,944	47,631
Total	2,529,211	2,649,612

8. Net gains or losses on disposal of subsidiaries, associates and joint ventures

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Net gains or losses on disposal of associates and joint ventures	(382,473)	296,918
Total	(382,473)	296,918

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

9. Other income and other net gains or losses

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Revenue from hotel operation	252,317	160,685
Rental income	380,174	330,708
Net gains on exchange differences	434,049	432,029
Government grants and compensation	91,512	53,329
Income from liquidated damages	57,280	21,162
Net gains or losses on disposal of other assets	2,597	(20,075)
Others	41,774	207,090
Total	1,259,703	1,184,928

10. Interest expense

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Borrowings	(9,806,329)	(10,478,726)
Due to customers	(5,666,347)	(3,916,537)
Bonds issued	(5,363,546)	(5,879,558)
Financial assets sold under repurchase agreements	(423,961)	(692,044)
Deposits from banks and financial institutions	(310,373)	(225,790)
Placements from banks and other financial institutions	(227,116)	(223,967)
Accounts payable to brokerage clients	(49,225)	(57,457)
Lease liabilities	(31,721)	(17,561)
Others	(26,715)	(66,775)
Total	(21,905,333)	(21,558,415)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

11. Credit impairment losses

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Financial assets at amortized cost		
– Distressed debt assets	(1,393,029)	(1,224,637)
– Other debt investments	(801,069)	(443,993)
Loans and advances to customers	(2,293,173)	(1,748,526)
Accounts receivable	4,157	(26,917)
Financial assets at fair value through other comprehensive income	36,025	36,098
Financial assets held under resale agreements	(232,391)	51,025
Other credit impairment losses	(84,812)	248,917
Total	(4,764,292)	(3,108,033)

12. Impairment losses on other assets

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Foreclosed assets	(107,784)	(4,620)
Properties held for sales	(41,791)	1,013
Total	(149,575)	(3,607)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

13. Income tax expense

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	(1,436,446)	(1,431,789)
– PRC Land Appreciation Tax	23,524	(8,458)
– Hong Kong Profits Tax	(95,804)	(213,722)
– Overseas taxation	(3,550)	2,673
Overprovision in prior years	88,022	104,321
Subtotal	(1,424,254)	(1,546,975)
Deferred income tax (Note IV.32)	1,146,124	718,069
Total	(278,130)	(828,906)

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

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2023: 16.5%) of the estimated assessable profit for the period.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

14. Earnings per share attributable to equity holders of the Company

The calculation of basic and diluted earnings per share is as follows:

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Earnings:		
Profit attributable to equity holders of the Company	2,155,895	4,067,628
Less: Dividends on Undated Capital Bonds declared	519,600	519,600
Profit attributable to ordinary equity holders of the Company	1,636,295	3,548,028
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	38,164,535	38,164,535
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	38,164,535	38,164,535
Basic earnings per share (RMB Yuan)	0.04	0.09
Diluted earnings per share (RMB Yuan)	0.04	0.09

There were no potentially dilutive shares outstanding for the six months ended June 30, 2024 and June 30, 2023.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

15. Dividends

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Final dividends of 2023	1,746,409	–
Final dividends of 2022	–	1,894,106
Dividends recognized as distribution during the period	1,746,409	1,894,106

A cash dividend of approximately RMB1,746.41 million in total for the year of 2023 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2023 as determined under China Accounting Standards, at the annual general meeting for 2023 held on June 26, 2024.

16. Cash and balances with central banks

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Cash	555,426	523,309
Mandatory reserve deposits with central banks (1)	5,746,506	5,898,288
Surplus reserve deposits with central banks	4,529,852	6,469,912
Other deposits with central banks	2,336,084	2,345,997
Total	13,167,868	15,237,506
Including: Restricted		
– Balances with central banks	5,746,506	5,898,288

(1) In accordance with relevant regulations, Nanyang Commercial Bank, Limited, a subsidiary of the bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at June 30, 2024, the mandatory deposits were calculated at 6% of customer deposits denominated in RMB (December 31, 2023: 7%) and 4% of customer deposits denominated in foreign currencies (December 31, 2023: 4%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

17. Deposits with banks and financial institutions

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Deposits with banks		
– House accounts	64,591,715	62,253,340
– Cash held on behalf of clients	14,165,866	13,553,130
Clearing settlement funds		
– House accounts	663,368	699,428
– Clients	2,414,985	2,029,737
Deposits with other financial institutions		
– House accounts	2,055,294	3,176,174
Interest receivable	153,228	285,949
Subtotal	84,044,456	81,997,758
Less: Allowance for impairment losses	303	142
Total	84,044,153	81,997,616
Including:		
Restricted	25,735,187	17,999,456

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at June 30, 2024, the Group had no pledged bank deposits (December 31, 2023: the Group's pledged bank deposits was nil).

The Group's clearing settlement funds bear interest at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at June 30, 2024, the Group's restricted clearing settlement funds amounted to RMB2,414.99 million (December 31, 2023: RMB2,029.74 million).

As at June 30, 2024 and as at December 31, 2023, the Group's Deposits with banks and financial institutions were all in Stage I.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

18. Placements with banks and financial institutions

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Banks	25,584,675	22,032,598
Other financial institutions	2,570,000	2,121,000
Interest receivable	64,355	33,839
Subtotal	28,219,030	24,187,437
Less: Allowance for impairment losses	17,428	17,652
Total	28,201,602	24,169,785

As at June 30, 2024 and as at December 31, 2023, the Group's Placements with banks and financial institutions were all in Stage I.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

19. Financial assets at fair value through profit or loss

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	16,046,287	17,655,325
Debt securities		
– Government bonds	2,372,463	2,169,521
– Public sector and quasi-government bonds	277,747	–
– Financial institution bonds	699,640	950,799
– Corporate bonds	24,678,781	21,392,428
Funds	3,417,913	4,028,274
Asset-backed securities	2,192,660	2,916,778
Corporate convertible bonds	664,028	813,685
Subtotal	50,349,519	49,926,810
Unlisted investments:		
Distressed debt assets	232,179,283	241,982,055
Funds	123,998,544	126,237,081
Equity investments	57,783,780	56,675,732
Trust products and asset management plans	21,074,085	17,305,026
Debt instruments	10,568,391	11,169,359
Security investments	10,093,834	10,121,937
Wealth management products	1,768,266	2,700,637
Derivative financial assets (1)	1,646,594	1,513,374
Others	651,429	677,809
Subtotal	459,764,206	468,383,010
Total	510,113,725	518,309,820

As at June 30, 2024 and as at December 31, 2023, the Group's financial assets at fair value through profit or loss included financial assets designated at fair value through profit or loss.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

19. Financial assets at fair value through profit or loss (Continued)

(1) Derivative financial instruments

	As at June 30, 2024 (Unaudited)			As at December 31, 2023 (Audited)		
	Contractual/ Notional amount	Fair value Assets	Liabilities	Contractual/ Notional amount	Fair value Assets	Liabilities
Exchange rate derivatives						
Spot and forwards, currency swaps, and cross-currency interest rate swaps	123,665,377	635,208	(574,246)	104,641,555	850,216	(957,760)
Currency options	5,073,968	146,548	(50,898)	5,925,272	82,388	(79,330)
Subtotal	128,739,345	781,756	(625,144)	110,566,827	932,604	(1,037,090)
Interest rate derivatives						
Interest rate swaps, interest rate options, and interest rate futures	66,923,248	368,322	(195,155)	71,169,885	179,683	(145,541)
Equity derivatives	3,234,654	300,988	(23,421)	3,380,097	377,072	-
Commodity derivatives and others	644,236	195,528	(457)	797,899	24,015	(4,430)
Total	199,541,483	1,646,594	(844,177)	185,914,708	1,513,374	(1,187,061)

Please refer to Note IV.56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis for fair value measurement of derivative financial assets.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

20. Financial assets held under resale agreements

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
By collateral type		
Bonds	14,582,255	9,234,873
Stocks	471,099	–
Interest receivable	7,212	6,896
Subtotal	15,060,566	9,241,769
Less: Allowance for impairment losses	187,704	2,630
Total	14,872,862	9,239,139

As at June 30, 2024, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB14,671.19 million, nil and RMB382.16 million, respectively. The allowance for impairment losses amounted to RMB1.20 million, nil and RMB186.50 million, respectively (As at December 31, 2023, the Group's assets held under resale agreements were all in Stage I).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

21. Financial assets at fair value through other comprehensive income

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	74,166,705	64,967,797
– Public sector and quasi-government bonds	5,457,862	4,387,932
– Financial institution bonds	63,481,490	63,271,078
– Corporate bonds	25,050,526	30,505,738
Interest receivable	1,304,182	1,371,007
Subtotal	169,460,765	164,503,552
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	6,684,703	6,372,306
Subtotal	6,684,703	6,372,306
Total	176,145,468	170,875,858

As at June 30, 2024, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB167,467.35 million, RMB1,750.67 million and RMB202.13 million, respectively (December 31, 2023: RMB156,389.04 million, RMB6,542.71 million, RMB192.05 million, respectively). The allowance for impairment losses amounted to RMB72.30 million, RMB7.58 million and RMB189.78 million, respectively (December 31, 2023: RMB101.64 million, RMB36.81 million and RMB186.56 million, respectively).

As at June 30, 2024, the Group's equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature. For the six months ended June 30, 2024, the Group received dividends at the amount of RMB9.62 million (for the six months ended June 30, 2023: RMB1.65 million) from equity investments designated as at fair value through other comprehensive income.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
At amortized cost		
Corporate loans and advances		
– Loans and advances	264,055,945	265,824,184
Personal loans and advances		
– Mortgages	23,320,669	24,636,137
– Personal consumption loans	20,063,808	21,463,959
Loans to margin clients	9,764,088	10,534,152
Finance lease receivables	70,808,265	76,567,284
Subtotal	388,012,775	399,025,716
Interest accrued	3,521,523	3,501,455
Total loans and advances to customers at amortized cost	391,534,298	402,527,171
At fair value through profit or loss		
Corporate loans and advances	16,874,721	14,973,649
Total loans and advances to customers	408,409,019	417,500,820
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	14,474,483	14,339,061
Net loans and advances to customers	393,934,536	403,161,759

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at June 30, 2024				
Gross loans and advances	341,113,298	23,029,348	27,391,652	391,534,298
Less: Allowances for impairment losses	3,141,662	2,943,084	8,389,737	14,474,483
Net loans and advances to customers	337,971,636	20,086,264	19,001,915	377,059,815
As at December 31, 2023				
Gross loans and advances	356,039,246	23,112,322	23,375,603	402,527,171
Less: Allowances for impairment losses	3,672,077	2,774,298	7,892,686	14,339,061
Net loans and advances to customers	352,367,169	20,338,024	15,482,917	388,188,110

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

The movements of allowance for loans and advances to customers are as follows:

	For the six months ended June 30, 2024			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	
As at January 1	3,672,077	2,774,298	7,892,686	14,339,061
Convert to Stage I	2,480	(2,480)	–	–
Convert to Stage II	(33,677)	33,677	–	–
Convert to Stage III	(148,707)	(148,966)	297,673	–
Impairment losses recognized	579,948	747,074	2,048,647	3,375,669
Impairment losses reversed	(936,491)	(516,905)	(190,258)	(1,643,654)
Stage conversion	(2,250)	57,172	506,236	561,158
Write-off and transfer out	–	(2,090)	(2,743,867)	(2,745,957)
Recovery of loans and advances written off in previous years	–	–	570,877	570,877
Unwinding of discount on allowance	–	–	(7,312)	(7,312)
Exchange differences	8,282	1,304	15,055	24,641
As at June 30	3,141,662	2,943,084	8,389,737	14,474,483

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows for the six months ended June 30, 2024 was not significant.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

	2023			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	
As at January 1	3,720,086	3,090,970	3,463,520	10,274,576
Convert to Stage I	73,612	(73,612)	–	–
Convert to Stage II	(165,834)	466,079	(300,245)	–
Convert to Stage III	(863,553)	(1,387,596)	2,251,149	–
Impairment losses recognized	1,661,797	832,229	2,194,553	4,688,579
Impairment losses reversed	(707,351)	(260,728)	(792,282)	(1,760,361)
Stage conversion	(46,686)	106,956	811,736	872,006
Write-off and transfer out	–	–	(2,841,204)	(2,841,204)
Recovery of loans and advances written off in previous years	–	–	3,104,199	3,104,199
Unwinding of discount on allowance	–	–	(10,699)	(10,699)
Exchange differences	6	–	11,959	11,965
As at December 31	3,672,077	2,774,298	7,892,686	14,339,061

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2023 was not significant.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	30,643,845	32,780,778
1 year to 2 years (inclusive)	22,495,281	25,422,254
2 years to 3 years (inclusive)	13,774,120	15,236,652
3 years to 4 years (inclusive)	5,257,761	5,786,070
4 years to 5 years (inclusive)	2,584,486	2,894,684
Over 5 years	1,932,915	1,241,747
Gross amount of finance lease receivables	76,688,408	83,362,185
Less: Unearned finance income	5,880,143	6,794,901
Subtotal	70,808,265	76,567,284

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Interest accrued	430,164	488,644
Net amount of finance lease receivables	71,238,429	77,055,928
Less: Allowance for impairment losses	4,175,473	4,108,608
Carrying amount of finance lease receivables	67,062,956	72,947,320
Present value of minimum lease receivables:		
Within 1 year (inclusive)	28,304,259	29,896,864
1 year to 2 years (inclusive)	20,977,624	23,536,659
2 years to 3 years (inclusive)	12,938,901	14,355,193
3 years to 4 years (inclusive)	4,928,084	5,439,888
4 years to 5 years (inclusive)	2,401,069	2,755,740
Over 5 years	1,688,492	1,071,584
Total	71,238,429	77,055,928
Including:		
Finance lease receivables pledged for borrowings	6,708,531	4,061,513

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

23. Financial assets at amortized cost

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Distressed debt assets		
– Acquired from financial institutions	1,530,471	1,775,690
– Acquired from non-financial institutions	47,783,959	63,916,774
Subtotal	49,314,430	65,692,464
Interest accrued	3,204,868	4,408,287
Gross of distressed debt assets	52,519,298	70,100,751
Less: Allowance for impairment losses	11,100,524	10,907,745
Net of distressed debt assets	41,418,774	59,193,006
Other debt investments	56,466,154	61,560,638
Interest accrued	4,893,631	4,437,731
Gross of other debt investments	61,359,785	65,998,369
Less: Allowance for impairment losses	5,629,243	5,441,486
Net of other debt investments	55,730,542	60,556,883
Total	97,149,316	119,749,889

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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IV. EXPLANATORY NOTES (Continued)

23. Financial assets at amortized cost (Continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at June 30, 2024				
Gross distressed debt assets	14,700,942	24,073,555	13,744,801	52,519,298
Less: Allowance for impairment losses	775,163	4,061,054	6,264,307	11,100,524
Net distressed debt assets	13,925,779	20,012,501	7,480,494	41,418,774
As at December 31, 2023				
Gross distressed debt assets	37,357,295	20,865,167	11,878,289	70,100,751
Less: Allowance for impairment losses	2,073,881	3,669,743	5,164,121	10,907,745
Net distressed debt assets	35,283,414	17,195,424	6,714,168	59,193,006

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

23. Financial assets at amortized cost (Continued)

The movements of allowance for distressed debt assets are as follows:

	For the six months ended June 30, 2024			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	
As at January 1	2,073,881	3,669,743	5,164,121	10,907,745
Convert to Stage I	107,700	(107,700)	–	–
Convert to Stage II	(576,416)	576,416	–	–
Convert to Stage III	(31,729)	(391,996)	423,725	–
Impairment losses recognized	190,080	132,269	852,758	1,175,107
Impairment losses reversed	(410,910)	(99,879)	(15,167)	(525,956)
Stage conversion	(95,850)	660,305	179,423	743,878
Write-off and transfer out	(481,593)	(378,104)	–	(859,697)
Unwinding of discount on allowance	–	–	(340,553)	(340,553)
As at June 30	775,163	4,061,054	6,264,307	11,100,524

	2023			Total
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	
As at January 1	3,610,887	3,279,209	6,340,338	13,230,434
Convert to Stage I	460,333	(460,333)	–	–
Convert to Stage II	(1,213,730)	1,213,730	–	–
Convert to Stage III	(64,689)	(1,244,414)	1,309,103	–
Impairment losses recognized	689,761	141,595	1,080,808	1,912,164
Impairment losses reversed	(931,329)	(262,635)	(127,479)	(1,321,443)
Stage conversion	(353,555)	1,112,318	416,597	1,175,360
Write-off and transfer out	(123,797)	(109,727)	(3,392,504)	(3,626,028)
Unwinding of discount on allowance	–	–	(462,742)	(462,742)
As at December 31	2,073,881	3,669,743	5,164,121	10,907,745

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

24. Accounts receivable

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Accounts receivable from sales of properties	1,770,228	1,938,968
Commission and fee receivables	960,797	715,586
Accounts receivable relating to distressed debt assets	629,046	746,547
Accounts receivable relating to equity assets	423,293	425,502
Others	1,089,028	627,106
Gross of accounts receivable	4,872,392	4,453,709
Less: Allowance for impairment losses	391,097	267,000
Net of accounts receivable	4,481,295	4,186,709

The aging analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

	As at June 30, 2024 (Unaudited)				As at December 31, 2023 (Audited)			
	Gross amount	%	Allowance for impairment losses	Carrying amount	Gross amount	%	Allowance for impairment losses	Carrying amount
Within 1 year (inclusive)	142,847	14	(846)	142,001	185,327	16	(1,034)	184,293
1 year to 2 years (inclusive)	1,791	-	-	1,791	154,711	13	(6,608)	148,103
2 years to 3 years (inclusive)	504,124	48	(121,056)	383,068	405,847	35	(118,059)	287,788
Over 3 years	403,577	38	(18,497)	385,080	426,164	36	(42,054)	384,110
Total	1,052,339	100	(140,399)	911,940	1,172,049	100	(167,755)	1,004,294

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

24. Accounts receivable (Continued)

The movements of allowance for impairment losses are as follows:

	For the six months ended June 30, 2024 (Unaudited)	For the year ended December 31, 2023 (Audited)
At beginning of the period/year	267,000	362,484
Impairment losses recognized	27,415	118,620
Impairment losses reversed	(31,572)	(184,385)
Amounts written off and transferred out and others	128,254	(29,719)
At end of the period/year	391,097	267,000

25. Properties held for sale

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Completed properties	14,489,564	16,454,990
Properties under development	54,808,318	44,411,031
Others	29,204	22,870
Subtotal	69,327,086	60,888,891
Less: Allowance for impairment losses	1,963,629	2,029,015
Total	67,363,457	58,859,876
Including:		
Pledged for borrowings	19,050,794	16,045,513

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

26. Investment properties

For the six months ended June 30, 2024, the Group acquired investment properties with an aggregate amount of RMB2.60 million at cost (for the six months ended June 30, 2023: nil), and disposed of investment properties with an aggregate amount of RMB11.63 million at net book value (for the six months ended June 30, 2023: RMB68.06 million).

As at June 30, 2024, the net book value of investment properties which the Group pledged for borrowings amounted to RMB2,068.23 million (December 31, 2023: RMB2,586.29 million).

As at June 30, 2024, the value of investment properties for which the Group has not obtained certificates of land use rights or certificates of property ownership was RMB6.50 million (December 31, 2023: RMB15.10 million).

27. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans and mutual funds. The judgments used by the Group to determine whether control exists are the same as those that are applied to preparation of the consolidated financial statements for the year ended December 31, 2023.

The financial impact of each of the private equity funds, trusts, asset management plans and mutual funds on the Group's financial position as at June 30, 2024 and December 31, 2023, and results and cash flows for the six months ended June 30, 2024 and the year ended December 31, 2023, though consolidated, is not significant individually and therefore not disclosed separately.

Interests held by other holders are presented as change in net assets attributable to other holders of consolidated structured entities in the interim condensed consolidated statement of profit or loss and included in other liabilities in the interim condensed consolidated statement of financial position as set out in Note IV.44 Other liabilities.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

28. Interests in associates and joint ventures

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Interests in associates and joint ventures	94,227,270	93,565,600
Less: Allowance for impairment losses	1,852,800	1,880,570
Net carrying amounts	92,374,470	91,685,030

29. Interests in unconsolidated structured entities

Structured entities over which the Group had power by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, mutual funds, trusts, asset management plans, wealth management products and asset-backed securities. Except for the structured entities over which the Group has consolidated as detailed in Note IV.27 Interests in consolidated structured entities, in the opinion of the directors of the Company, the variable returns to which the Group is exposed over the structured entities that the Group has interests in are not significant nor the Group has the control over these entities. The Group therefore did not consolidate these structured entities.

30. Property and equipment

For the six months ended June 30, 2024, the Group acquired property and equipment with an aggregate amount of RMB499.72 million at cost (for the six months ended June 30, 2023: RMB345.66 million), and disposed of property and equipment with an aggregate amount of RMB30.21 million at net book value (for the six months ended June 30, 2023: RMB48.92 million).

As at June 30, 2024, the Group's construction in progress amounted to RMB465.99 million (December 31, 2023: RMB287.56 million).

As at June 30, 2024, the Group's property for which the Group has not obtained certificates of land use rights or certificates of property ownership amounted to RMB416.34 million (December 31, 2023: RMB401.24 million).

As at June 30, 2024, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB1,950.83 million (December 31, 2023: RMB2,024.21 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

31. Goodwill

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Carrying amount		
At beginning of the period/year	25,040,115	24,616,355
Exchange differences and others	172,474	423,760
At end of the period/year	25,212,589	25,040,115
Allowance for impairment losses		
At beginning of the period/year	(1,879,699)	(1,238,068)
Charge for the period/year	–	(638,000)
Exchange differences	(4,574)	(3,631)
At end of the period/year	(1,884,273)	(1,879,699)
Net book value		
At beginning of the period/year	23,160,416	23,378,287
At end of the period/year	23,328,316	23,160,416

32. Deferred taxation

For the purpose of presentation in the interim condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Deferred tax assets	12,236,401	10,956,488
Deferred tax liabilities	(2,089,009)	(1,723,273)
Deferred taxation	10,147,392	9,233,215

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

32. Deferred taxation (Continued)

The movements of deferred tax assets and deferred tax liabilities are set out below:

	(Unaudited)										Total		
	Allowance for impairment losses	Withholding tax	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions at FYTPL	Changes in fair value of financial assets	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI		Unrealized loss due to income rights transfer	Others
As at January 1, 2024	10,485,089	351,449	(894,839)	1,026,384	199,471	239,628	84,046	3,009,061	(7,220,140)	933,485	260,629	1,385,711	9,233,215
Credit/(charge) to profit or loss	527,372	(14,800)	47,437	(272,368)	2,168	65,823	1,562	184,063	(319,121)	(6,523)	(14,839)	918,670	1,146,124
Charge to other comprehensive/income (expense)	-	-	-	-	-	-	-	-	9,187	(235,464)	-	9,446	(216,831)
Others	(2,430)	-	(5,058)	(594)	-	-	31	(1,256)	(12,767)	1,932	-	46	(15,116)
As at June 30, 2024	11,010,031	336,649	(852,460)	753,422	200,639	305,451	85,639	3,191,858	(7,542,941)	693,430	245,790	2,313,873	10,147,392

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

32. Deferred taxation (Continued)

The movements of deferred tax assets and deferred tax liabilities are set out below: (Continued)

	(Audited)										Total			
	Allowance for impairment losses	Withholding tax	Asset revaluation	Fair value adjustments in business combination	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions at FVTPL	Changes in fair value of financial assets	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Others
As at January 1, 2023	10,231,062	379,194	(894,658)	(633,931)	(633,931)	1,075,398	417,622	179,154	122,274	1,552,411	(6,443,359)	1,257,241	489,093	1,515,572
Credit/(charge) to profit or loss	254,279	(27,745)	(181)	592	592	(46,654)	(219,151)	60,474	(38,228)	1,455,120	(717,675)	5,454	(228,464)	(107,892)
Charge to other comprehensive income/(expense)	-	-	-	-	-	(2,350)	-	-	-	-	(6,743)	(315,538)	-	(22,843)
Others	(252)	-	-	7,580	-	-	-	-	-	1,530	(52,363)	(13,672)	-	874
As at December 31, 2023	10,485,089	351,449	(894,839)	(625,759)	(625,759)	1,026,384	198,471	239,628	84,046	3,009,061	(7,220,140)	933,485	260,629	1,385,711
														9,233,215

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book value and the tax base for the associates and joint ventures not held for a long term by the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

33. Other assets

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Assets acquired in satisfaction of debts	12,732,243	12,462,076
Other receivables	12,322,993	6,816,558
Prepayments	3,485,889	3,374,438
Prepaid taxes	1,950,138	2,192,645
Dividends receivable	2,133,967	1,768,451
Right-of-use assets	1,204,575	1,341,613
Assets with continuing involvement	346,030	345,575
Long-term prepaid expenses	342,262	369,354
Precious metals	335,507	242,965
Interest receivable	546,196	663,641
Assets held for sale	–	2,859,440
Others	2,224,401	1,349,484
Total	37,624,201	33,786,240

34. Borrowings from the central bank

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Borrowings from the central bank (1)	8,639,000	–
Interest payable (2)	990,258	986,058
Total	9,629,258	986,058

(1) As at June 30, 2024, the borrowings from the central bank are all for real – estate relief projects.

(2) As at June 30, 2024, the interest payable included RMB986 million of outstanding interest on the loans from the People's Bank of China for purchasing the non-performing assets of commercial banks. (December 31, 2023: RMB986 million, respectively)

Notes to the Interim Condensed Consolidated Financial Statements

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(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

35. Financial liabilities at fair value through profit or loss

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Short positions in exchange fund bills and notes	6,414,803	6,867,182
Structured payment obligations for Distressed Assets	1,422,146	1,388,108
Derivative financial liabilities (Note IV.19.(1))	844,177	1,187,061
Financing payables linked to stock index	51	6,848
Total	8,681,177	9,449,199

36. Financial assets sold under repurchase agreements

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
By collateral type:		
Debt securities	26,103,166	32,163,760
Finance lease receivables	1,000,000	1,000,000
Subtotal	27,103,166	33,163,760
Interest payable	107,786	174,289
Total	27,210,952	33,338,049

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

37. Placements from banks and financial institutions

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Banks	25,469,835	26,764,163
Other financial institutions	352,302	2,603,221
Subtotal	25,822,137	29,367,384
Interest payable	127,047	107,211
Total	25,949,184	29,474,595

38. Borrowings

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Borrowings from banks and financial institutions		
Unsecured loans	517,943,676	529,830,655
Loans secured by properties	16,274,003	11,536,869
Other secured loans	12,604,189	14,776,604
Subtotal	546,821,868	556,144,128
Interest payable	2,730,939	2,726,374
Total	549,552,807	558,870,502

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

38. Borrowings (Continued)

Loans secured by properties were collateralized by properties held for sale, property and equipment and investment properties at an aggregate carrying amount of RMB23,011 million as at June 30, 2024 (December 31, 2023: RMB20,331 million).

Other secured loans were interests in associates and joint ventures and finance lease receivables at an aggregate carrying amount of RMB5,681 million as at June 30, 2024 (December 31, 2023: RMB3,168 million). The variable rates of borrowings used by the Group were floating based on the benchmark interest rates of deposits or loans published by the People's Bank of China, Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or Loan Prime Rate ("LPR").

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Fixed-rate borrowings	1.75%-7.50%	2.25%-7.50%
Variable-rate borrowings	1.19%-6.06%	0.04%-6.90%

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

39. Due to customers

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Demand deposits		
Corporate	52,395,900	31,308,701
Personal	34,582,226	34,678,006
Time deposits		
Corporate	96,424,104	125,890,254
Personal	173,716,115	134,039,463
Guarantee deposits	10,285,013	9,500,458
Subtotal	367,403,358	335,416,882
Interest payable	4,417,869	3,802,907
Total	371,821,227	339,219,789

40. Deposits from banks and financial institutions

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Banks	2,615,414	2,162,719
Other financial institutions	3,986,804	12,695,081
Subtotal	6,602,218	14,857,800
Interest payable	55,511	136,773
Total	6,657,729	14,994,573

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

41. Accounts payable

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Accounts payable associated with real estate business (1)	4,326,581	4,177,701
Asset purchase payable	1,000	21,934
Others	529,329	583,356
Total	4,856,910	4,782,991

(1) Accounts payable associated with real estate business mainly comprise construction costs payable to contractors.

No aging analysis is disclosed, as in the opinion of the Company, the aging analysis of these items does not give additional value to the users of the condensed interim financial statements in view of the nature of these items.

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

42. Bonds issued

Bond Type	Notes	As at June 30, 2024					As at
		Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value (Unaudited)	December 31, 2023 Book Value (Audited)
Financial Bonds	(1)	109,100,000	CNY	11 months- 10 years	2.64%-5.50%	110,951,878	109,575,016
USD Guaranteed Senior Notes	(2)	10,665,000	USD	3-30 years	1.88%-5.75%	75,595,763	82,931,718
Corporate Bonds	(3)(4)(5)(6)	35,672,000	CNY	1-5 years	2.33%-5.15%	35,823,597	34,445,292
Asset-backed Securities	(7)	22,160,000	CNY	5 months-3 years	2.38%-4.10%	22,429,627	34,870,634
Mid-term Notes	(8)	11,770,000	CNY	2-5 years	3.69%-5.10%	12,024,889	12,978,233
Certificates of Deposit	(9)	2,160,000	CNY	3 months-1 years	0.00%-2.86%	2,145,739	7,059,701
Tier-II Capital Bonds	(10)	8,000,000	CNY	5 years	4.50%	8,209,311	8,028,943
Subordinate Notes		700,000	USD	10 years	3.80%	4,990,750	4,955,236
Beneficiary Certificates	(11)	1,400,000	CNY	3 years	2.15%-2.40%	1,407,647	4,669,264
Private Placement Notes		1,700,000	CNY	1-6 months	1.90%-3.00%	1,732,371	1,746,132
RMB Guaranteed Senior Notes	(12)	1,500,000	CNY	3 years	3.70%	1,502,607	1,501,963
Total						276,814,179	302,762,132

(1) The Company issued financial bonds with a total face value of RMB95,000 million in the China Interbank Bond Market ("CIBM") in the period from September 2015 to November 2023 at fixed coupon rates. The Company's subsidiary Cinda Financial Leasing Co., Ltd. ("Cinda Financial Leasing") issued financial bonds with a total face value of RMB2,600 million in the period from November 2021 to August 2022 at fixed coupon rates. The Company's subsidiary Nanyang Commercial Bank (China) Co., Ltd., issued financial bonds with a total face value of RMB11,500 million in the period from December 2020 to September 2024 at fixed coupon rates.

(2) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Limited ("Cinda Hong Kong"), issued a total face value of USD10,665 million of Guaranteed Senior Notes in Hong Kong in the period from June 2014 to May 2024.

(3) The Company's subsidiary, Cinda Investment Co., Ltd. ("Cinda Investment"), issued corporate bonds with a face value of RMB2,999 million in May 2019. The bonds have fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer and investors adjusted the interest rate and partially sold back in May 2022. The bonds matured in May 2024.

Cinda Investment issued corporate bonds with a face value of RMB2,000 million in January 2016. The bonds have fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The issuer and investors adjusted the interest rate and partially sold back in January 2021, with a face value of 1 million yuan. The bonds matured in January 2024.

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

42. Bonds issued (Continued)

Cinda Investment issued corporate bonds with a face value of RMB600 million in August 2019. The bonds have fixed coupon rate, payable annually.

Cinda Investment issued corporate bonds with a face value of RMB400 million in August 2019. The bonds have fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer and investors did not choose to adjust the interest rate or sell back in August 2022.

Cinda Investment issued corporate bonds with a face value of RMB2,375 million in August 2019. The bonds have fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer and investors adjusted the interest rate in August 2022.

Cinda Investment issued Tranche I and II corporate bonds with a total face value of RMB2,998 million in December 2023. The bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB998 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The face value of Tranche II is RMB2,000 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

Cinda Investment issued Tranche I and II corporate bonds with a total face value of RMB1,999 million in January 2024. The bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB1,100 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The face value of the Tranche II is RMB899 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

Cinda Investment issued Tranche I and II corporate bonds with a total face value of RMB2,500 million in April 2024. The bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB1,500 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of the Tranche II is RMB1,000 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

- (4) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued Tranche I and II corporate bonds with total face value of RMB2,770 million in January 2021, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB1,720 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The issuer and investors adjusted the interest rate and all sold back in January 2023. The face value of Tranche II is RMB1,050 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer and investors adjusted the interest rate and partially sold back in January 2024.

Cinda Real Estate issued Tranche I and II corporate bonds with total face value of RMB3,030 million in March 2021, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB2,020 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The issuer and investors adjusted the interest rate and partially sold back in March 2023. The face value of Tranche II is RMB1,010 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer and investors adjusted the interest rate and partially sold back in March 2024.

Cinda Real Estate issued Tranche I and II corporate bonds with total face value of RMB1,200 million in May 2022, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second year. The issuer and investors adjusted the interest rate and partially sold back in May 2024. The face value of Tranche II is RMB600 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

Cinda Real Estate issued corporate bonds with face value of RMB1,500 million in August 2022, the bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

Cinda Real Estate issued Tranche I and II corporate bonds with total face value of RMB1,500 million in June 2023, the bonds have fixed coupon rates, payable annually. The face value of Tranche I is RMB650 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year. The face value of Tranche II is RMB850 million, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

Cinda Real Estate issued corporate bonds with face value of RMB800 million in December 2023, the bonds have fixed coupon rates, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the second and the end of the fourth year.

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

42. Bonds issued (Continued)

- (5) Well Kent International Industry (Shenzhen) Co., Ltd. (“Well Kent (Shenzhen)”), a subsidiary of Cinda Hong Kong, issued corporate bonds with a total face value of RMB2,000 million in March and May 2020, with fixed coupon rates and annual interest payments. The investors have sold them back in advance in March and May 2023 respectively. Well Kent (Shenzhen) issued corporate bonds with a face value of RMB1,500 million in March 2022, with a fixed interest rate and annual interest payment, attached with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the second year. The issuer adjusted the interest rate and partially sell back in March 2024, with a sold back amount of RMB1,200 million. Well Kent (Shenzhen) issued corporate bonds with a total face value of RMB500 million in June 2022, with fixed interest rate, payable annually, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the second year.

Well Kent (Shenzhen) issued Tranche I and II corporate bonds with a total face value of RMB1,500 million in March 2024, with fixed interest rate, payable annually. The face value of Tranche I is RMB1,400 million, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the third year. The face value of Tranche II is RMB100 million, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the second year.

Well Kent (Shenzhen) issued corporate bonds with a face value of RMB1,000 million in April 2024, with a fixed interest rate and annual interest payment, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the second year.

- (6) Cinda Securities Co., Ltd. (“Cinda Securities”), a subsidiary of the Company, issued a five-year corporate bonds with a face value of RMB1,000 million at a fixed coupon rate of 3.57% on 27 March 2020; Cinda Securities issued a three-year corporate bonds with a face value of RMB1,500 million, at a fixed interest rate of 3.70% on 24 March, 2021, which matured in March 2024; Cinda Securities issued a corporate bond with a face value of RMB2,000 million in April 2023 at a fixed coupon rate of 3.23%. Cinda Securities issued a short-term corporate bonds with a face value of RMB2,000 million in June 2023, at a fixed interest rate of 2.41%, which matured in April 2024; Cinda Securities issued a short-term corporate bonds with a face value of RMB3,000 million in December 2023, with a fixed interest rate of 2.86%; Cinda Securities issued a short-term corporate bonds with a face value of RMB2,000 million in February 2024, at a fixed interest rate 2.33%; Cinda Securities issued a corporate bonds with a face value of RMB1,200 million in March 2024, at a fixed interest rate 2.65%; Cinda Securities issued a corporate bonds with a face value of RMB1,100 million in March 2024, at fixed interest rate of 2.85%.

- (7) The Company issued asset-backed securities with a total face value of RMB22,160 million from June 2023 to March 2024, at fixed coupon rates.

- (8) Cinda Investment issued a medium-term notes with a face value of RMB1,770 million in March 2022, at a fixed interest rate, payable annually, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the third year. Cinda Investment issued two medium-term notes in April 2023 with a total face value of RMB2,000 million, at fixed interest rates, payable annually. One of the two medium-term notes has an option to adjust the coupon rate by the issuer at the end of the third year and the investor’s option to sell back at the end of the second year, while the other one has an option to adjust the coupon rate by the issuer at the end of the second year and the investor’s option to sell back at the end of the second year and fourth year.

Cinda Investment issued a medium-term notes with a face value of RMB1,500 million in July 2023, with a fixed interest rate, payable annually, with an option for the issuer to adjust the coupon rate at the end of the second and fourth years and the investor’s option to sell back at the end of the second and fourth years.

Cinda Investment issued two medium-term notes with a total face value of RMB1,500 million in August 2023, fixed rates, interest payable annually. One of the two medium-term notes has an option to adjust the coupon rate by the issuer at the end of the third year and an investor’s resale option, while the other one has an option by the issuer to adjust the coupon rate at the end of the second and the end of the fourth year and an investor’s resale option.

Cinda Real Estate issued a medium-term note with a face value of RMB580 million in March 2022 with fixed coupon rates, payable annually. Cinda Real Estate issued a medium-term note with a face value of RMB1,600 million in April 2023 with fixed coupon rates, payable annually, with an option for the issuer to adjust the coupon rate at the end of the second and the end of the fourth year and an investor’s resale option. Cinda Real Estate issued medium-term notes with a face value of RMB1,000 million and RMB1,820 million in July 2023 and December 2023, respectively, with fixed coupon rates, payable annually, with an option for the issuer to adjust the coupon rate at the end of the second and the end of the fourth year and an investor’s resale option.

- (9) Nanyang Commercial Bank, a subsidiary of Cinda Hong Kong, issued interbank certificates of deposit with a total face value of RMB7,970 million from February 2023 to May 2024, of which the interbank certificates of deposit with a total face value of RMB5,810 million issued in 2023 have matured in the first half of 2024.

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

42. Bonds issued (Continued)

- (10) The Company issued Tier II capital bonds with a total face value of RMB8,000 million in November 2020, at fixed coupon rates, payable annually, and with a conditional issuer redemption right at the end of fifth year. The issuer has the right to partially or fully redeem the bonds at par in one lump sum, subject to the prior approval obtained from the NFRA.
- (11) Cinda Securities issued Beneficiary Certificates with a total face value of RMB6,050 million from July 2023 to June 2024. The Beneficiary Certificates with a total face value of RMB4,650 issued in 2023 matured before June 2024.
- (12) China Cinda (2020) I Management Ltd., a subsidiary of Cinda Hong Kong, issued corporate bonds with a face value of RMB1,500 million in May 2023, at fixed interest rate, payable semi-annually. At any time prior to the maturity, either the issuer or Cinda Hong Kong has the right to partially or fully redeem the bonds.

43. Contract liabilities

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Sales proceeds received in advance (1)	5,861,667	5,626,622
Others	64,203	505,377
Total	5,925,870	6,131,999

- (1) Sales proceeds received in advance

	For the six months ended June 30, 2024 (Unaudited)	2023 (Unaudited)
At beginning of the period	5,626,622	7,223,029
Deferred during the period	2,811,995	3,640,143
Recognized as revenue during the period	(2,576,950)	(1,811,334)
At end of the period	5,861,667	9,051,838

As at June 30, 2024 and December 31, 2023, all contract liabilities of the Group were held by Cinda Real Estate, Cinda Hong Kong and Cinda Securities, the subsidiaries of the Company, and the contract liabilities were mainly sales proceeds received in advance by Cinda Real Estate.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

44. Other liabilities

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Other payables	15,675,356	20,897,350
Payables to interest holders of consolidated structured entities	8,669,987	4,852,699
Receipts in advance associated with disposal of distressed assets	6,783,995	5,052,875
Risk deposit	5,894,472	6,107,951
Long-term payable	4,733,190	4,669,600
Staff costs payable	3,897,572	5,143,915
Items in the process of clearance and settlement	3,383,136	595,897
Lease liabilities	1,194,188	1,294,165
Dividends payable	1,780,236	–
Receipts in advance	913,874	828,034
Sundry taxes payable	837,749	1,416,630
Notes payable	821,493	1,030,164
Provisions	740,330	581,687
Liabilities with continuing involvement	346,030	345,575
Liabilities held for sale	–	1,012,197
Others	783,084	792,719
Total	56,454,692	54,621,458

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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IV. EXPLANATORY NOTES (Continued)

45. Share capital

	For the six months ended June 30, 2024 (Unaudited)	For the year ended December 31, 2023 (Audited)
Authorized, issued and fully paid:		
At beginning of the period/year	38,164,535	38,164,535
Issue of shares	–	–
At end of the period/year	38,164,535	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2024 and the year ended December 31, 2023 is as follows:

	2024 (Unaudited)			As at June 30
	As at January 1	Issuance	Transfer	
Domestic shares				
– MOF	22,137,239	–	–	22,137,239
– NCSSF	2,459,693	–	–	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

45. Share capital (Continued)

	As at January 1	2023 (Audited)		As at December 31
		Issuance	Transfer	
Domestic shares				
– MOF	22,137,239	–	–	22,137,239
– NCSF	2,459,693	–	–	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

As at June 30, 2024 and December 31, 2023, there were no shares subject to the lock-up restriction of the Group.

46. Other equity instruments

For the period ended June 30, 2024, the movements of the Company's other equity instruments were as follows:

	2024 (Unaudited)							
	As at January 1,		Increase		Decrease		As at June 30,	
	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)	Quantity (shares) (In '000)	Carrying amount (In '000)
Preference Shares								
– 2021 Offshore Preference Shares	85,000	10,838,023	–	–	–	–	85,000	10,838,023
Undated Capital Bonds								
– 2021 Undated Capital Bonds	100,000	9,957,577	–	–	–	–	100,000	9,957,577
– 2022 Undated Capital Bonds	120,000	11,952,401	–	–	–	–	120,000	11,952,401
Total	305,000	32,748,001	–	–	–	–	305,000	32,748,001

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

46. Other equity instruments (Continued)

The duration of the above bonds is the same as the period of continuing operation of the Company. Subject to the satisfaction of the redemption conditions and having obtained the prior approval from NFRA, the Company may redeem the above bonds in whole or in part on each distribution payment date 5 years after the issuance date of the above bonds. Upon the occurrence of a trigger event for the write-downs, without the consent of the bondholders, the Company has the right to write down all or part of the above bonds issued and existing at that time in accordance with the total par value. The claims of the investors of the above bonds will be subordinated to the claims of general creditors and subordinated creditors and shall rank in priority to the claims of all categories of shareholders and will rank pari passu with the claims under any other additional tier 1 capital instruments of the Company that rank pari passu with the above bonds.

The above bonds pay non-cumulative interest. The Company shall have the right to cancel distributions on the above bonds in whole or in part and such cancellation shall not constitute a default. The Company may at its discretion utilize the proceeds from the cancelled distributions to meet other obligations of maturing debts. But the Company shall not distribute profits to ordinary shareholders until the resumption of full dividend payments to bondholders.

Capital raised from the issuance of the above bonds, after deduction of transaction costs, was wholly used to replenish the Company's additional tier 1 capital.

47. Capital reserve

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering of H shares and other previous shares issuances in current period and prior years.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

48. Other comprehensive income

Other comprehensive income attributable to equity holders of the Company is set out below:

	For the six months ended June 30, 2024 (Unaudited)	For the year ended December 31, 2023 (Audited)
At beginning of the period/year	(3,321,967)	(4,543,285)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the period	476,796	1,438,708
Amounts reclassified to profit or loss upon disposal	(261,759)	(294,231)
Amounts of profit or loss upon impairment	(28,719)	(204,908)
Income tax effect	(88,792)	(181,667)
	97,526	757,902
Exchange differences arising on translation of foreign operations	336,868	43,937
Share of other comprehensive income of associates and joint ventures	(34,267)	26,516
Income tax effect	18,632	(6,743)
	418,759	821,612
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	-	14,241
Income tax effect	-	(2,350)
	-	11,891
Fair value changes on equity instruments designated as at fair value through other comprehensive income	558,086	558,981
Other comprehensive income carried forward to retained earnings	3,019	(32,268)
Income tax effect	(140,276)	(138,898)
	420,829	399,706
Other comprehensive income for the period/year	839,588	1,221,318
At end of the period/year	(2,482,379)	(3,321,967)

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

49. General reserve

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum requirement can be achieved over a period of no more than five years, starting from July 1, 2012.

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

For the six months ended June 30, 2024, the Group transferred RMB180.76 million to the general reserve pursuant to the regulatory requirements in the PRC (for the six months ended June 30, 2023, the Group transferred RMB293.65 million to the general reserve).

50. Cash and cash equivalents

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents represent as the following:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Cash	555,426	523,309
Balances with central banks	6,865,936	8,815,909
Deposits with banks and financial institutions	58,156,041	63,712,353
Placements with banks and financial institutions	28,154,636	24,079,098
Financial assets held under resale agreements	7,285,265	5,746,092
Cash and cash equivalents	101,017,304	102,876,761

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

51. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at June 30, 2024 and December 31, 2023, the total claim amounts of pending litigations for the Group were RMB8,666.40 million and RMB3,437.54 million, the total claim amounts of pending litigations for the Company were RMB8,457.04 million and RMB3,198.29 million and provisions of RMB157.26 million and RMB6.01 million for the Group were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

As at June 30, 2024, the subject amount of the pending litigations in which the Group was a defendant included an economic contract dispute against the Group by a Shenzhen partnership and a Shenzhen fund management company. The case is still in the process of arbitration. Based on the communication with the lawyers, the Group assessed that the case will not have a material impact on the financial position or operations of the Group at the present stage.

(2) Credit commitments

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Bank bill acceptance	42,729,976	54,234,807
Loan commitments (i)	13,426,892	14,565,088
Letters of guarantee issued	7,272,016	10,928,291
Letters of credit issued	4,666,089	27,373,844
Undrawn credit card commitments	445,298	1,158,099
Others	3,335	2,396
Total	68,543,606	108,262,525
Impairment of credit commitments	(101,553)	(95,133)

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

- (i) Loan commitments mainly represent undrawn loan facilities contracted and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at June 30, 2024, the unconditionally revocable loan commitments of the Group amounted to RMB128,677.57 million (December 31, 2023: RMB194,109.15 million).

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

51. Contingent liabilities and commitments (Continued)

(3) Capital commitments

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Contracted but not provided for		
Commitments for the acquisition of Property and equipment	657,484	14,722
Construction and installation contracts that have been signed, ongoing or ready to be fulfilled	2,774,434	2,886,304
Investment commitments that have been signed but not yet recognized in the financial statements	413,000	674,976
Total	3,844,918	3,576,002

(4) Other commitments

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

52. Transfers of financial assets

(1) Repurchase agreements

The Group entered into repurchase agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there was no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets, and therefore, these financial assets have not been derecognized from the financial statements but are regarded as “collateral” for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets		Related liabilities	
	June 30 2024	December 31 2023	June 30 2024	December 31 2023
Financial assets at amortized cost	1,131,302	22,523,105	1,102,109	20,533,578
Financial assets at fair value through profit or loss	8,293,877	6,104,575	6,077,290	4,871,915
Financial assets at fair value through other comprehensive income	20,075,897	8,686,720	19,029,797	6,930,691
Finance lease receivables	1,194,871	1,363,753	1,001,756	1,001,865
Total	30,695,947	38,678,153	27,210,952	33,338,049

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

52. Transfers of financial assets (Continued)

(2) Asset-backed securities

The Group enters into securitization transactions, by which it transfers financial assets to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets.

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties is recorded as a financial liability. As at June 30, 2024, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB10,110.82 million (December 31, 2023: RMB18,248.22 million), and the carrying amount of their associated liabilities was RMB22,427.97 million (December 31, 2023: RMB34,861.17 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at June 30, 2024 and December 31, 2023.

(3) Continuing involvement

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the six months ended June 30, 2024 and June 30, 2023, the Group has not recognized any transferred financial assets in which the Group had continuing involvement. As at June 30, 2024, the Group continued to recognize assets of RMB346.03 million (As at December 31, 2023: RMB345.58 million). The Group also recognized other assets and other liabilities of the same amount arising from such continuing involvement.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance. Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group. Segment income, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Distressed asset management operations

The distressed asset management segment comprises the relevant business operated by the Company and certain of its subsidiaries, including (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (2) operation, management and disposal of debt to equity swap assets; (3) restructuring, special opportunity business and other debt businesses and equity businesses related to distressed assets and distressed entities in the comprehensive operation method; and (4) custody businesses.

Financial services operations

The Group's financial services segment comprises the relevant business of the Group, including the provision of financial services in sectors such as banking, securities, futures, public offering fund, trust and lease businesses. These operations were mainly carried out by the subsidiaries of the Company.

There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

	(Unaudited)			Consolidated
	Distressed asset management	Financial services	Elimination	
For the six months ended June 30, 2024				
Fair value changes on distressed debt assets	4,948,899	–	–	4,948,899
Fair value changes on other financial instruments	4,530,195	823,488	–	5,353,683
Income from distressed debt assets at amortized cost	1,956,121	–	–	1,956,121
Investment income	(85,090)	338,460	950	254,320
Interest income	3,581,473	13,210,284	(231,911)	16,559,846
Revenue from sales of inventories	2,596,554	–	–	2,596,554
Commission and fee income	213,144	2,328,214	(12,147)	2,529,211
Net gains or losses on disposal of subsidiaries, associates and joint ventures	(382,473)	–	–	(382,473)
Other income and other net gains or losses	1,076,126	227,351	(43,774)	1,259,703
Total	18,434,949	16,927,797	(286,882)	35,075,864
Interest expense	(12,872,908)	(9,312,563)	280,138	(21,905,333)
Employee benefits	(881,040)	(1,642,759)	–	(2,523,799)
Purchases and changes in inventories	(2,025,713)	–	–	(2,025,713)
Commission and fee expense	(36,694)	(311,788)	4,214	(344,268)
Taxes and surcharges	(304,195)	(50,959)	–	(355,154)
Depreciation and amortization expenses	(400,396)	(618,240)	36,063	(982,573)
Other expenses	(698,763)	(745,039)	5,338	(1,438,464)
Credit impairment losses	(2,696,587)	(2,067,697)	(8)	(4,764,292)
Impairment losses on other assets	(106,591)	(42,984)	–	(149,575)
Total	(20,022,887)	(14,792,029)	325,745	(34,489,171)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

	(Unaudited)			Consolidated
	Distressed asset management	Financial services	Elimination	
Change in net assets attributable to other holders of consolidated structured entities	(3,974)	(2,640)	–	(6,614)
Profit before share of results of associates and joint ventures and tax	(1,591,912)	2,133,128	38,863	580,079
Share of results of associates and joint ventures	2,341,199	13,524	–	2,354,723
Profit before tax	749,287	2,146,652	38,863	2,934,802
Income tax expense				(278,130)
Profit for the period				2,656,672
Capital expenditure	39,359	633,410	–	672,769
As at June 30, 2024				
Segment assets	885,123,144	693,944,851	(7,509,188)	1,571,558,807
Including: Interests in associates and joint ventures	91,907,239	467,231	–	92,374,470
Unallocated assets				12,236,401
Total assets				1,583,795,208
Segment liabilities	772,182,697	597,970,664	(7,140,921)	1,363,012,440
Unallocated liabilities				2,954,324
Total liabilities				1,365,966,764

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

	Distressed asset management	(Unaudited)		Consolidated
		Financial services	Elimination	
For the six months ended June 30, 2023				
Fair value changes on distressed debt assets	2,836,255	–	–	2,836,255
Fair value changes on other financial instruments	3,955,298	950,697	–	4,905,995
Income from distressed debt assets at amortized cost	3,912,085	–	–	3,912,085
Investment income	(225,644)	484,524	–	258,880
Interest income	4,435,826	11,745,753	(61,357)	16,120,222
Revenue from sales of inventories	2,132,809	–	–	2,132,809
Commission and fee income	347,137	2,351,585	(49,110)	2,649,612
Net gains or losses on disposal of subsidiaries, associates and joint ventures	296,918	–	–	296,918
Other income and other net gains or losses	1,259,473	(13,897)	(60,648)	1,184,928
Total	18,950,157	15,518,662	(171,115)	34,297,704
Interest expense	(13,641,363)	(8,047,937)	130,885	(21,558,415)
Employee benefits	(1,252,363)	(1,793,196)	–	(3,045,559)
Purchases and changes in inventories	(1,812,677)	–	–	(1,812,677)
Commission and fee expense	(51,396)	(364,137)	2,442	(413,091)
Taxes and surcharges	(164,024)	(68,533)	–	(232,557)
Depreciation and amortization expenses	(519,341)	(481,629)	36,917	(964,053)
Other expenses	(750,019)	(753,217)	20,476	(1,482,760)
Credit impairment losses	(1,610,689)	(1,497,344)	–	(3,108,033)
Impairment losses on other assets	(3,607)	–	–	(3,607)
Total	(19,805,479)	(13,005,993)	190,720	(32,620,752)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Segment information (Continued)

	Distressed asset management	(Unaudited)		Consolidated
		Financial services	Elimination	
Change in net assets attributable to other holders of consolidated structured entities	(42,943)	(8,404)	–	(51,347)
Profit before share of results of associates and joint ventures and tax	(898,265)	2,504,265	19,605	1,625,605
Share of results of associates and joint ventures	3,715,305	8,592	–	3,723,897
Profit before tax	2,817,040	2,512,857	19,605	5,349,502
Income tax expense				(828,906)
Profit for the period				4,520,596
Capital expenditure	242,722	98,384	–	341,106
As at December 31, 2023 (Audited)				
Segment assets	913,550,297	695,994,235	(26,143,572)	1,583,400,960
Including: Interests in associates and joint ventures	91,236,136	448,894	–	91,685,030
Unallocated assets				10,956,487
Total assets				1,594,357,447
Segment liabilities	794,133,906	604,186,968	(24,354,507)	1,373,966,367
Unallocated liabilities				3,234,885
Total liabilities				1,377,201,252

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions

(1) The MOF

As at June 30, 2024, the MOF directly owned 58.00% (December 31, 2023: 58.00%) of the share capital of the Company.

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

The Group had the following balances and entered into the following transactions with the MOF in its ordinary course of business.

The Group had the following balances with the MOF:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Financial assets at fair value through other comprehensive income	37,548,413	27,305,433
Financial assets at fair value through profit or loss	2,358,971	920,583
Accounts receivable	1,597	1,597

The Group entered into the following transactions with the MOF:

	For the six months ended June 30, 2024 (Unaudited)	2023 (Unaudited)
Interest income	470,776	387,370
Investment income	39,575	35,750

Transactions between the Group and the MOF are mainly investments of treasury bonds issued by the MOF and held by the Group.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions (Continued)

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Amounts due from subsidiaries	43,752,590	42,769,195
Financial assets at fair value through profit or loss	802,548	801,979
Bonds issued	223,256	261,090
Lease liabilities	204,521	261,426
Right-of-use assets	197,319	250,342
Other payables	133,743	185,754
Property and equipment	13,635	13,926

The Company had entered into the following transactions with its subsidiaries:

	For the six months ended June 30, 2024 (Unaudited)	2023 (Unaudited)
Interest income	730,319	486,379
Dividend income	309,833	32,148
Depreciation expenses of right-of-use assets	59,320	58,595
Interest expense	44,879	61,831
Other expenses	34,054	39,930
Rental income	12,720	12,699
Commission and fee expense	3,966	–
Depreciation and amortization expenses	291	291
Fair value changes on other financial instruments	–	22,539

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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IV. EXPLANATORY NOTES (Continued)

54. Related party transactions (Continued)

(3) Associates and joint ventures

The Group had the following balances and transactions with its associates and joint ventures, entities that it does not control but exercise significant influence or joint control. These transactions were carried out in the ordinary course of business.

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

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Loans and advances to customers	3,803,340	5,026,341
Risk deposit	101,500	122,500
Other receivables	33,133	36,899
Dividend receivable	30,000	30,000
Deferred income related to leasing business	5,374	10,910
Other payables	32,234	32,234

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

	For the six months ended June 30, 2024 (Unaudited)	2023 (Unaudited)
Dividend received	624,507	1,104,798
Interest income	85,513	216,716

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions (Continued)

(4) Government-related entities

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

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

(5) Annuity scheme

The Group had the following transactions with the annuity scheme set up by the Company:

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Contribution to the annuity scheme	112,044	161,531

(6) Key management remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management for employment services is as follows:

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
Emoluments of key management personnel	5,844	5,437

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Related party transactions (Continued)

- (7) During the period, the Group and the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A “Connected Transactions” of the Listing Rules.

55. Financial risk management

The types of risk to which the Group is exposed include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and price risk. The Group’s primary objectives and policies of risk management and risk management framework are the same as those set out in the Group’s consolidated financial statements for the year ended December 31, 2023.

55.1 Credit risk

55.1.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty’s failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group’s major credit risks arise from distressed debt assets at amortized cost, loans and advances to customers and other debt or security investments held by the Group.

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at June 30, 2024 and comprehensively considered the impacts of current economic conditions on expected credit losses, including performing forward-looking forecasts to key macroeconomic indicators and assessment of scenario weights.

As at June 30, 2024, the expected credit losses comprehensively reflected the Group’s credit risk and the expectations for macroeconomic development of management.

55.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advances to customers and treasury operations.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The maximum exposure to credit risk at the end of each reporting period is as follows:

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
On-balance sheet		
Balances with central banks	12,612,442	14,714,197
Deposits with banks and financial institutions	84,044,153	81,997,616
Deposits with exchanges and others	2,443,867	2,622,029
Placements with banks and financial institutions	28,201,602	24,169,785
Financial assets at fair value through profit or loss	165,911,606	167,746,529
Financial assets held under resale agreements	14,872,862	9,239,139
Financial assets at fair value through other comprehensive income	169,460,765	164,503,552
Financial assets at amortized cost	97,149,316	119,749,889
Loans and advances to customers	393,934,536	403,161,759
Accounts receivable	4,481,295	4,186,709
Other assets	16,135,856	10,019,897
Subtotal	989,248,300	1,002,111,101
Off-balance sheet		
Bank bill acceptance	42,729,976	54,234,807
Loan commitments	13,426,892	14,565,088
Letters of guarantee issued and other credit commitments	12,386,738	39,462,630
Subtotal	68,543,606	108,262,525
Total	1,057,791,906	1,110,373,626

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.2 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2023. The carrying amount of distressed debt assets at fair value through profit or loss of the Group as at June 30, 2024 amounted to RMB232,179.28 million (December 31, 2023: RMB241,982.05 million).

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Distressed debt assets	52,527,302	70,100,751
Loans and advances to customers	391,534,298	402,527,171
Subtotal	444,061,600	472,627,922
Allowance for impairment losses		
Distressed debt assets	(11,100,524)	(10,907,745)
Loans and advances to customers	(14,474,483)	(14,339,061)
Subtotal	(25,575,007)	(25,246,806)
Net carrying amounts		
Distressed debt assets	41,426,778	59,193,006
Loans and advances to customers	377,059,815	388,188,110
Total	418,486,593	447,381,116

Notes to the Interim Condensed Consolidated Financial Statements

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(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (Continued)

By geographical area

Area	As at June 30, 2024 (Unaudited)		As at December 31, 2023 (Audited)	
	Gross amount	%	Gross amount	%
Overseas	168,720,477	38.1	173,356,367	36.6
Bohai Rim	66,300,730	14.9	53,828,641	11.4
Central Region	52,974,339	11.9	51,432,900	10.9
Western Region	51,781,494	11.7	55,869,132	11.8
Yangtze River Delta	49,896,163	11.2	74,968,690	15.9
Pearl River Delta	45,346,640	10.2	48,080,523	10.2
Northeastern Region	9,041,757	2.0	15,091,669	3.2
Total	444,061,600	100.0	472,627,922	100.0

Notes:

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

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (Continued)

By industry

Industry	As at June 30, 2024 (Unaudited)		As at December 31, 2023 (Audited)	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	112,189,032	25.3	121,437,064	25.7
Manufacturing	67,787,523	15.3	62,875,435	13.3
Leasing and commercial services	49,465,946	11.1	58,347,212	12.3
Finance	31,864,024	7.2	41,910,997	8.9
Construction	23,302,244	5.2	27,349,151	5.8
Wholesale and retail trade	19,896,521	4.5	18,406,688	3.9
Production and supply of power, heat, gas and water	19,531,728	4.4	17,918,722	3.8
Mining	15,636,121	3.5	18,043,961	3.8
Others	50,604,054	11.4	49,037,656	10.4
Subtotal	390,277,193	87.9	415,326,886	87.9
Personal business				
Mortgage	23,377,071	5.3	24,685,609	5.2
Personal consumption loans	20,106,401	4.5	21,510,368	4.6
Subtotal	43,483,472	9.8	46,195,977	9.8
Loans to margin clients	10,300,935	2.3	11,105,059	2.3
Total	444,061,600	100.0	472,627,922	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (Continued)

By security type

	As at June 30, 2024 (Unaudited)		As at December 31, 2023 (Audited)	
	Gross amount	%	Gross amount	%
Unsecured	157,920,587	35.6	153,853,484	32.5
Guaranteed	79,049,689	17.8	75,965,407	16.1
Mortgaged	125,393,738	28.2	115,167,328	24.4
Pledged	81,697,586	18.4	127,641,703	27.0
Total	444,061,600	100.0	472,627,922	100.0

55.1.4 Past due distressed debt assets and loans and advances to customers at amortized cost

	Gross amount as at June 30, 2024 (Unaudited)				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	1,040,837	3,933,223	8,525,082	190,632	13,689,774
Loans and advances to customers	3,817,807	4,664,213	12,218,947	8,446,456	29,147,423
Total	4,858,644	8,597,436	20,744,029	8,637,088	42,837,197

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.4 Past due distressed debt assets and loans and advances to customers at amortized cost (Continued)

	Gross amount as at December 31, 2023 (Audited)				Total
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	
Distressed debt assets	1,235,471	2,672,925	6,732,898	190,632	10,831,926
Loans and advances to customers	3,216,081	5,526,113	7,828,964	8,015,012	24,586,170
Total	4,451,552	8,199,038	14,561,862	8,205,644	35,418,096

55.1.5 Credit quality of distressed debt assets and loans and advances to customers at amortized cost

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Neither past due nor impaired	399,755,095	435,790,020
Past due but not impaired (1)	3,170,052	1,584,010
Impaired (2)	41,136,453	35,253,892
Subtotal	444,061,600	472,627,922
Allowance for impairment losses	(25,575,007)	(25,246,806)
Net carrying amount	418,486,593	447,381,116

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.5 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (Continued)

(1) Past due but not impaired

	Gross amount as at June 30, 2024 (Unaudited)					Total
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years		
Distressed debt assets	1,040,837	–	–	–	–	1,040,837
Loans and advances to customers	2,129,215	–	–	–	–	2,129,215
Total	3,170,052	–	–	–	–	3,170,052

	Gross amount as at December 31, 2023 (Audited)					Total
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years		
Distressed debt assets	–	–	–	–	–	–
Loans and advances to customers	1,584,010	–	–	–	–	1,584,010
Total	1,584,010	–	–	–	–	1,584,010

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.5 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (Continued)

(2) Impaired

	As at June 30, 2024 (Unaudited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	13,744,801	(6,264,307)	7,480,494
Loans and advances to customers	27,391,652	(8,389,737)	19,001,915
Total	41,136,453	(14,654,044)	26,482,409

	As at December 31, 2023 (Audited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	11,878,289	(5,164,121)	6,714,168
Loans and advances to customers	23,375,603	(7,892,686)	15,482,917
Total	35,253,892	(13,056,807)	22,197,085

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Distressed debt assets		
Impaired	13,744,801	11,878,289
– Portion covered	12,704,359	10,812,062
– Portion not covered	1,040,442	1,066,227
Impaired as % of total distressed debt assets	26.2	16.9
Fair value of collateral	12,707,916	12,394,997
Loans and advances to customers		
Impaired	27,391,652	23,375,603
– Portion covered	20,034,580	18,527,499
– Portion not covered	7,357,072	4,848,104
Impaired as % of total loans and advances to customers	7.0	5.8
Fair value of collateral	23,840,232	15,238,404

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.5 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (Continued)

(2) Impaired (Continued)

Impaired distressed debt assets and loans and advances to customers by geographical area are analyzed as follows:

	As at June 30, 2024 (Unaudited)		As at December 31, 2023 (Audited)	
	Gross amount	%	Gross amount	%
Distressed debt assets				
Bohai Rim	6,463,218	47.0	4,802,119	40.4
Western Region	2,877,717	20.9	2,670,645	22.5
Central Region	2,687,205	19.6	2,688,864	22.6
Pearl River Delta	1,201,418	8.7	1,201,418	10.1
Yangtze River Delta	338,849	2.5	338,849	2.9
Northeastern Region	176,394	1.3	176,394	1.5
Total	13,744,801	100.0	11,878,289	100.0
Loans and advances to customers				
Pearl River Delta	9,560,489	35.0	9,258,422	39.6
Bohai Rim	9,346,955	34.1	8,763,006	37.5
Yangtze River Delta	3,436,650	12.5	474,537	2.0
Overseas	2,893,168	10.6	2,447,460	10.5
Central Region	1,366,303	5.0	1,310,448	5.6
Western Region	777,955	2.8	1,111,230	4.8
Northeastern Region	10,132	–	10,500	–
Total	27,391,652	100.0	23,375,603	100.0

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.6 Credit quality of investment products

The tables below set forth the credit quality of investment products, including mixed fund investments, debt investments and trust products.

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
Neither past due nor impaired (1)	216,114,288	208,218,523
Past due but not impaired (2)	2,433,774	9,704,579
Impaired (3)	12,272,489	12,578,819
Subtotal	230,820,551	230,501,921
Allowance for impairment losses	(5,629,243)	(5,441,486)
Net carrying amounts	225,191,308	225,060,435

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For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.1 Credit risk (Continued)

55.1.6 Credit quality of investment products (Continued)

(1) Neither past due nor impaired

	As at June 30, 2024 (Unaudited)			As at December 31, 2023 (Audited)		
	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	1,436,246	74,587,325	76,023,571	5,305,463	64,996,496	70,301,959
Public sector and quasi-government bonds	275,659	5,539,933	5,815,592	271,694	4,387,932	4,659,626
Financial institution bonds	652,903	64,031,394	64,684,297	855,069	63,271,078	64,126,147
Corporate bonds	183,170	25,300,425	25,483,595	180,802	30,284,986	30,465,788
Trust products and rights to trust assets	15,188,964	–	15,188,964	16,917,616	–	16,917,616
Asset-backed securities	–	–	–	–	27,451	27,451
Debt investments	28,918,269	–	28,918,269	20,376,377	–	20,376,377
Others	–	–	–	–	1,343,559	1,343,559
Subtotal	46,655,211	169,459,077	216,114,288	43,907,021	164,311,502	208,218,523
Allowance for impairment losses	(2,262,569)	–	(2,262,569)	(1,774,126)	–	(1,774,126)
Total	44,392,642	169,459,077	213,851,719	42,132,895	164,311,502	206,444,397

As at June 30, 2024, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB169,459.08 million, and the allowance of RMB79.88 million was recognized in other comprehensive income.

As at December 31, 2023, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB164,311.50 million, and the allowance of RMB138.45 million was recognized in other comprehensive income.

(2) Past due but not impaired

As at 30 June 2024, the gross amount of past due but not impaired investment products of the Group were financial assets at amortized cost of RMB2,433.77 million with the allowances of RMB198.12 million recognized.

As at 31 December 2023, the gross amount of past due but not impaired investment products at amortized cost of the Group was RMB9,704.58 million with the allowances of RMB264.76 million recognized.

(3) Impaired

As at 30 June 2024, the carrying amount of the impaired investment products at fair value through other comprehensive income was RMB1.69 million, and the allowances of RMB189.78 million was recognized. The carrying amount of the impaired other debt instruments at amortized cost was RMB12,270.81 million, and the allowances of RMB3,168.55 million was recognized.

As at December 31, 2023, the carrying amount of the impaired investment products at fair value through other comprehensive income was RMB192.05 million, and the allowances of RMB186.56 million was recognized. The carrying amount of the impaired other debt instruments at amortized cost was RMB12,386.77 million, and the allowances of RMB3,402.60 million was recognized.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk

Interest rate risk

At the end of the reporting period, the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing date and maturity date are as follows:

	As at June 30, 2024 (Unaudited)						Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Cash and balances with central banks	12,612,442	-	-	-	-	555,426	13,167,868	
Deposits with banks and financial institutions	73,831,234	1,178,463	7,687,364	-	-	1,347,092	84,044,153	
Placements with banks and financial institutions	21,665,548	4,126,803	2,409,251	-	-	-	28,201,602	
Deposits with exchanges and others	2,443,867	-	-	-	-	-	2,443,867	
Financial assets at fair value through profit or loss	1,375,390	6,523,199	18,828,467	64,070,427	6,064,507	413,251,735	510,113,725	
Financial assets at fair value through other comprehensive income	7,009,169	18,307,023	53,544,709	80,868,104	8,425,891	7,990,572	176,145,468	
Loans and advances to customers	151,484,833	52,929,457	132,379,254	54,349,967	1,022,693	1,768,332	393,934,536	
Financial assets at amortized cost	16,968,761	6,122,218	31,463,311	37,636,865	155,275	4,802,886	97,149,316	
Accounts receivable	234,742	11,790	507,220	56,057	19	3,671,467	4,481,295	
Financial assets held under resale agreements	14,634,819	-	230,831	-	-	7,212	14,872,862	
Other financial assets	35,455	30,274	150,640	-	-	15,919,487	16,135,856	
Total financial assets	302,296,260	89,229,227	247,201,047	236,981,420	15,668,385	449,314,209	1,340,690,548	

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

	As at June 30, 2024 (Unaudited)						Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Borrowings from the central bank	-	-	(8,639,000)	-	-	(990,258)	(9,629,258)	
Accounts payable to brokerage clients	(17,610,104)	-	-	-	-	(306,489)	(17,916,593)	
Due to customers	(120,926,076)	(101,738,532)	(120,769,701)	(16,842,354)	(140,227)	(11,404,337)	(371,821,227)	
Deposits from banks and financial institutions	(3,572,610)	(956,340)	(2,073,268)	-	-	(55,511)	(6,657,729)	
Placements from banks and financial institutions	(18,722,299)	(3,891,825)	(3,208,013)	-	-	(127,047)	(25,949,184)	
Financial liabilities at fair value through profit or loss	(6,414,804)	(1,132)	(8,992)	-	-	(2,256,249)	(8,681,177)	
Financial assets sold under repurchase agreements	(20,145,556)	(2,785,475)	(3,172,136)	(1,000,000)	-	(107,785)	(27,210,952)	
Borrowings	(44,910,686)	(54,648,601)	(233,663,187)	(210,136,107)	(3,463,286)	(2,730,940)	(549,552,807)	
Bonds issued	(564,806)	(6,632,207)	(48,481,900)	(176,887,930)	(40,087,347)	(4,159,989)	(276,814,179)	
Accounts payable	-	-	-	-	-	(4,856,910)	(4,856,910)	
Other financial liabilities	(46,957)	(87,095)	(1,019,431)	(4,569,897)	-	(36,208,586)	(41,931,966)	
Total financial liabilities	(232,913,898)	(170,741,207)	(421,035,628)	(409,436,288)	(43,690,860)	(63,204,101)	(1,341,021,982)	
Interest rate gap	69,382,362	(81,511,980)	(173,834,581)	(172,454,868)	(28,022,475)	386,110,108	(331,434)	

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For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

	As at December 31, 2023 (Audited)						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest- bearing	
Cash and balances with central banks	14,714,197	–	–	–	–	523,309	15,237,506
Deposits with banks and financial institutions	77,578,341	3,405,375	283,308	–	–	730,592	81,997,616
Placements with banks and financial institutions	22,377,862	1,711,923	80,000	–	–	–	24,169,785
Deposits with exchanges and others	2,622,029	–	–	–	–	–	2,622,029
Financial assets at fair value through profit or loss	6,060,550	6,571,359	25,404,599	97,181,292	5,811,914	377,280,106	518,309,820
Financial assets at fair value through other comprehensive income	14,749,072	30,795,387	48,929,435	64,095,517	5,934,140	6,372,307	170,875,858
Loans and advances to customers	199,282,095	38,645,201	76,999,537	83,876,666	2,381,560	1,976,700	403,161,759
Financial assets at amortized cost	11,525,787	3,551,412	36,773,274	64,676,656	523,227	2,699,533	119,749,889
Accounts receivable	145,410	–	357,946	–	–	3,683,353	4,186,709
Financial assets held under resale agreements	8,802,761	–	–	429,482	–	6,896	9,239,139
Other financial assets	–	–	–	105,334	23,729	9,890,834	10,019,897
Total financial assets	357,858,104	84,680,657	188,828,099	310,364,947	14,674,570	403,163,630	1,359,570,007

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IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk (Continued)

Interest rate risk (Continued)

	As at December 31, 2023 (Audited)						Non-interest- bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Borrowings from the central bank	-	-	-	-	-	(986,058)	(986,058)	
Accounts payable to brokerage clients	(16,945,535)	-	-	-	-	(318,549)	(17,264,084)	
Due to customers	(280,764,821)	(7,784,330)	(27,794,621)	(6,795,958)	-	(16,080,059)	(339,219,789)	
Deposits from banks and financial institutions	(14,994,573)	-	-	-	-	-	(14,994,573)	
Placements from banks and financial institutions	(22,089,615)	(4,515,781)	(2,768,785)	-	-	(100,414)	(29,474,595)	
Financial liabilities at fair value through profit or loss	(4,865,644)	(610,855)	(1,396,642)	-	-	(2,576,058)	(9,449,199)	
Financial assets sold under repurchase agreements	(32,163,760)	-	-	(1,000,000)	-	(174,289)	(33,338,049)	
Borrowings	(31,167,380)	(65,771,410)	(255,940,022)	(197,315,910)	(5,580,562)	(3,095,218)	(558,870,502)	
Bonds issued	(13,075,270)	(17,969,435)	(45,299,713)	(165,066,151)	(60,636,602)	(714,961)	(302,762,132)	
Accounts payable	(205,010)	(3,241)	(177,471)	(21)	(9,633)	(4,387,615)	(4,782,991)	
Other financial liabilities	(2,664)	(34,189)	(370,056)	(7,319,127)	-	(26,735,332)	(34,461,368)	
Total financial liabilities	(416,274,272)	(96,689,241)	(333,747,310)	(377,497,167)	(66,226,797)	(55,168,553)	(1,345,603,340)	
Interest rate gap	(58,416,168)	(12,008,584)	(144,919,211)	(67,132,220)	(51,552,227)	347,995,077	13,966,667	

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IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk (Continued)

Foreign exchange risk

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and operating performance. The Group conducts the majority of its businesses in RMB, with certain foreign currency transactions in United States dollars (“USD”), Hong Kong dollars (“HKD”) and other currencies.

The table below indicates the potential effect on total comprehensive income before tax of a 5% appreciation or depreciation of the spot and forward exchange rates of foreign currencies against Renminbi.

The Group

	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)
5% appreciation	(1,157,287)	(897,180)
5% depreciation	1,157,287	897,180

Price risk

Price risk is the risk that the fair values of equity investments fluctuate as a result of changes in the levels of equity indices and the value of relative securities. The risk is reflected as the variation of the Group’s profit or loss and net assets arising from fair value changes of financial assets measured at fair value changes, and also the variation of the Group’s other comprehensive income and net assets arising from the fair value changes of financial assets measured at other comprehensive income.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on profit before tax and equity.

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IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.2 Market risk (Continued)

Price risk (Continued)

	As at June 30, 2024		As at December 31, 2023	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	1,120,228	66,847	1,085,812	63,723
-1 percent	(1,120,228)	(66,847)	(1,085,812)	(63,723)

55.3 Liquidity risk

Analysis of the remaining maturity of the financial assets and financial liabilities

	As at June 30, 2024 (Unaudited)							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	-	13,167,868	-	-	-	-	-	13,167,868
Deposits with banks and financial institutions	-	71,501,797	3,676,529	1,174,483	7,691,344	-	-	84,044,153
Placements with banks and financial institutions	-	-	21,665,548	4,126,803	2,409,251	-	-	28,201,602
Deposits with exchanges and others	2,443,867	-	-	-	-	-	-	2,443,867
Financial assets at fair value through profit or loss	386,318,720	16,305,133	2,240,937	6,769,024	21,472,958	70,441,536	6,565,417	510,113,725
Loans and advances to customers	16,121,846	42,519,123	17,621,586	31,611,498	103,226,604	157,689,962	25,143,917	393,934,536
Accounts receivable	532,852	3,028,258	234,742	11,790	614,190	59,444	19	4,481,295
Financial assets held under resale agreements	195,666	-	14,444,333	-	232,863	-	-	14,872,862
Financial assets at fair value through other comprehensive income	6,686,391	-	7,040,652	18,369,389	53,756,768	81,765,883	8,526,385	176,145,468
Financial assets at amortized cost	16,162,376	4,089,715	1,519,556	6,122,218	31,463,255	37,636,921	155,275	97,149,316
Other financial assets	7,403,913	5,916,570	2,352,603	30,274	150,640	281,856	-	16,135,856
Total financial assets	435,865,631	156,528,464	70,796,486	68,215,479	221,017,873	347,875,602	40,391,013	1,340,690,548

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For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (Continued)

	As at June 30, 2024 (Unaudited)							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Borrowings from the central bank	-	(986,058)	-	(4,200)	(8,639,000)	-	-	(9,629,258)
Accounts payable to brokerage clients	-	(17,916,593)	-	-	-	-	-	(17,916,593)
Due to customers	-	(74,214,526)	(56,270,262)	(102,517,804)	(121,822,068)	(16,849,870)	(146,697)	(371,821,227)
Deposits from banks and financial institutions	-	(1,279,251)	(2,321,433)	(958,453)	(2,098,592)	-	-	(6,657,729)
Placements from banks and financial institutions	-	-	(18,764,768)	(3,920,553)	(3,263,863)	-	-	(25,949,184)
Financial liabilities at fair value through profit or loss	-	(180,498)	(6,593,421)	(180,407)	(176,596)	(1,545,214)	(5,041)	(8,681,177)
Financial assets sold under repurchase agreements	-	(1,854,787)	(18,320,595)	(2,823,756)	(3,210,058)	(1,001,756)	-	(27,210,952)
Borrowings	-	-	(45,098,391)	(55,140,784)	(234,751,078)	(211,095,408)	(3,467,146)	(549,552,807)
Bonds issued	-	-	(571,419)	(6,778,631)	(48,950,645)	(179,989,408)	(40,524,076)	(276,814,179)
Accounts payable	-	(4,683,393)	(74,971)	(87,601)	(10,855)	(85)	(5)	(4,856,910)
Other financial liabilities	-	(29,465,584)	(724,863)	(401,406)	(1,975,040)	(9,227,863)	(137,210)	(41,931,966)
Total financial liabilities	-	(130,580,690)	(148,740,123)	(172,813,595)	(424,897,795)	(419,709,604)	(44,280,175)	(1,341,021,982)
Net position	435,865,631	25,947,774	(77,943,637)	(104,598,116)	(203,879,922)	(71,834,002)	(3,889,162)	(331,434)

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For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (Continued)

	As at December 31, 2023							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	-	15,237,506	-	-	-	-	-	15,237,506
Deposits with banks and financial institutions	-	76,599,612	1,709,321	3,405,375	283,308	-	-	81,997,616
Placements with banks and financial institutions	-	-	22,377,862	1,711,923	80,000	-	-	24,169,785
Deposits with exchanges and others	2,622,029	-	-	-	-	-	-	2,622,029
Financial assets at fair value through profit or loss	358,581,652	4,782,238	5,671,189	5,810,233	32,211,402	103,793,741	7,459,365	518,309,820
Loans and advances to customers	23,335,886	34,507,815	18,584,497	17,917,571	94,744,862	166,593,507	47,477,621	403,161,759
Accounts receivable	948,331	2,589,237	14,938	597	158,203	456,268	19,135	4,186,709
Financial assets held under resale agreements	-	-	8,809,657	-	-	429,482	-	9,239,139
Financial assets at fair value through other comprehensive income	6,366,137	7,520,190	20,458,515	51,066,844	74,281,357	8,158,429	3,024,386	170,875,858
Financial assets at amortized cost	10,744,104	2,489,181	2,458,296	3,904,960	35,959,204	63,670,917	523,227	119,749,889
Other financial assets	4,537,006	1,860,686	632,017	-	126,698	2,839,762	23,728	10,019,897
Total financial assets	407,135,145	145,586,465	80,716,292	83,817,503	237,845,034	345,942,106	58,527,462	1,359,570,007

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (Continued)

	As at December 31, 2023 (Audited)							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Borrowings from the central bank	-	(986,058)	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(17,264,084)	-	-	-	-	-	(17,264,084)
Due to customers	(89,545,426)	(63,080,185)	(87,663,725)	(90,490,305)	(8,440,148)	-	-	(339,219,789)
Deposits from banks and financial institutions	(14,994,573)	-	-	-	-	-	-	(14,994,573)
Placements from banks and financial institutions	(10,601,777)	-	(17,110,474)	(1,462,173)	(300,171)	-	-	(29,474,595)
Financial liabilities at fair value through profit or loss	-	(669,595)	(5,187,326)	(903,606)	(1,679,673)	(985,332)	(23,667)	(9,449,199)
Financial assets sold under repurchase agreements	-	-	(24,793,147)	(2,464,880)	(5,078,157)	(1,001,865)	-	(33,338,049)
Borrowings	-	-	(30,246,131)	(67,844,222)	(258,107,049)	(197,056,007)	(5,617,093)	(558,870,502)
Bonds issued	(274,714)	-	(13,490,286)	(17,972,613)	(45,305,766)	(165,082,151)	(60,636,602)	(302,762,132)
Accounts payable	(647,675)	(3,943,434)	(1,516)	(3,241)	(177,471)	(21)	(9,633)	(4,782,991)
Other financial liabilities	(15,210,110)	(4,994,973)	(515,813)	(162,276)	(1,191,705)	(12,240,571)	(145,920)	(34,461,368)
Total financial liabilities	(131,274,275)	(90,938,329)	(179,008,418)	(181,303,316)	(320,280,140)	(376,365,947)	(66,432,915)	(1,345,603,340)
Net position	275,860,870	54,648,136	(98,292,126)	(97,485,813)	(82,435,106)	(30,423,841)	(7,905,453)	13,966,667

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.4 Risk management of distressed assets

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

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are similar to those described in the consolidated financial statements for the year ended December 31, 2023.

55.5 Capital management

The Group's objectives on capital management are as follows:

- Ensure compliance with regulatory requirements;
- Optimize capital allocation among the group entities;
- Improve efficiency of capital employment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the former CBRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taking into account of the percentage of shareholding and making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the NFRA.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Financial risk management (Continued)

55.5 Capital management (Continued)

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the former CBRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at June 30, 2024 and December 31, 2023, the Company complied with the regulatory requirements on the minimum CAR.

56. Fair values of financial instruments

Assets and liabilities measured at fair value are classified into the following three levels based on the degree of fair value observability:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (such as from prices) or indirectly (such as calculation based on price), including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

Level 3: Management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value, the market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. The unobservable inputs which may have an impact on the valuation include the weighted average cost of capital, liquidity discount, price to book ratio, etc.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.1 Fair values of financial assets and financial liabilities that are not measured at fair value

Except as detailed in the following table, the Company considered that the carrying amounts of financial assets and financial liabilities in the interim condensed consolidated financial statements approximate their fair values.

	As at June 30, 2024 (Unaudited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	41,418,774	44,286,834
– Other debt investments	55,730,542	55,745,813
Accounts receivable	4,481,295	4,481,295
Total	101,630,611	104,513,942
Financial liabilities		
Borrowings	(549,552,807)	(548,997,150)
Bonds issued	(276,814,179)	(277,787,850)
Total	(826,366,986)	(826,785,000)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.1 Fair values of financial assets and financial liabilities that are not measured at fair value (Continued)

	As at December 31, 2023 (Audited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	59,193,006	61,870,516
– Other debt investments	60,556,883	60,628,397
Accounts receivable	4,186,709	4,186,709
Total	123,936,598	126,685,622
Financial liabilities		
Borrowings	(558,870,502)	(579,519,905)
Bonds issued	(302,762,132)	(304,167,912)
Total	(861,632,634)	(883,687,817)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.1 Fair values of financial assets and financial liabilities that are not measured at fair value (Continued)

	As at June 30, 2024 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	44,286,834	44,286,834
– Other debt investments	–	2,509,261	53,236,552	55,745,813
Accounts receivable	–	–	4,481,295	4,481,295
Total	–	2,509,261	102,004,681	104,513,942
Financial liabilities				
Borrowings	–	–	(548,997,150)	(548,997,150)
Bonds issued	–	(184,980,276)	(92,807,574)	(277,787,850)
Total	–	(184,980,276)	(641,804,724)	(826,785,000)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.1 Fair values of financial assets and financial liabilities that are not measured at fair value (Continued)

	As at December 31, 2023			Total
	Level 1	Level 2	Level 3	
(Audited)				
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	61,870,516	61,870,516
– Other debt investments	–	6,613,470	54,014,927	60,628,397
Accounts receivable	143,191	–	4,043,518	4,186,709
Total	143,191	6,613,470	119,928,961	126,685,622
Financial liabilities				
Borrowings	–	–	(579,519,905)	(579,519,905)
Bonds issued	–	(259,748,400)	(44,419,512)	(304,167,912)
Total	–	(259,748,400)	(623,939,417)	(883,687,817)

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, especially their fair value hierarchy, valuation technique(s) and key input(s) used.

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
1) Financial assets classified as at fair value through profit or loss	510,113,725	518,309,820				
Debt securities	38,028,263	34,927,153				
– Traded in stock exchanges	1,932,892	2,776,510	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	7,393,888	4,720,252	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	675,587	80,504	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded in inter-bank markets	18,841,185	17,932,317	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	–	25,183	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
– Traded over the counter	8,542,213	8,629,103	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
	8,998	155,313	Level 3	<ul style="list-style-type: none"> Default rates of recovery. Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty. 	<ul style="list-style-type: none"> Default rates of recovery. Expected recoverable amounts. 	<ul style="list-style-type: none"> The lower the default rates of recovery, the higher the fair value. The higher the expected recoverable amounts, the higher the fair value.
– Traded in inactive markets	633,500	607,971	Level 3	<ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty. 	<ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. Risk-free rates that are specific to the market. Volatility rates that are in line with those of similar products. 	<ul style="list-style-type: none"> The lower the discount rates, the higher the fair value. The lower the risk-free rates, the higher the fair value. The higher the volatility rates, the higher the fair value.

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IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Equity investments listed or traded on exchanges	16,046,287	17,655,325				
– Unrestricted listed equity investments	15,278,687	9,751,599	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Restricted listed equity investments	767,600	7,903,726	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Equity investments in unlisted companies	57,783,780	56,675,732				
	55,484,212	51,037,041	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier.	• The higher the market multiplier, the higher the fair value.
	2,299,568	5,638,691	Level 3	• Income approach.	• Discount for lack of marketability (DLOM). • Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The lower the DLOM, the higher the fair value. • The more the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.

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IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Mutual funds	127,416,457	130,265,355				
– Mutual funds with open or active quotations	3,417,913	3,374,917	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,112,421	1,181,132	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	93,403,160	98,356,899	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date.	• The more the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
– Investing in unrestricted listed equity	366,033	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in other equity instruments	29,116,930	27,352,407	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Debt instruments	10,568,391	11,169,359				
– Other debt instruments	9,772,478	10,367,272	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.
– Embedded derivative debts	795,913	802,087	Level 3	<ul style="list-style-type: none"> Discounted cash flows for the debt component and binomial option pricing model for the option component. 	<ul style="list-style-type: none"> Expected future cash flows. Discount rates that correspond to the expected risk level. Stock price volatility. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The lower the discount rates, the higher the fair value. The higher the stock price volatility, the higher the fair value.

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For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Derivative financial assets	1,646,594	1,513,374				
	368,322	330,179	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	637,381	617,270	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rates.	N/A	N/A
	640,891	565,925	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. ⁽¹⁾	<ul style="list-style-type: none"> • Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(1) The fair values of the option contracts were calculated based on the difference between the put values as of the exercise date adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group. The fair values of the forward contracts were calculated based on the difference between the forward settlement price, adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group.

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IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Distressed debt assets	232,179,283	241,982,055	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.
Wealth management products	1,768,266	2,700,637				
	–	6,613	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
	1,768,266	2,694,024	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The more the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Assets management plans	1,741,829	2,480,292				
– Investing in the portfolio with open or active quotations	1,500,497	2,086,575	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
– Investing in debt instruments	33,474	–	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. 	<ul style="list-style-type: none"> The higher the future cash flow, the higher the fair value. The earlier the recovery date, the higher the fair value.
– Investing in equity instruments	207,858	393,717	Level 3	<ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. 	<ul style="list-style-type: none"> Discount rates that correspond to the expected risk level. Market multiplier. Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The lower the discount rate, the higher the fair value. The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Asset-backed securities	2,950,890	3,437,995				
	293,458	958,566	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	522,831	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	2,134,601	2,479,429	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> • Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> • The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Trust products and rights to trust assets	19,332,256	14,824,734				
– Investing in the portfolio with open or active market quotations	–	24,905	Level 2	<ul style="list-style-type: none"> Quoted market prices from dealers or independent pricing service vendors. 	N/A	N/A
– Investing in debt instruments	15,152,784	11,177,939	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
– Investing in equity instruments	4,179,472	3,621,890	Level 3	<ul style="list-style-type: none"> Comparable listed company method, comparable transaction cases, etc. 	<ul style="list-style-type: none"> Market multiplier. Discount for lack of marketability (DLOM). 	<ul style="list-style-type: none"> The higher the market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Others	651,429	677,809				
– Investing in debt instruments	651,429	677,809	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	16,874,721	14,973,649	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected recoverable amounts. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the recoverable amounts, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rates, the higher the fair value.
3) Financial assets at fair value through other comprehensive income	176,145,468	170,875,858				
Debt investments at fair value through other comprehensive income	169,460,765	164,503,552				

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Debt securities	169,460,765	164,503,552				
– Traded on stock exchanges	1,450,625	223,629	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	40,530,300	77,760,809	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	127,479,840	86,519,114	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments designated as at fair value through other comprehensive income	6,684,703	6,372,306				
Unrestricted listed equity investments	5,677,542	5,364,927				
– Manufacturing	5,677,542	5,364,927	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	–	984,174				
– Financial service	–	984,174	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
Unlisted equity instruments	1,007,161	23,205				
– Financial service	1,007,161	23,205	Level 3	<ul style="list-style-type: none"> Income approach. 	<ul style="list-style-type: none"> Expected future cash flow. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The more the future cash flow, the higher the fair value. The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	(8,681,177)	(9,449,199)				
– Short positions in exchange fund bills and notes	(6,414,803)	(6,867,182)	Level 2	<ul style="list-style-type: none"> Calculated based on the quoted prices of similar assets traded in an active market. 	N/A	N/A
– OTC derivative financial liabilities	(844,177)	(1,187,061)	Level 2	<ul style="list-style-type: none"> Calculated based on the quoted prices of similar assets traded in an active market. 	N/A	N/A
– Financing payables linked to stock index	(51)	(6,848)	Level 2	<ul style="list-style-type: none"> Calculated based on the quoted prices of similar assets traded in an active market. 	N/A	N/A

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2024 (Unaudited)	As at December 31, 2023 (Audited)				
- Structured transaction payment	(1,422,146)	(1,388,108)	Level 3	<ul style="list-style-type: none"> Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. 	<ul style="list-style-type: none"> Expected future cash flows. Expected recovery date. Discount rates that correspond to the expected risk level. 	<ul style="list-style-type: none"> The higher the future cash flows, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

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

	As at June 30, 2024 (Unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	21,657,305	38,550,416	449,906,004	510,113,725
Loans and advances to customers	–	–	16,874,721	16,874,721
Financial assets at fair value through other comprehensive income	7,128,167	168,010,140	1,007,161	176,145,468
Total assets	28,785,472	206,560,556	467,787,886	703,133,914
Financial liabilities at fair value through profit or loss	–	(7,259,031)	(1,422,146)	(8,681,177)
Total liabilities	–	(7,259,031)	(1,422,146)	(8,681,177)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	As at December 31, 2023			Total
	Level 1	Level 2	Level 3	
	(Audited)			
Financial assets at fair value through profit or loss	17,191,771	35,198,167	465,919,882	518,309,820
Loans and advances to customers	–	–	14,973,649	14,973,649
Financial assets at fair value through other comprehensive income	5,588,556	164,279,923	1,007,379	170,875,858
Total assets	22,780,327	199,478,090	481,900,910	704,159,327
Financial liabilities at fair value through profit or loss	–	(8,061,091)	(1,388,108)	(9,449,199)
Total liabilities	–	(8,061,091)	(1,388,108)	(9,449,199)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

There were no transfers between Level 1 and Level 2 for the financial assets and the financial liabilities measured at fair value during the period/year.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflects the credit risk of counterparties.

56.3 Reconciliation of Level 3 fair value measurements

	(Unaudited)		
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2024	465,919,882	1,007,379	(1,388,108)
Recognized in profit or loss	(5,307,095)	-	-
Recognized in other comprehensive income	-	(218)	-
Purchases	57,557,585	-	(34,038)
Settlements/disposals at cost	(68,278,857)	-	-
Transfer into Level 3	19,637	-	-
Transfer out from Level 3	(5,148)	-	-
As at June 30, 2024	449,906,004	1,007,161	(1,422,146)
Unrealized gains or losses for the period included in profit or loss for assets/liabilities held as at the end of the period	(1,746,720)	-	-

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Fair values of financial instruments (Continued)

56.3 Reconciliation of Level 3 fair value measurements (Continued)

	(Audited)		
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2023	444,694,193	1,003,687	–
Recognized in profit or loss	12,775,842	–	–
Recognized in other comprehensive income	–	(152,608)	–
Purchases	113,508,205	156,300	(1,388,108)
Settlements/disposals at cost	(105,035,513)	–	–
Transfer in Level 3	–	–	–
Transfer out from Level 3	(22,845)	–	–
As at December 31, 2023	465,919,882	1,007,379	(1,388,108)
Unrealized gains or losses for the year included in profit or loss for assets/liabilities held at the end of the year	(4,046,135)	–	–

For the years ended June 30, 2024 and the year ended December 31, 2023, certain restricted equity investments became tradable and quoted prices were available in active markets, these equity investments were transferred from Level 3 to Level 1 of the fair value hierarchy at the reporting period.

Total gains or losses for the six months ended June 30, 2024 and the year ended December 31, 2023 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at June 30, 2024 and December 31, 2023 are presented in “fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “credit impairment losses” depending on the nature or category of the related financial instruments.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024
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IV. EXPLANATORY NOTES (Continued)

57. Acquisition of subsidiaries

For the six months ended 30 June 2024, the Group acquired some subsidiaries. None of these acquisitions were individually significant, and their aggregated information is set out below:

Consideration paid:

	For the six months ended June 30, 2024
Cash consideration paid	62,000
Other consideration paid	747,048

Analysis of net assets of the subsidiaries acquired:

	As at the date of acquisition
Net assets	907,458

Net cash flows arising on acquisition:

	For the six months ended June 30, 2024
Cash consideration paid	(62,000)
Cash and cash equivalents balances acquired	43,255
Net cash flows	(18,745)

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2024

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IV. EXPLANATORY NOTES (Continued)

58. Disposal of subsidiaries

For the six months ended 30 June 2024, the Group disposed of some of its subsidiaries. None of these disposals were individually significant.

For the six months ended 30 June 2023, the Group had no disposal of subsidiaries.

V. COMPARATIVE AMOUNTS

The Group has adjusted certain comparative amounts for the interim condensed consolidated financial statements disclosure purposes.

VI. EVENTS AFTER THE REPORTING PERIOD

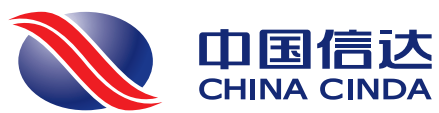
According to the 2023 profit distribution plan passed in the Company's 2023 annual general meeting of the shareholders held on 26 June 2024, the Company declared cash dividends on its profit for the year ended 31 December 2023. The cash dividends of the Company were distributed on 16 August 2024.

The company paid the interest of the 2021 Undated Capital Bonds (First Tranche) at the rate of 4.40% on August 16, 2024. The aggregate interest distribution amounted to RMB440 million.

The meeting of the Board of Directors approved the resolution on the dividend allocation of Offshore Preference Shares on August 27, 2024, allowing the Company to distribute dividends of Offshore Preference Shares on November 4, 2024, at the rate of 4.40% per annum (after tax). The aggregate dividend distribution amounted to USD74.8 million (after tax).

VII. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on August 27, 2024.



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