中国中信金融资产
China CITIC Financial AMC

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

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

Stock Code: 2799

2023 Annual Report

Contents

1. Company Profile

China CITIC Financial Asset Management Co., Ltd. (Stock Code: 2799), with its predecessor being China Huarong Asset Management Corporation founded on November 1, 1999, is one of the four state-owned financial asset management companies (the "AMCs") established in response to the Asian financial crisis and for mitigating financial risks, promoting the reform of state-owned banks and the reform and difficulty relief of state-owned enterprises. It was converted into a joint stock limited company upon the approval of the State Council on September 28, 2012. On October 30, 2015, the Company was listed on the Main Board of the HKEX. In March 2022, the Party Committee of the Company was put under the management of the Party Committee of CITIC Group Corporation with the approval of the superior authorities. In January 2024, the Company officially changed its name to "China CITIC Financial Asset Management Co., Ltd." with the approval of the superior authorities. Currently, major Shareholders of the Company include CITIC Group Corporation, the MOF, National Council for Social Security Fund, China Insurance Rongxin Private Fund Co., Ltd., China Life Insurance (Group) Company and Warburg Pincus LLC.

The Company mainly engages in such businesses as distressed asset management, financial services, and asset management and investment business, with distressed asset management being its core business. Currently, CITIC Financial AMC has 33 branches with geographic coverage across 30 provinces, autonomous regions and municipalities in Chinese mainland as well as in Hong Kong (China) and Macau (China). Its platform subsidiaries include Financial Leasing, Rongde Asset, Industrial Company, International Company and Huitong Asset.

2. Definitions

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

AMCs	the five financial asset management companies approved for the establishment by the State Council, namely the Company, China Great Wall Asset Management Co., Ltd., China Orient Asset Management Co., Ltd., China Cinda Asset Management Co., Ltd. and China Galaxy Asset Management Co., Ltd.
Articles of Association or Articles	the Articles of Association of China CITIC Financial Asset Management Co., Ltd. as amended from time to time
Board of Supervisors	the board of supervisors of the Company
Board or Board of Directors	the board of directors of the Company
CBIRC or Former CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
China Huarong	China Huarong Asset Management Co., Ltd.
CITIC Group	CITIC Group Corporation
Company	China CITIC Financial Asset Management Co., Ltd.
Debt-to-Equity Swap(s) or DES	the practice of converting indebtedness owed by the obligors to equity
DES Assets	(1) the equity assets that converted from distressed indebtedness, which were acquired by the Company from medium and large state-owned enterprises prior to its restructuring, as a result of equity swaps of distressed debt assets according to national policy; (2) additional equities of the aforementioned enterprises that the Company subsequently acquired as part of asset packages it purchased; (3) additional investments by the Company in the aforementioned enterprises; (4) equities the Company received in satisfaction of debt the Company acquired through distressed asset management; (5) the small amount of equity the Company received as part of its share capital when it was established in 1999; and (6) the assets from the market-oriented DES business conducted by the Company
DES Companies	the companies and enterprises whose distressed debt held by the AMCs were swapped for equity

2. Definitions

Director(s)	director(s) of the Company
Domestic Share(s)	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
ESG Guide	the Environmental, Social and Governance Reporting Guide in Appendix C2 to the Listing Rules
Financial Leasing	China Huarong Financial Leasing Co., Ltd.
Group, our Group or CITIC Financial AMC	China CITIC Financial Asset Management Co., Ltd. and its subsidiaries
H Share(s)	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
HK$ or HK dollars	the lawful currency of Hong Kong (China)
Hong Kong (China) or HK (China)	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange or HKEX	The Stock Exchange of Hong Kong Limited
Huitong Asset	Huarong Huitong Asset Management Co., Ltd.
IFRSs	the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
Industrial Company	Huarong Industrial Investment & Management Co., Ltd.
International Company	China Huarong International Holdings Limited
Latest Practicable Date	April 18, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

2. Definitions

Macau (China)	the Macau Special Administrative Region of the PRC
MOF	the Ministry of Finance of the PRC (中華人民共和國財政部)
NFRA	National Financial Regulatory Administration
Non-performing Loan(s) or NPL(s)	loan(s) classified as substandard, doubtful and loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
PBOC	the People's Bank of China (中國人民銀行), the central bank of the PRC
PRC GAAP	generally accepted accounting principles in the PRC
Reporting Period	the year ended December 31, 2023
Rongde Asset	Huarong Rongde Asset Management Co., Ltd.
RMB or Renminbi	the lawful currency of the PRC
ROAA	return on average assets
ROAE	return on average equity attributable to equity holders
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
Share(s)	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
Shareholder(s)	holder(s) of the Share(s)
State Council	the State Council of the PRC (中華人民共和國國務院)
Supervisor(s)	supervisor(s) of the Company
US$ or U.S. dollars or USD	the lawful currency of the United States

3. Important Notice

The Board, the Board of Supervisors, the Directors, Supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of this annual report and that there are no misstatements, misleading representations or material omissions, and they shall assume several and joint liability for its contents.

On March 28, 2024, the second meeting of the Board in 2024 considered and approved the 2023 Annual Report and the 2023 Annual Results Announcement of the Company. There were nine Directors eligible to attend the meeting, of whom nine attended in person.

Ernst & Young issued unqualified opinions on the 2023 annual consolidated financial statements of the Group, details of which are set out in "18. Audit Report and Financial Statements".

The Company does not declare any cash dividend for the year ended December 31, 2023.

4. Corporate Information

Official Chinese name	中國中信金融資產管理股份有限公司
Chinese abbreviation	中信金融資產
Official English name	China CITIC Financial Asset Management Co., Ltd.
English abbreviation	CITIC Financial AMC
Legal representative	Liu Zhengjun
Authorized representatives	Liu Zhengjun, Wang Yongjie
Secretary to the Board	Wang Yongjie
Joint Company secretaries	Wang Yongjie, Ngai Wai Fung
Registered address	No. 8 Financial Street, Xicheng District, Beijing, China
Postal code of place of registration	100033
Website	www.chamc.com.cn
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, China
Website of Hong Kong Stock Exchange for publishing the H Shares annual report	www.hkexnews.hk
Place for maintaining annual reports for inspection	Board Office of the Company
Stock exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited
Stock name	CITIC FAMC
Stock Code	2799

4. Corporate Information

H Share registrar and office address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China
Registration number of financial license	J0001H111000001
Social credit code	911100007109255774
Legal advisors as to PRC Law and office address	Haiwen & Partners 20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing, China
Legal advisors as to Hong Kong law and office address	Clifford Chance 27th Floor, Jardine House, One Connaught Place, Hong Kong, China
International accounting firm and office address	Ernst & Young 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong, China
Domestic accounting firm and office address	Ernst & Young Hua Ming LLP Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Changan Ave., Dongcheng District, Beijing, China

5. Financial Summary

The financial information contained in this annual report was prepared in accordance with IFRSs. Unless otherwise specified, it is consolidated financial information of the Group and presented in RMB. The Group has changed the accounting policy for investment properties from the cost model to the fair value model in 2023. Adopting the fair value model will enable the financial statements to provide more reliable and more relevant information. The change in accounting policy has been adjusted retrospectively, and the comparative figures for comparable periods have been restated.

	For the year ended December 31,				
	2023	**2022 (Restated)**	**2021**	**2020**	**2019**
	(in millions of RMB)				
Continuing operations					
Income from distressed debt assets	**17,248.2**	22,779.1	28,077.2	34,121.4	35,067.8
Fair value changes on distressed debt assets	**(893.1)**	5,709.8	6,464.5	4,317.0	9,963.7
Fair value changes on other financial assets and liabilities	**(2,494.5)**	(11,158.2)	11,599.3	(12,520.0)	11,727.2
Interest income	**13,128.0**	11,225.4	13,592.1	36,489.2	38,530.0
Finance lease income	**682.7**	1,056.3	2,040.9	3,535.9	5,911.6
Gains from derecognition of financial assets measured at amortised cost	**700.4**	16.1	1,228.0	866.4	104.7
Gains/(loss) from derecognition of debt instruments at fair value through other comprehensive income ("FVTOCI")	**153.8**	(591.4)	265.7	154.8	(9.8)
Commission and fee income	**198.5**	233.5	413.9	2,113.8	2,595.8
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures	**7.2**	589.0	571.7	769.1	1,441.2
Dividend income	**882.8**	914.3	1,063.2	1,193.0	1,819.0
Other income and other net gains or losses	**46,186.1**	6,159.3	2,777.4	4,364.5	5,505.3
Total income	**75,800.1**	36,933.2	68,093.9	75,405.1	112,656.5
Interest expense	**(34,532.3)**	(37,064.5)	(42,679.8)	(54,687.5)	(60,256.7)
Commission and fee expense	**(554.2)**	(593.8)	(208.4)	(2,085.6)	(2,207.7)
Operating expenses	**(6,221.4)**	(6,578.2)	(7,533.0)	(12,791.3)	(13,138.8)
Impairment losses under expected credit loss ("ECL") model	**(33,025.8)**	(29,381.0)	(13,214.6)	(97,298.4)	(24,966.2)
Impairment losses on other assets	**(996.0)**	(1,184.4)	(604.6)	(10,075.8)	(1,498.0)
Total expenses	**(75,329.7)**	(74,801.9)	(64,240.4)	(176,938.6)	(102,067.4)

5. Financial Summary

	For the year ended December 31,				
	2023	2022 (Restated)	2021	2020	2019
	(in millions of RMB)				
Change in net assets attributable to other holders of consolidated structured entities	**(1.9)**	352.9	(2,269.7)	(500.5)	(631.3)
Share of results of associates and joint ventures	**603.0**	329.9	134.7	(846.5)	1,012.3
Profit/(loss) before tax from continuing operations	**1,071.5**	(37,185.9)	1,718.5	(102,880.5)	10,970.1
Income tax (expense)/credit	**(859.4)**	3,798.6	(4,211.9)	(3,544.7)	(8,700.8)
Profit/(loss) for the year from continuing operations	**212.1**	(33,387.3)	(2,493.4)	(106,425.2)	2,269.3
Discontinued operations					
Profit after tax for the year from discontinued operations	**—**	5,595.2	4,479.5	150.9	—
Profit/(loss) for the year	**212.1**	(27,792.1)	1,986.1	(106,274.3)	2,269.3
Attributable to:					
Equity holders of the Company	**1,766.2**	(27,587.1)	378.5	(102,903.0)	1,424.4
Holders of perpetual capital instruments	**76.1**	531.1	1,219.2	811.3	869.4
Non-controlling interests	**(1,630.2)**	(736.1)	388.4	(4,182.6)	(24.5)

5. Financial Summary

	2023	2022 (Restated)	2021 (Restated)	2020	2019
	As at December 31, (in millions of RMB)				
Assets					
Cash and balances with central bank	**112.1**	23.2	23,956.5	22,808.4	30,774.7
Deposits with financial institutions	**74,863.1**	97,578.2	146,698.3	123,875.0	149,462.0
Placements with financial institutions	**—**	1,300.2	19,685.8	5,740.8	2,709.9
Financial assets at fair value through profit or loss ("FVTPL")	**317,516.0**	309,455.9	351,047.7	359,440.0	367,669.9
Financial assets held under resale agreements	**766.2**	706.7	11,044.3	15,224.6	22,525.9
Contract assets	**5,486.2**	5,530.1	5,735.6	5,307.0	—
Loans and advances to customers	**10.4**	38.5	247,164.0	232,500.2	211,265.1
Finance lease receivables	**9,356.7**	14,528.3	23,554.1	39,796.7	68,040.3
Debt instruments at FVTOCI	**19,682.5**	25,318.4	57,203.6	83,106.8	103,739.3
Equity instruments at FVTOCI	**1,700.2**	2,038.6	3,139.6	4,493.9	3,583.7
Inventories	**23,005.0**	23,051.9	20,854.1	20,112.4	19,147.4
Debt instruments at amortised cost	**391,323.2**	415,352.7	580,799.4	656,048.6	642,086.0
Interests in associates and joint ventures	**74,336.8**	9,572.8	10,514.8	14,358.0	28,078.9
Investment properties	**9,570.1**	10,159.6	9,696.0	4,001.0	5,910.9
Property and equipment	**6,419.1**	7,138.6	9,565.7	12,717.3	12,325.0
Right-of-use assets	**901.7**	1,098.7	3,502.1	2,447.2	3,569.6
Deferred tax assets	**15,693.9**	15,363.6	15,109.4	14,423.9	12,193.8
Goodwill	**18.2**	18.2	323.0	323.0	18.1
Assets held for sale	**—**	—	7,301.6	—	—
Other assets	**17,341.8**	19,529.7	23,809.4	24,742.2	21,911.9
Total assets	**968,103.2**	957,803.9	1,570,705.0	1,641,467.0	1,705,012.4

	As at December 31,				
	2023	2022 (Restated)	2021 (Restated)	2020	2019
	(in millions of RMB)				
Liabilities					
Borrowings from central bank	—	—	23,147.6	23,182.8	3,641.7
Deposits from financial institutions	—	—	13,656.3	8,924.1	10,276.7
Placements from financial institutions	10,375.9	6,215.8	4,784.2	4,679.3	2,253.6
Financial assets sold under repurchase agreements	6,364.9	6,744.8	30,866.2	15,547.4	15,665.4
Borrowings	665,305.3	629,496.0	747,625.5	778,423.8	761,506.4
Financial liabilities at FVTPL	54.0	768.1	683.7	3,301.5	3,223.9
Due to customers	—	—	257,208.9	250,827.2	226,814.7
Tax payable	451.0	2,695.1	1,388.6	1,283.9	2,887.4
Contract liabilities	834.0	720.4	401.2	649.1	575.1
Lease liabilities	501.0	683.3	2,049.5	919.8	1,983.3
Deferred tax liabilities	1,197.7	1,009.1	449.8	408.8	478.5
Bonds and notes issued	179,390.8	189,859.8	271,065.2	336,971.8	367,345.6
Liabilities directly associated with the assets held for sale	—	—	1,740.3	—	—
Other liabilities	55,591.8	68,867.6	109,478.6	152,090.6	144,883.6
Total liabilities	920,066.4	907,060.0	1,464,545.6	1,577,210.1	1,541,535.9
Equity					
Share capital	80,246.7	80,246.7	80,246.7	39,070.2	39,070.2
Other equity instruments	19,900.0	19,900.0	—	—	—
Capital reserve	16,031.2	16,414.3	16,431.8	17,241.5	18,405.0
Surplus reserve	8,564.2	8,564.2	8,564.2	8,564.2	8,564.2
General reserve	13,002.5	13,002.5	17,888.6	17,842.1	16,681.3
Other reserves	(1,751.9)	125.4	4,769.1	3,413.2	1,806.9
(Accumulated losses)/retained earnings	(87,997.3)	(88,899.8)	(66,406.2)	(67,976.5)	36,731.2
Equity attributable to equity holders of the Company	47,995.4	49,353.3	61,494.2	18,154.7	121,258.8
Perpetual capital instruments	1,753.4	1,752.6	22,377.9	25,475.9	18,430.6
Non-controlling interests	(1,712.0)	(362.0)	22,287.3	20,626.3	23,787.1
Total equity	48,036.8	50,743.9	106,159.4	64,256.9	163,476.5
Total equity and liabilities	968,103.2	957,803.9	1,570,705.0	1,641,467.0	1,705,012.4

5. Financial Summary

	As at and for the year ended December 31,				
	2023	2022 (Restated)	2021	2020	2019
Financial Ratios					
ROAE[(1)]	**3.6%**	(49.8%)	1.0%	(147.6%)	1.2%
ROAA[(2)]	**0.02%**	(2.2%)	0.1%	(6.4%)	0.1%
Liabilities to total assets ratio[(3)]	**95.0%**	94.7%	93.4%	96.1%	90.4%
Basic earnings/(loss) per share (RMB)[(4)]	**0.02**	(0.34)	0.01	(2.63)	0.04
Diluted earnings/(loss) per share (RMB)[(5)]	**0.02**	(0.34)	0.01	(2.63)	0.04

(1) Represents the percentage of the profit/(loss) attributable to equity holders of the Company for the period in the average balance of equity attributable to equity holders of the Company as at the beginning and the end of the period.

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

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

(4) Represents the profit/(loss) attributable to equity holders of the Company for the period divided by the weighted average number of outstanding shares.

(5) Represents the earnings/(loss) per share based on the basic earnings/(loss) per share adjusted according to the dilutive potential ordinary shares.

6. Chairman's Statement

2023 was the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China (CPC), and it was also a pivotal year for CITIC Financial AMC to fulfill its "One-Three-Five" strategic objectives. With the support and assistance of the superior authorities, shareholders, and people from all walks of life, and under the strong leadership of the CITIC Group's Party committee, CITIC Financial AMC, with its unwavering strategic determination and fearless spirit of perseverance, adhered to the leading role of Party building and its two-pronged strategy of reform and risk resolution, made full efforts to turn around the operating results from losses to gains, accomplished the goal of "wrenching us back on the right track in one year", and transformed the impossible into the possible through hard work, thus the Company's development has been riding on a steady and growing momentum.

Forging ahead is like sailing against the current. We must adhere to our original aspirations and work relentlessly in order to reach the shores of victory. Throughout the year, we stood in solidarity with the nation through thick and thin and forged ahead with 220,000 CITIC people hand-in-hand, adhering to our original aspirations of "implementing national strategies, serving the real economy, and defusing financial risks". Aimed at the strategic goal of "wrenching us back on the right track in one year, significantly improving quality and efficiency in three years, and becoming an industry benchmark in five years", we promoted a significant improvement in operating results in accordance with the ideology of "consolidating foundation, seeking progress while maintaining stability, and improving quality and efficiency". In 2023, the Company achieved a net profit attributable to shareholders of RMB1,766 million despite the recognition of impairment losses on assets and losses from fair value changes totaling RMB41 billion. Throughout the year, the Company recorded a revenue of RMB75.80 billion, representing an increase of 105% as compared with the previous year. The Company achieved remarkable results in risk management and control, showing a continuous improvement in asset quality. The Company was officially renamed China CITIC Financial Asset Management Co., Ltd., which marks a significant scheduled milestone in our reform and risk mitigation and the start of our new journey of high-quality development with a brand new image.

Transformation is like climbing over mountains and ridges. Only through persistence and continuous progress can we turn challenges into opportunities. In the year, with national interests in mind, we gave full play to the role of a financial asset management company in providing counter-cyclical support, effectively serving the real economy, and preventing and mitigating risks. We remained steadfast in focusing on our core business, with a percentage of 76.1% in the assets and 88.4% in the revenue from the distressed asset management segment, representing an increase of 0.4 percentage point and 2.4 percentage points as compared with the previous year, respectively. The Company enhanced efforts for mitigating financial risks, maintained industry-leading levels in the market share of distressed assets acquisitions, and acquired RMB47.923 billion of distressed debts of small and medium-sized financial institutions, representing a year-on-year increase of 75.11%. The Company supported the reform of central enterprises and state-owned enterprises and the revitalization of existing assets. Serving the initiatives of "ensuring that overdue housing projects were completed and delivered to guarantee people's basic living needs and stability", we have undertaken 47 bail-out projects for real estate companies since joining CITIC Group, through which about 45,000 commercial apartments were expected to be delivered in time. In collaboration with fellow companies like China CITIC Bank, CITIC Trust, CITIC Urban Development & Operation, and CITIC Pacific Properties, we created the CITIC model characterized by the "industry-financing synergy for alleviating difficulties and mitigating risks". Contributing to the social stability, the Company assisted in the bankruptcy restructuring of enterprises with market-oriented means, facilitating the resumption of work and production of nearly RMB60 billion worth of existing projects for financial institutions.

Reform is like farming. Only with meticulous care and irrigation after plowing and sowing can we reap fruitful harvests. Over the past year, we leveraged reform to create a promising blueprint while rising to difficulties and challenges with enterprise. We harnessed the collaboration between planning at the top level with innovation at the grassroots level, promoted the differentiated development of each region, and improved refined management. Fully integrating into the operation and management system of CITIC, we introduced advanced management concepts and continued to improve the systems and mechanisms. We advanced the implementation of ten key initiatives for reform in areas including decision-making mechanism, organizational structure, personnel selection and employment, market-based incentives, operation and management, authorization management, comprehensive risk management, review and approval, post-investment management and digital transformation, and our reform philosophy took root in people's minds thus revving up the organizational vitality. With a bunch of talents standing out, we further cultivated our corporate culture of "being faithful, responsible, pragmatic, and dedicated" and gathered the positive energy of entrepreneurial spirit from our people.

In the past year, we thoroughly studied the guiding principles of the central financial work conference and gained a deeper understanding of the situation and tasks faced by the financial industry in our country; we actively developed and innovated the distressed-asset-based core business, launched a number of projects with market influence, and greatly enhanced our ability and confidence to serve "the needs of the country" with "the capabilities of the Company"; we took multiple measures to lay a solid foundation for development, fully stimulated our motivation and potential for development, and became more confident and determined to realize the "One-Three-Five" strategy.

We are pulling on the oars on the right route and navigate through waves to achieve new objectives. 2024 marks the 75th anniversary of the founding of the People's Republic of China, the 45th anniversary of the founding of CITIC Group, and the first year of CITIC Financial AMC. The future of the distressed assets industry is still a blue ocean. CITIC Financial AMC will firmly grasp the period of strategic opportunity, take advantage of the situation to move forward, unswervingly anchor on the "One-Three-Five" strategy, follow the general principle of the work of "seeking progress while maintaining stability, promoting stability by making progress, and building the new before discarding the old", and comprehensively launch a new journey of "significantly improving quality and efficiency in three years", and endeavor to realize the "two-year, three-step strategy", i.e. to strive for significant achievements in the transformation of the main business in the first half of 2024, to fully embark on the road to healthy and sustainable development by the end of 2024, and to fully achieve "significantly improving quality and efficiency in three years" by the end of 2025, and at the same time, we will advance towards "becoming a benchmark in the industry in five years". We will accelerate reform and transformation, focus on improving quality and efficiency, and enhance the "four major business capabilities" of acquisition and disposal, M&A and restructuring, equity investment, and special bonds investment. We will actively and steadily push forward the resolution of risks in the real estate sector, local debts, and small and medium-sized financial institutions, and intensify our efforts in developing innovative businesses such as central and state-owned enterprise reform, defaulted bond acquisition, relief of problematic organizations, and bankruptcy restructuring. We will strengthen the empowerment of CITIC's brand, promote the Group's synergy in improving quality and expanding coverage, create a "trustworthy, professional, and esteemed" brand image, become CITIC's beautiful business card in the field of non-performing assets, create greater returns for shareholders and investors, help CITIC Group build into a world-class enterprise, and contribute more to building a country strong on finance.

Chairman: **Liu Zhengjun**
March 28, 2024

7. President's Statement

2023 is a year of significance for the reform and development history of CITIC Financial AMC. Under the strong leadership of the CITIC Group's Party committee, taking the inspection and rectification as an opportunity, we bolstered Party building, clarified our strategic objectives, facilitated transformation, optimized mechanisms, and promoted reform, in accordance with the ideology of "consolidating foundation, seeking progress while maintaining stability, and improving quality and efficiency". No matter how difficult a task was, we would finish it if it served our purposes, and we have come to a turning point in our performance after all these painstaking efforts. In 2023, our business continued to thrive. Our total income was twice that of the previous year; our net profit attributable to equity holders of the Company amounted to RMB1.766 billion, which means we have successfully turned losses into gains. Meanwhile, the year witnessed a consistently optimized asset structure and a significant improvement in asset quality. With all these achievements, we reached the established goal of "wrenching us back on the right track in one year" as scheduled.

Throughout the year, we remained steadfast in focusing on our core business with national interests in mind. We gave full play to our role in providing counter-cyclical adjustments, thus demonstrating our commitment to carrying out our mission. To further follow the leadership of the Party and serve the people's interests in our financial work, we accelerated the pace of transforming our core business and delivered our utmost to meet the nation's needs. We gave full play to the role of "stabilizer" in finance by supporting the reform and risk resolution undertaken by small and medium-sized financial institutions, with the size of our distressed asset acquisitions experiencing a significant year-on-year increase, hence a contribution to the maintenance of stable operation and healthy development of the financial market. Furthermore, leveraging the synergy among CITIC Group, we explored developing featured bail-out models for the real estate industry to help a bunch of real estate enterprises resolve their risks, thus "ensuring that overdue housing projects were completed and delivered to guarantee people's basic living needs and stability". We acted on the decisions and plans of the Party Central Committee by participating in the risk prevention and resolution of local governments' debts through existing assets vitalization, overdue bond acquisition, and other methods. Besides, we seized market opportunities to adjust and optimize our asset structure, which has consolidated the base for long-term development.

Throughout this year, we have been dedicated to enhancing quality, steadfastly placing equal emphasis on risk management and control, and diligently building up our risk management capabilities, thus consolidating a solid foundation for safe development. Adhering to a strategy of maximizing returns from existing assets, we have implemented targeted measures under the "Five Batches" approach, engaging in a concerted effort to tackle risks head-on, resulting in substantial progress or ultimate resolution of several significant risk projects. We have deepened the comprehensive risk management framework, taking pragmatic measures to fortify our three lines of defense, elevating the quality of business reviews, strengthening compliance, and implementing centralized internal audit management, progressively enhancing the effectiveness of risk management. Strengthening liquidity management, we optimized the debt maturity structure through bond issues, medium and long-term borrowings, and other instruments, improved the refined management of reserve funds, with our net interest expenses decreased year-on-year, steadfastly safeguarding our liquidity risk threshold.

7. President's Statement

Throughout the year, we remained solution-oriented, delved deeper into reform and innovation, and fully harnessed our internal drive and vigor, thus raising our pioneering spirit. We refined our operational management mechanisms, achieving efficiency gains by tapping into potential. We propelled organizational reform, completing asset restructuring, cadre adjustments, and staff deployments, streamlining our structure and enhancing operational efficiency. Advancing market-oriented reforms, we optimized assessment methods and judiciously expanded salary differentials, which ignited a surge of entrepreneurial zeal. Emphasizing technological empowerment, we actively advanced core system development, steadily elevating our digital management capabilities. We championed the ethos of "loyalty, accountability, pragmatism, and dedication" of the corporate culture, rejuvenating the face of our workforce.

Our hard-earned accomplishments have been chronicled in the Company's history. In January 2024, the Company was officially renamed China CITIC Financial Asset Management Co., Ltd., embarking on a new stage and a new journey of reform and development in all respects with a brand new image. **Like a dream chaser, we always take lively but determined steps; like a mountain climber, we always aim high and far.** Looking ahead to 2024, we will remain guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, starting anew with our original aspirations in mind. Striving to break new ground and riding the momentum of what we have achieved, we will enter a new chapter of our story of "significantly improving quality and efficiency in three years". We will endeavor to become a benchmark for reform and risk mitigation, serve the real economy and ensure financial security with real work, and become an outstanding ambassador for CITIC Group Corporation in distressed assets business. Further, we will create even greater value for our shareholders with remarkable achievements; we will make a greater contribution to building China into a financial powerhouse; we will give more impetus to Chinese modernization and the great rejuvenation of the Chinese nation.

President: **Li Zimin**
March 28, 2024

8. Management Discussion and Analysis

8.1 Economic, Financial and Supervising Environment

In 2023, as the international environment became increasingly complex and severe with the rise of geopolitical conflicts, the world's economic recovery was weak in general. According to the International Monetary Fund, the global economic growth was expected to decrease from 3.5% in 2022 to 3.1% in 2023. Despite these extremely complex international circumstances and the arduous tasks of reform, development and stability, China adhered to the general keynote of seeking progress in a stable manner, withstood external pressures and overcame internal difficulties, fully promoted the economic recovery and development, and successfully completed the major expected goals of economic and social development with a steady start and various highlights. In 2023, the GDP reached RMB126.06 trillion throughout the year, representing a year-on-year increase of 5.2%, the growth rate was among the highest in the world's major economies.

In 2023, the Central Financial Work Conference and the Central Economic Work Conference determined the direction and goals, showing the way forward and providing a fundamental guideline for the promotion of economic and financial work in the new era. China's financial industry continued to advance high-quality development, strongly supported the overall economic and social development, and resolutely made efforts to prevent and resolve major risks, and stuck to the coordination of financial opening up and security. The People's Bank of China maintained a stable, targeted and effective monetary policy and strengthened counter-cycle adjustments as appropriate to effectively control financial risks and continuously deepen financial reforms. NFRA adhered to goal-oriented and problem-oriented approaches, firmly held the bottom line of preventing systemic financial risks, and supported financial institutions in preventing and resolving risks in key areas. The financial asset management companies deeply understood the political nature and the people-centered nature of financial work, focused on their main responsibilities and main business of distressed assets. They significantly increased their service in resolving risks in key areas, and deeply fulfilled their responsibilities and actions in supporting China's economic and social development.

In 2023, the regulatory authorities continued to support the AMCs to focus on the main responsibility and core business, and played an active role in preventing and mitigating financial risks and serving the real economy. In terms of the mitigation of real estate risks, the PBOC and the NFRA issued the Notice of Issuing Refinancing Loans to National Financial Asset Management Companies to Support the Relief of Real Estate Difficulties (《關於向全國性金融資產管理公司發放再貸款支持房地產紓困的通知》) and the Notice of Extending the Policy Term of Financial Support for the Stable and Healthy Development of the Real Estate Market (《關於延長金融支持房地產市場平穩健康發展有關政策期限的通知》), to provide low-cost capital to financial asset management companies, support the merger and acquisition of existing real estate projects of troubled real estate enterprises and extend the term of application of "16 points in relation to finance (金融16條)". In terms of the mitigation of local government debt risks, the central and financial regulatory authorities have respectively clarified to effectively prevent and mitigate local debt risks, and formulate and implement a package of debt mitigation plans; to make overall plans and coordinate the financial support for the mitigation work of local debt risks, financial institutions and financing platforms to carry out equal negotiation, through the period extension, borrowing for repayment, swaps and other methods, reasonably reducing the cost of debt and optimizing the term structure. In terms of the risk handling of small and medium-sized financial institutions, the State Council issued the Implementation Opinions on Promoting the High-Quality Development of Inclusive Finance (《關於推進普惠金融高質量發展的實施意見》), requiring the acceleration of the reform and risk mitigation of small and medium-sized banks, and the formulation of reform and risk mitigation plans with each province as a unit. The NFRA has required that the reform and risk mitigation work of small and medium-sized financial institutions shall be promoted in accordance with the principles of secure, organized and precise implementation of measures, and addressing problems on both symptoms and root causes.

8.2 Analysis of Financial Statements

8.2.1 Change in Accounting Policy

The Group has changed the accounting policy for investment properties from the cost model to the fair value model in 2023. Adopting the fair value model will enable the financial statements to provide more reliable and more relevant information. The change in accounting policy has been adjusted retrospectively, and the comparative figures for comparable periods have been restated. Details are set out in "18. Audit Report and Financial Statements — III. Material Accounting Policies — 27. Changes in Accounting Policy".

8.2.2 Operating Results of the Group

In 2023, by focusing on the ideology of "consolidating the foundation, seeking progress while maintaining stability, and improving quality and efficiency", the Group completed the goal of investment and risk mitigation, achieved the turnaround from loss to profit in operating results, and successfully completed the set target of "leading itself back on the right track in one year" by swinging into full gear from the very beginning. The Group's total income from continuing operations of the year amounted to RMB75.80 billion, representing an increase of 105.2% as compared with the previous year. The net profit attributable to equity holders of the Company amounted to RMB1.766 billion. Main reasons for the turnaround from loss to profit in the operating results were as follows: firstly, deepening of business synergy, proactive efforts in market expansion, and strengthening of asset management, coupled with a year-on-year increase in gains and losses from changes in fair value of equity assets due to improving trend in the capital market as compared to a year ago, contributed positively to the Company's profit for the year; secondly, actively conducting market-oriented DES business and special situations investment business to improve asset structure and optimize asset allocation; thirdly, the impact of economic environment and industry as a whole resulted in the Group recognizing asset impairment losses and losses on change of fair value[1] of RMB41.0 billion in order to further consolidate assets, laying the foundation for sustainable and healthy development in the future.

1 The gain or loss from the unrealized fair value changes of the listed shares was excluded.

8. Management Discussion and Analysis

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Continuing operations				
Income from distressed debt assets	**17,248.2**	22,779.1	(5,530.9)	(24.3%)
Fair value changes on distressed debt assets	**(893.1)**	5,709.8	(6,602.9)	(115.6%)
Fair value changes on other financial assets and liabilities	**(2,494.5)**	(11,158.2)	8,663.7	77.6%
Interest income	**13,128.0**	11,225.4	1,902.6	16.9%
Finance lease income	**682.7**	1,056.3	(373.6)	(35.4%)
Gains from derecognition of financial assets measured at amortised cost	**700.4**	16.1	684.3	4,250.3%
Gains/(losses) from derecognition of debt instruments at FVTOCI	**153.8**	(591.4)	745.2	126.0%
Commission and fee income	**198.5**	233.5	(35.0)	(15.0%)
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures	**7.2**	589.0	(581.8)	(98.8%)
Dividend income	**882.8**	914.3	(31.5)	(3.4%)
Other income and other net gains or losses	**46,186.1**	6,159.3	40,026.8	649.9%
Total income	**75,800.1**	36,933.2	38,866.9	105.2%
Interest expense	**(34,532.3)**	(37,064.5)	2,532.2	(6.8%)
Commission and fee expense	**(554.2)**	(593.8)	39.6	(6.7%)
Operating expenses	**(6,221.4)**	(6,578.2)	356.8	(5.4%)
Impairment losses under ECL model	**(33,025.8)**	(29,381.0)	(3,644.8)	12.4%
Impairment losses on other assets	**(996.0)**	(1,184.4)	188.4	(15.9%)
Total expenses	**(75,329.7)**	(74,801.9)	(527.8)	0.7%
Change in net assets attributable to other holders of consolidated structured entities	**(1.9)**	352.9	(354.8)	(100.5%)
Share of results of associates and joint ventures	**603.0**	329.9	273.1	82.8%
Profit/(loss) before tax from continuing operations	**1,071.5**	(37,185.9)	38,257.4	102.9%
Income tax (expense)/credit	**(859.4)**	3,798.6	(4,658.0)	(122.6%)
Profit/(loss) for the year from continuing operations	**212.1**	(33,387.3)	33,599.4	100.6%
Discontinued operations				
Profit after tax for the year from discontinued operations	**—**	5,595.2	(5,595.2)	(100.0%)
Profit/(loss) for the year	**212.1**	(27,792.1)	28,004.2	100.8%
Attributable to:				
Equity holders of the Company	**1,766.2**	(27,587.1)	29,353.3	106.4%
Holders of perpetual capital instruments	**76.1**	531.1	(455.0)	(85.7%)
Non-controlling interests	**(1,630.2)**	(736.1)	(894.1)	(121.5%)

8.2.2.1 Total income from continuing operations

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

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Income from distressed debt assets	**17,248.2**	22,779.1	(5,530.9)	(24.3%)
Fair value changes on distressed debt assets	**(893.1)**	5,709.8	(6,602.9)	(115.6%)
Fair value changes on other financial assets and liabilities	**(2,494.5)**	(11,158.2)	8,663.7	77.6%
Interest income	**13,128.0**	11,225.4	1,902.6	16.9%
Finance lease income	**682.7**	1,056.3	(373.6)	(35.4%)
Gains from derecognition of financial assets measured at amortised cost	**700.4**	16.1	684.3	4,250.3%
Gains/(losses) from derecognition of debt instruments at FVTOCI	**153.8**	(591.4)	745.2	126.0%
Commission and fee income	**198.5**	233.5	(35.0)	(15.0%)
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures	**7.2**	589.0	(581.8)	(98.8%)
Dividend income	**882.8**	914.3	(31.5)	(3.4%)
Other income and other net gains or losses	**46,186.1**	6,159.3	40,026.8	649.9%
Total income	**75,800.1**	36,933.2	38,866.9	105.2%

In 2023, the Group's total income from continuing operations was RMB75,800.1 million, representing an increase of 105.2% as compared with the previous year.

8.2.2.1.1 Income from distressed debt assets

Income from distressed debt assets derives from the acquisition-and-restructuring business of the Group. In 2023, the Group insisted on simultaneously focusing on prevention and resolution, and stepped up efforts to resolve high-quality risks, and income from distressed debt assets achieved RMB17,248.2 million.

8.2.2.1.2 Fair value changes on distressed debt assets

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Fair value changes on distressed debt assets				
Acquisition-and-disposal				
— realized	**4,012.4**	6,880.0	(2,867.6)	(41.7%)
— unrealized	**(4,997.8)**	(1,240.6)	(3,757.2)	(302.9%)
Acquisition-and-restructuring				
— realized	**90.2**	64.9	25.3	39.0%
— unrealized	**2.1**	5.5	(3.4)	(61.8%)
Total	**(893.1)**	5,709.8	(6,602.9)	(115.6%)

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

In 2023, the Group actively participated in the competition in the distressed assets market, enhanced marketing, and continued to maintain our market-leading position in terms of the acquisition scale. Meanwhile, the Group made efforts to promote and dispose of assets, and the realized disposal net income of the acquisition-and-disposal business was RMB4,012.4 million throughout the year.

As at December 31, 2023, the total amount of acquisition-and-disposal distressed debt assets was RMB180,620.8 million, representing an increase of 1.0% as compared with the end of the previous year.

Some acquisition-and-restructuring businesses conducted by the Group were classified as financial assets at FVTPL due to failure to pass the contractual cash flow test. As at December 31, 2023, the gross amount of those acquisition-and-restructuring assets was RMB640.6 million, and the realized fair value changes were RMB90.2 million throughout the year.

8.2.2.1.3 Fair value changes on other financial assets and liabilities

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

	For the year ended December 31,			
	2023	**2022**	**Change**	**Change in percentage**
	(in millions of RMB, except for percentages)			
Fair value changes on other financial assets and liabilities				
Listed and unlisted shares and funds				
— realized	**924.0**	(721.4)	1,645.4	228.1%
— unrealized	**(1,000.0)**	(8,158.8)	7,158.8	87.7%
Others[1]	**(2,418.5)**	(2,278.0)	(140.5)	(6.2%)
Total	**(2,494.5)**	(11,158.2)	8,663.7	77.6%

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

Fair value changes on other financial assets and liabilities derive from the financial assets and financial liabilities at FVTPL, excluding that from the acquisition-and-disposal business. The fair value changes comprise both realized gains or losses from disposal and settlement of other financial assets and liabilities and unrealized fair value changes on such assets and liabilities. Any interest income arising from such assets is also included in fair value changes.

In 2023, the Group deepened the business synergy, actively expanded the market and strengthened the asset management. Coupling with the improvement in the capital market trends as compared with the previous year, the realized fair value changes on listed and unlisted shares and funds were RMB924.0 million, representing an increase of RMB1,645.4 million as compared with the previous year, and the unrealized fair value changes were RMB-1,000.0 million, representing an increase of RMB7,158.8 million as compared with the previous year.

8.2.2.1.4 Interest income

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Debt instruments at amortised cost other than distressed debt assets	**6,133.6**	5,263.7	869.9	16.5%
Receivables arising from sales and leaseback arrangements	**4,291.5**	3,860.6	430.9	11.2%
Deposits with financial institutions	**2,234.8**	1,767.1	467.7	26.5%
Debt instruments at FVTOCI other than distressed debt assets	**318.0**	190.5	127.5	66.9%
Others	**150.1**	143.5	6.6	4.6%
Total	**13,128.0**	11,225.4	1,902.6	16.9%

Interest income derives from the Group's debt investments, which is measured at amortised cost and FVTOCI, excluding that from the acquisition-and-restructuring businesses of the Group. In 2023, the Group focused on the transformation of its main business and made continuous efforts in key business areas such as state-owned enterprise reform, bankruptcy and reorganization, judicial auctions, defaulted bond acquisitions, and bailout of real enterprises, and achieved the interest income from related debt instruments[2] of RMB13,128.0 million, representing an increase of 16.9% as compared with the previous year. As at December 31, 2023, the balance of related debt instruments was RMB303,427.3 million, representing an increase of 9.2% as compared with the end of the previous year.

The interest income of receivables arising from sales and leaseback arrangements mainly derives from Financial Leasing. In 2023, the Group's interest income of receivables arising from sales and leaseback arrangements was RMB4,291.5 million, representing an increase of 11.2% as compared with the previous year. As at December 31, 2023, receivables arising from sales and leaseback arrangements presented in debt instruments at amortised cost was RMB93,027.1 million, representing an increase of 23.9% as compared with the end of the previous year.

2 Related debt instruments include debt instruments at amortised cost other than distressed debt assets and the debt instruments at FVTOCI other than distressed debt assets.

8.2.2.1.5 Finance lease income

The finance lease income mainly derives from Financial Leasing. After the adoption of the New Lease Standards in 2019, interest income of receivables arising from sales and leaseback arrangements is presented in interest income. In 2023, Financial Leasing achieved a total of finance lease income and interest income of receivables arising from sales and leaseback arrangements of RMB4,920.3 million, representing an increase of 0.7% as compared with the previous year. As at December 31, 2023, the total amount of finance lease receivables and receivables arising from sales and leaseback arrangements was RMB104,515.0 million, representing an increase of 14.4% as compared with the end of the previous year.

8.2.2.1.6 Other income and other net gains or losses

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

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Income from investment in associates	41,475.7	495.2	40,980.5	8,275.5%
Gains from redemption of bonds issued	2,240.0	595.3	1,644.7	276.3%
Net gains on exchange differences	965.3	2,700.0	(1,734.7)	(64.2%)
Income arising from operating leases	808.9	878.8	(69.9)	(8.0%)
Revenue from properties development	491.3	187.4	303.9	162.2%
Others	204.9	1,302.6	(1,097.7)	(84.3%)
Total	46,186.1	6,159.3	40,026.8	649.9%

In 2023, the Group's other income and other net gains or losses amounted to RMB46,186.1 million, mainly due to the income from investment in associates.

8.2.2.2 Total expenses of continuing operations

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

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interest expense	(34,532.3)	(37,064.5)	2,532.2	(6.8%)
Commission and fee expense	(554.2)	(593.8)	39.6	(6.7%)
Operating expenses	(6,221.4)	(6,578.2)	356.8	(5.4%)
Impairment losses under ECL model	(33,025.8)	(29,381.0)	(3,644.8)	12.4%
Impairment losses on other assets	(996.0)	(1,184.4)	188.4	(15.9%)
Total expenses	(75,329.7)	(74,801.9)	(527.8)	0.7%

In 2023, the total expenses of continuing operations of the Group amounted to RMB75,329.7 million, representing an increase of 0.7% as compared with the previous year.

8.2.2.2.1 Interest expense

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Borrowings	(26,300.5)	(28,445.4)	2,144.9	(7.5%)
Bonds and notes issued	(8,022.7)	(8,436.8)	414.1	(4.9%)
Financial assets sold under repurchase agreements	(106.9)	(85.8)	(21.1)	24.6%
Placements from financial institutions	(63.5)	(49.6)	(13.9)	28.0%
Lease liabilities	(29.9)	(29.7)	(0.2)	0.7%
Other liabilities	(8.8)	(17.2)	8.4	(48.8%)
Total	(34,532.3)	(37,064.5)	2,532.2	(6.8%)

In 2023, the Group further optimized its financing structure, and the interest expense of the Group amounted to RMB34,532.3 million, representing a decrease of 6.8% as compared with the previous year.

8.2.2.2.2 Operating expenses

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

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Wages or salaries, bonuses, allowances and subsidies	**(1,833.7)**	(1,875.2)	41.5	(2.2%)
Defined contribution plans	**(294.0)**	(269.8)	(24.2)	9.0%
Housing fund and social insurance	**(237.1)**	(238.9)	1.8	(0.8%)
Other staff expenses[(1)]	**(271.6)**	(284.6)	13.0	(4.6%)
Tax and surcharges	**(464.0)**	(507.3)	43.3	(8.5%)
Others	**(3,121.0)**	(3,402.4)	281.4	(8.3%)
Including:				
Depreciation of property and equipment	**(503.1)**	(595.9)	92.8	(15.6%)
Cost of properties development and sales	**(497.7)**	(192.9)	(304.8)	158.0%
Depreciation of right-of-use assets	**(115.9)**	(281.9)	166.0	(58.9%)
Management fee for leases	**(68.2)**	(74.4)	6.2	(8.3%)
Amortisation	**(49.3)**	(45.7)	(3.6)	7.9%
Rental for short-term leases	**(22.5)**	(33.5)	11.0	(32.8%)
Total	**(6,221.4)**	(6,578.2)	356.8	(5.4%)

(1) Other staff expenses include labour union fees and staff education expenses, etc.

In 2023, the operating expenses from continuing operations of the Group amounted to RMB6,221.4 million, representing a decrease of 5.4% as compared with the previous year.

The wages or salaries, bonuses, allowances and subsidies from continuing operations and discontinued operations of the Group decreased by 24.7% to RMB1,833.7 million in 2023 from RMB2,436.7 million in 2022.

8.2.2.2.3 Impairment losses under ECL model

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Debt instruments at amortised cost	**(28,165.1)**	(24,439.1)	(3,726.0)	15.2%
Debt instruments at FVTOCI	**(3,474.2)**	(2,937.9)	(536.3)	18.3%
Financial lease receivables	**(676.6)**	(914.7)	238.1	(26.0%)
Other financial assets	**(709.9)**	(1,089.3)	379.4	(34.8%)
Total	**(33,025.8)**	(29,381.0)	(3,644.8)	12.4%

In 2023, the Group recognised impairment losses under ECL model for debt instruments at amortised cost and at FVTOCI and other financial assets of RMB33,025.8 million, representing an increase of 12.4% as compared with the previous year, based on macro economic environment, industry and other external situation as well as project risk profile.

8.2.2.2.4 Impairment losses on other assets

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

	For the year ended December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interests in associates and joint ventures	**(702.8)**	(435.7)	(267.1)	61.3%
Inventories	**(220.7)**	(43.0)	(177.7)	413.3%
Foreclosed assets	**(49.1)**	(160.8)	111.7	(69.5%)
Property and equipment	**(11.3)**	(53.7)	42.4	(79.0%)
Goodwill	**—**	(286.7)	286.7	(100.0%)
Others	**(12.1)**	(204.5)	192.4	(94.1%)
Total	**(996.0)**	(1,184.4)	188.4	(15.9%)

In 2023, the impairment loss on other assets of the Group amounted to RMB996.0 million, representing a decrease of 15.9% as compared with the previous year.

8.2.2.3 Income tax expense

8.2.2.3.1 Income tax expense from continuing operations

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

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Current income tax				
PRC enterprise income tax	**(454.0)**	(69.9)	(384.1)	549.5%
PRC land appreciation tax ("LAT")	**(11.8)**	(32.7)	20.9	(63.9%)
Profits tax of Hong Kong SAR and Macau SAR	**(38.5)**	(34.3)	(4.2)	12.2%
(Under-provisions)/over-provisions in prior years	**(413.5)**	148.2	(561.7)	(379.0%)
Deferred income tax	**58.4**	3,787.3	(3,728.9)	(98.5%)
Total	**(859.4)**	3,798.6	(4,658.0)	(122.6%)

In 2023, the income tax expense of the Group amounted to RMB859.4 million.

8.2.2.4 Segment operating results

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

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

(2) financial services segment: mainly includes financial leasing business;

(3) asset management and investment segment: mainly includes international business and other business.

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

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**66,955.3**	31,768.9	35,186.4	110.8%
Financial services segment	**5,850.5**	7,557.4	(1,706.9)	(22.6%)
Asset management and investment segment	**5,192.2**	378.4	4,813.8	1,272.1%
Inter-segment elimination	**(2,197.9)**	(2,771.5)	573.6	(20.7%)
Total	**75,800.1**	36,933.2	38,866.9	105.2%

The table below sets forth the profit before tax from of each of the Group's continuing operations segments for the years indicated.

	For the year ended December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**14,408.6**	(21,585.6)	35,994.2	166.8%
Financial services segment	**132.3**	1,617.1	(1,484.8)	(91.8%)
Asset management and investment segment	**(12,800.0)**	(16,574.5)	3,774.5	22.8%
Inter-segment elimination	**(669.4)**	(642.9)	(26.5)	4.1%
Total	**1,071.5**	(37,185.9)	38,257.4	102.9%

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

	As at December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**724,395.7**	713,194.5	11,201.2	1.6%
Financial services segment	**116,429.7**	107,271.4	9,158.3	8.5%
Asset management and investment segment	**178,005.2**	212,628.4	(34,623.2)	(16.3%)
Inter-segment elimination	**(66,421.3)**	(90,653.9)	24,232.6	(26.7%)
Total	**952,409.3**	942,440.4	9,968.9	1.1%

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

8. Management Discussion and Analysis

The distressed asset management segment is the main income and profit source of the Group. In 2023, the total income from this segment was RMB66,955.3 million, representing an increase of 110.8% as compared with the previous year and accounting for 88.4%; the profit before tax from this segment was RMB14,408.6 million. As at December 31, 2023, the total assets of this segment were RMB724,395.7 million, representing an increase of 1.6% as compared with the end of the previous year and accounting for 76.1%.

The financial service segment mainly consists of Financial Leasing. In 2023, the total income from this segment was RMB5,850.5 million, representing a decrease of 22.6% as compared with the previous year; the profit before tax from this segment was RMB132.3 million, representing a decrease of 91.8% as compared with the previous year. As at December 31, 2023, the total assets of this segment were RMB116,429.7 million, representing an increase of 8.5% as compared with the end of the previous year.

The profit before tax of asset management and investment business increased. In 2023, the total income from this segment was RMB5,192.2 million, representing an increase of 1,272.1% as compared with the previous year; the loss before tax from this segment was RMB12,800.0 million, with losses reducing by 22.8% as compared with the previous year. As at December 31, 2023, the total assets of this segment were RMB178,005.2 million, representing a decrease of 16.3% as compared with the end of the previous year.

8.2.3 Financial Positions of the Group

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

	As at December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Cash and balances with central bank	**112.1**	23.2	88.9	383.2%
Deposits with financial institutions	**74,863.1**	97,578.2	(22,715.1)	(23.3%)
Placements with financial institutions	**—**	1,300.2	(1,300.2)	(100.0%)
Financial assets at FVTPL	**317,516.0**	309,455.9	8,060.1	2.6%
Financial assets held under resale agreements	**766.2**	706.7	59.5	8.4%
Contract assets	**5,486.2**	5,530.1	(43.9)	(0.8%)
Loans and advances to customers	**10.4**	38.5	(28.1)	(73.0%)
Finance lease receivables	**9,356.7**	14,528.3	(5,171.6)	(35.6%)
Debt instruments at FVTOCI	**19,682.5**	25,318.4	(5,635.9)	(22.3%)
Equity instruments at FVTOCI	**1,700.2**	2,038.6	(338.4)	(16.6%)
Inventories	**23,005.0**	23,051.9	(46.9)	(0.2%)
Debt instruments at amortised cost	**391,323.2**	415,352.7	(24,029.5)	(5.8%)
Interests in associates and joint ventures	**74,336.8**	9,572.8	64,764.0	676.5%
Investment properties	**9,570.1**	10,159.6	(589.5)	(5.8%)
Property and equipment	**6,419.1**	7,138.6	(719.5)	(10.1%)
Right-of-use assets	**901.7**	1,098.7	(197.0)	(17.9%)
Deferred tax assets	**15,693.9**	15,363.6	330.3	2.1%
Goodwill	**18.2**	18.2	—	—
Other assets	**17,341.8**	19,529.7	(2,187.9)	(11.2%)
Total assets	**968,103.2**	957,803.9	10,299.3	1.1%
Placements from financial institutions	**10,375.9**	6,215.8	4,160.1	66.9%
Financial assets sold under repurchase agreements	**6,364.9**	6,744.8	(379.9)	(5.6%)
Borrowings	**665,305.3**	629,496.0	35,809.3	5.7%
Financial liabilities at FVTPL	**54.0**	768.1	(714.1)	(93.0%)
Tax payable	**451.0**	2,695.1	(2,244.1)	(83.3%)
Contract liabilities	**834.0**	720.4	113.6	15.8%
Lease liabilities	**501.0**	683.3	(182.3)	(26.7%)
Deferred tax liabilities	**1,197.7**	1,009.1	188.6	18.7%
Bonds and notes issued	**179,390.8**	189,859.8	(10,469.0)	(5.5%)
Other liabilities	**55,591.8**	68,867.6	(13,275.8)	(19.3%)
Total liabilities	**920,066.4**	907,060.0	13,006.4	1.4%

	As at December 31,			
	2023	2022 (Restated)	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Share capital	**80,246.7**	80,246.7	—	—
Other equity instruments	**19,900.0**	19,900.0	—	—
Capital reserve	**16,031.2**	16,414.3	(383.1)	(2.3%)
Surplus reserve	**8,564.2**	8,564.2	—	—
General reserve	**13,002.5**	13,002.5	—	—
Other reserves	**(1,751.9)**	125.4	(1,877.3)	(1,497.0%)
Accumulated losses	**(87,997.3)**	(88,899.8)	902.5	(1.0%)
Equity attributable to equity holders of the Company	**47,995.4**	49,353.3	(1,357.9)	(2.8%)
Perpetual capital instruments	**1,753.4**	1,752.6	0.8	0.0%
Non-controlling interests	**(1,712.0)**	(362.0)	(1,350.0)	372.9%
Total equity	**48,036.8**	50,743.9	(2,707.1)	(5.3%)
Total equity and liabilities	**968,103.2**	957,803.9	10,299.3	1.1%

8.2.3.1 Assets

As at December 31, 2023, the total assets of the Group amounted to RMB968,103.2 million, representing an increase of 1.1% as compared with the end of the previous year, which mainly consisted of: (i) financial assets at FVTPL; (ii) debt instruments at FVTOCI; (iii) inventories; (iv) debt instruments at amortised cost; and (v) interests in associates and joint ventures.

8.2.3.1.1 Financial assets at FVTPL

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

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets				
— Acquisition-and-disposal	**180,620.8**	178,770.1	1,850.7	1.0%
— Acquisition-and-restructuring	**640.6**	955.5	(314.9)	(33.0%)
Equity instruments				
— Listed	**38,180.0**	32,612.2	5,567.8	17.1%
— Unlisted	**28,227.6**	21,828.2	6,399.4	29.3%
Funds	**36,395.0**	39,205.1	(2,810.1)	(7.2%)
Trust products	**18,759.4**	13,918.5	4,840.9	34.8%
Debt securities				
— Corporate bonds	**3,346.0**	5,734.4	(2,388.4)	(41.7%)
— Financial institution bonds	**—**	295.9	(295.9)	(100.0%)
Convertible bonds	**1,578.3**	1,765.3	(187.0)	(10.6%)
Derivatives and structured products	**1,439.6**	3,632.1	(2,192.5)	(60.4%)
Entrusted loans	**611.1**	660.4	(49.3)	(7.5%)
Asset management plans	**585.3**	979.6	(394.3)	(40.3%)
Wealth management products	**184.6**	1,680.5	(1,495.9)	(89.0%)
Asset-backed securities	**20.1**	27.1	(7.0)	(25.8%)
Other debt assets	**6,927.6**	7,391.0	(463.4)	(6.3%)
Total	**317,516.0**	309,455.9	8,060.1	2.6%

As at December 31, 2023, the financial assets at FVTPL of the Group amounted to RMB317,516.0 million, representing an increase of 2.6% as compared with the end of the previous year.

Distressed debt assets at FVTPL are the Group's acquisition-and-disposal distressed debt assets and acquisition-and-restructuring distressed debt assets. In 2023, the Group actively participated in the competition in the non-performing asset package market, enhanced marketing, and continued to maintain its leading position in the market in terms of acquisition scale. As at December 31, 2023, the Group's acquisition-and-disposal distressed debt assets at FVTPL amounted to RMB180,620.8 million, representing an increase of 1.0% as compared with the end of the previous year.

In 2023, the Group deepened the business synergy, actively expanded the market and strengthened the asset management, as at December 31, 2023, the equity instruments at FVTPL amounted to RMB66,407.6 million, representing an increase of 22.0% as compared with the end of the previous year.

In 2023, the Group actively supported the reform and development of state-owned enterprises, revitalized the existing assets, and increased investments in substantive bailout projects, as at December 31, 2023, the Group's trust products at FVTPL amounted to RMB18,759.4 million, representing an increase of 34.8% as compared with the end of the previous year.

In 2023, the Group made more efforts to dispose of and recover the existing assets, at December 31, 2023, the Group's assets at FVTPL, such as funds, debt securities, derivatives and structured products and wealth management products, decreased as compared with the end of the previous year.

8.2.3.1.2 Debt instruments at FVTOCI

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

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets	**12,934.2**	16,683.8	(3,749.6)	(22.5%)
Debt Securities				
— Government bonds	**1,569.6**	1,219.9	349.7	28.7%
— Public sector and quasi-government bonds	**1,015.4**	1,394.0	(378.6)	(27.2%)
— Corporate bonds	**367.8**	806.5	(438.7)	(54.4%)
— Financial institution bonds	**204.3**	656.0	(451.7)	(68.9%)
Entrusted loans	**1,542.5**	2,174.6	(632.1)	(29.1%)
Asset management plans	**1,459.5**	1,459.5	—	—
Debt instruments	**584.4**	757.3	(172.9)	(22.8%)
Trust products	**4.8**	154.4	(149.6)	(96.9%)
Asset-backed securities	**—**	12.4	(12.4)	(100.0%)
Total	**19,682.5**	25,318.4	(5,635.9)	(22.3%)

As at December 31, 2023, the Group's debt instruments at FVTOCI were RMB19,682.5 million, representing a decrease of 22.3% as compared with the end of the previous year.

The distressed debt assets at FVTOCI were acquisition-and-restructuring distressed debt assets. In 2023, the Group insisted on simultaneously focusing on prevention and resolution, and stepped up efforts to resolve high-quality risks. As at December 31, 2023, the distressed debt assets at FVTOCI of the Group amounted to RMB12,934.2 million, representing a decrease of 22.5% as compared with the end of the previous year.

Debt instruments at FVTOCI other than distressed debt assets included various debt securities, asset management plans, trust products and entrusted loans, etc. As at December 31, 2023, other debt instruments at FVTOCI of the Group amounted to RMB6,748.3 million, representing a decrease of 21.8% as compared with the end of the previous year.

Debt instruments at FVTOCI are measured at fair value in the financial statements, and the allowance for impairment thereof made in accordance with the expected credit loss model is recognised in other comprehensive income ("OCI") and accumulated under the heading of investment revaluation reserve, while the allowance for impairment is recognised in profit or loss with corresponding adjustments to OCI without reducing the carrying amounts of these debt instruments. As at December 31, 2023, the allowance for impairment for debt instruments at FVTOCI presented under the investment revaluation reserve amounted to RMB11,566.1 million, representing an increase of 18.0% as compared with the end of the previous year.

8.2.3.1.3 Inventories

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Property development costs	**20,538.4**	21,815.4	(1,277.0)	(5.9%)
Properties for sale	**3,663.1**	2,220.2	1,442.9	65.0%
Subtotal	**24,201.5**	24,035.6	165.9	0.7%
Allowance for impairment losses	**(1,196.5)**	(983.7)	(212.8)	21.6%
Total	**23,005.0**	23,051.9	(46.9)	(0.2%)

The Group's inventories are mainly from industrial companies. As at December 31, 2023, the Group's inventories amounted to RMB23,005.0 million, representing a decrease of 0.2% as compared with the end of the previous year.

8.2.3.1.4 Debt instruments at amortised cost

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

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets				
Loans acquired from financial institutions	**28,358.8**	34,834.3	(6,475.5)	(18.6%)
Other debt assets acquired from non-financial institutions	**185,835.3**	225,908.5	(40,073.2)	(17.7%)
Subtotal	**214,194.1**	260,742.8	(46,548.7)	(17.9%)
Less: Allowance for ECL				
— 12-month ECL	**(538.9)**	(2,419.6)	1,880.7	(77.7%)
— Lifetime ECL	**(49,637.4)**	(42,204.3)	(7,433.1)	17.6%
Subtotal	**(50,176.3)**	(44,623.9)	(5,552.4)	12.4%
Carrying amount of distressed debt assets	**164,017.8**	216,118.9	(52,101.1)	(24.1%)
Other debt assets				
Debt instruments	**96,531.2**	92,152.3	4,378.9	4.8%
Receivables arising from sales and leaseback arrangements	**93,027.1**	75,112.7	17,914.4	23.9%
Entrusted loans	**43,000.5**	46,437.2	(3,436.7)	(7.4%)
Trust products	**46,775.4**	39,425.0	7,350.4	18.6%
Debt securities	**7,769.8**	7,891.8	(122.0)	(1.5%)
Asset management plans	**5,689.2**	6,373.3	(684.1)	(10.7%)
Others	**3,885.8**	1,934.0	1,951.8	100.9%
Subtotal	**296,679.0**	269,326.3	27,352.7	10.2%
Less: Allowance for ECL				
— 12-month ECL	**(2,161.6)**	(772.9)	(1,388.7)	179.7%
— Lifetime ECL	**(67,212.0)**	(69,319.6)	2,107.6	(3.0%)
Subtotal	**(69,373.6)**	(70,092.5)	718.9	(1.0%)
Carrying amount of other debt assets	**227,305.4**	199,233.8	28,071.6	14.1%
Total	**391,323.2**	415,352.7	(24,029.5)	(5.8%)

8. Management Discussion and Analysis

As at December 31, 2023, the Group's debt instruments at amortised cost were RMB391,323.2 million, representing a decrease of 5.8% as compared with the end of the previous year.

The distressed debt assets at amortised cost were acquisition-and-restructuring distressed debt assets of the Group. In 2023, the Group insisted on simultaneously focusing on prevention and resolution, and stepped up efforts to resolve high-quality risks. As at December 31, 2023, the Group's balance of distressed debt assets at amortised cost amounted to RMB214,194.1 million, representing a decrease of 17.9% as compared with the end of previous year.

Debt instruments at amortised cost other than distressed debt assets included debt instruments, receivables arising from sales and leaseback arrangements and entrusted loans, etc. As at December 31, 2023, the Group's balance of other debt assets at amortised cost amounted to RMB296,679.0 million, representing an increase of 10.2% as compared with the end of previous year.

As at December 31, 2023, taking into account the macro economic environment, industry and other external context and the risk profile of projects, the Group made allowances for impairment for debt instruments at amortised cost, with relevant balance amounting to RMB119,549.9 million, representing an increase of 4.2% as compared with the end of previous year.

8.2.3.1.5 Interests in associates and joint ventures

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

	As at December 31,			
	2023	2022	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interests in associates				
Cost of investments in associates	**75,879.4**	11,134.1	64,745.3	581.5%
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**(869.6)**	(589.1)	(280.5)	47.6%
Less: Allowance for impairment losses	**(2,391.4)**	(2,927.2)	535.8	(18.3%)
Subtotal	**72,618.4**	7,617.8	65,000.6	853.3%
Interests in joint ventures				
Cost of investments in joint ventures	**6,059.2**	6,064.5	(5.3)	(0.1%)
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**(429.5)**	(292.7)	(136.8)	46.7%
Less: Allowance for impairment losses	**(3,911.3)**	(3,816.8)	(94.5)	2.5%
Subtotal	**1,718.4**	1,955.0	(236.6)	(12.1%)
Total	**74,336.8**	9,572.8	64,764.0	676.5%

As at December 31, 2023, the interests of the Group in associates and joint ventures amounted to RMB74,336.8 million, representing an increase of 676.5% as compared with the end of previous year, mainly because the Group actively conducted market-oriented DES business and special situations investment business, and the interests in associates were recognised accordingly.

8.2.3.2 Liabilities

As at December 31, 2023, the total liabilities of the Group amounted to RMB920,066.4 million, representing an increase of 1.4% as compared with the end of previous year, which mainly include: (i) borrowings, including those from banks and other financial institutions; (ii) bonds and notes issued.

8.2.3.2.1 Borrowings

As at December 31, 2023, the balance of borrowings of the Group amounted to RMB665,305.3 million, representing an increase of 5.7% as compared with the end of previous year, the scale of financing remained stable, and the liability structure was further optimized.

8.2.3.2.2 Bonds and notes issued

As at December 31, 2023, the balance of the bonds and notes issued of the Group amounted to RMB179,390.8 million, representing a decrease of 5.5% as compared with the end of previous year, mainly due to maturity of bonds payable.

8.2.4 Contingent Liabilities

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

As at December 31, 2023, total claim amount of pending litigation was RMB4,312 million (December 31, 2022: RMB6,459 million) for the Group (as defendant). The Group made provisions for estimated liabilities, which amounted to RMB13.35 million (December 31, 2022: RMB10.28 million) based on court judgments and lawyer's opinions. The Board of the Company believes that the final result of these legal proceedings will not have a material impact on the financial position or operations of the Group.

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

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

8.3 Business Overview

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

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

	For the year ended December 31,			
	2023		2022 (Restated)	
	(in millions of RMB, except for percentages)			
	Amount	Percentage	Amount	Percentage
Total income				
Distressed asset management segment	66,955.3	88.4%	31,768.9	86.0%
Financial services segment	5,850.5	7.7%	7,557.4	20.5%
Asset management and investment segment	5,192.2	6.8%	378.4	1.0%
Inter-segment elimination	(2,197.9)	(2.9%)	(2,771.5)	(7.5%)
Total	75,800.1	100.0%	36,933.2	100.0%
Profit/(loss) before tax				
Distressed asset management segment	14,408.6	1,344.7%	(21,585.6)	58.0%
Financial services segment	132.3	12.4%	1,617.1	(4.3%)
Asset management and investment segment	(12,800.0)	(1,194.5%)	(16,574.5)	44.6%
Inter-segment elimination	(669.4)	(62.6%)	(642.9)	1.7%
Total	1,071.5	100.0%	(37,185.9)	100.0%

8.3.1 Distressed Asset Management

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

Distressed asset management business is the core business of the Group and the significant source of income. In 2023, the Group continued to deeply dig into the field of distressed assets, gave full play to its functions of financial assistance and counter-cyclical tools, continuously enhanced the capabilities of our four business, namely, "disposal of problematic assets, revitalization of problematic projects, restructuring of problematic enterprises and relief of crisis institutions" to serve the needs of the country with the capabilities of the Company. As at December 31, 2023, total assets from the distressed asset management segment were RMB724,395.7 million, accounting for 76.1%; total income was RMB66,955.3 million in 2023, accounting for 88.4%.

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

	As at or for the year ended December 31,	
	2023	2022
	(in millions of RMB)	
Distressed asset management business of the Company		
1. Distressed debt asset management business		
Balance of assets as of the end of the period[1]	398,493.3	444,874.1
Less: Balance of allowance for impairment losses[2]	48,246.2	40,109.6
Carrying amount of assets as of the end of the period	355,649.6	409,110.3
Additional acquisition costs for the period	47,275.6	48,337.4
Operating income for the period[3]	15,874.2	28,628.9
2. Other distressed asset management business		
Balance of assets as of the end of the period[4]	96,755.3	62,201.7
Operating income for the period[5]	4,557.2	3,299.4

	As at or for the year ended December 31, 2023	2022
	(in millions of RMB)	
Policy-based DES business through commercial buyout of the Company		
Carrying amount of assets as of the end of the period	**12,781.5**	13,601.8
Dividend income for the period	**241.2**	172.4
Acquisition cost of assets disposed	**774.4**	693.1
Net gains from the disposal for the period	**672.3**	448.2
Market-oriented DES business and special situations investment business of the Group(6)		
Total cumulative investment	**67,866.9**	36,777.9
Income for the period	**42,256.5**	(3,897.8)
Distressed debt asset management business conducted by our subsidiaries		
Income from distressed debt assets of Huitong Asset	**34.8**	45.6
Distressed asset-based property development business conducted by our subsidiaries		
Income from property sales and primary land development of Industrial Company	**309.3**	177.1

(1) Balance of assets as of the end of the period equals the sum of the Company's balance of distressed debt assets presented under financial assets at FVTPL, debt instruments at amortised cost and debt instruments at FVTOCI, as shown in the consolidated financial statements.

(2) Balance of allowance for impairment losses equals the Company's allowance for impairment losses for distressed debt assets presented under debt instruments at amortised cost and at FVTOCI, as shown in the consolidated financial statements, of which, the allowance for impairment losses for distressed debt assets is presented under the debt instruments at FVTOCI as a part of the investment revaluation reserve, which has no effect on the net carrying amount of distressed debt assets.

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

(4) Balance of assets as of the end of the period equals the sum of the Company's balance of other distressed assets presented under financial assets at FVTPL, debt instruments at amortised cost, debt instruments at FVTOCI and equity instruments at FVTOCI, as shown in the consolidated financial statements. Other distressed assets of the Company refer to the assets from distressed asset management business such as substantial restructuring, other than distressed debt asset management business, policy-based DES business through commercial buyout, market-oriented DES business and special situations investment business.

(5) Operating income for the period equals the sum of the Company's income from other distressed asset management business presented under interest income, fair value changes on other financial assets and liabilities, as shown in the consolidated financial statements.

(6) Market-oriented DES business and special situations investment business were primarily conducted by the Company, Huarong Ruitong Equity Investment Management Co., Ltd. ("Ruitong Company"), Rongde Asset and other subsidiaries.

8.3.1.1 Distressed asset management business of the Company

8.3.1.1.1 Distressed debt asset management business of the Company

The Company acquires distressed debt assets from financial institutions and non-financial institutions through competitive bidding, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of distressed debt assets and the operational and financial performance, the conditions of the collaterals and pledges as well as the credit risks of the debtors, the Company maintains and increases the value of its assets through disposal or reorganization to obtain cash proceeds or assets with operational value. The Company primarily finances its acquisition of distressed debt assets through its own fund, borrowings and bond issuances.

8.3.1.1.1.1 Sources for acquisition of distressed debt assets

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

In 2023, the Company deepened its efforts in the main business of distressed assets, focused on "stabilizing the total amount, adjusting the structure and improving the quality and efficiency", increased the new investment in the main business, continuously optimized the asset structure, and continuously enhanced the quality of development and competitiveness in the market. Among the newly added distressed debt assets from financial institutions throughout the year, the asset acquisition cost of distressed debt assets from financial institutions of large commercial banks and joint stock commercial banks was RMB27,049.3 million, accounting for 80.3% and representing an increase of 32.8 percentage points as compared with the previous year, and as at December 31, 2023, the balance of distressed debt assets from non-financial enterprises was RMB201,418.4 million, representing a decrease of RMB41,134.7 million as compared with the end of the previous year, accounting for 50.5% and representing a decrease of 4 percentage points as compared with the end of the previous year.

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

	As at or for the year ended December 31,			
	2023		2022	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
FI Distressed Assets	**33,658.8**	**71.2%**	36,289.6	75.1%
NFE Distressed Assets	**13,616.8**	**28.8%**	12,047.8	24.9%
Total	**47,275.6**	**100.0%**	48,337.4	100.0%
Balance of distressed debt assets at the end of the period[(1)]				
FI Distressed Assets	**197,074.9**	**49.5%**	202,321.0	45.5%
NFE Distressed Assets	**201,418.4**	**50.5%**	242,553.1	54.5%
Total	**398,493.3**	**100.0%**	444,874.1	100.0%
Operating income from distressed debt assets for the period[(2)]				
FI Distressed Assets	**1,473.5**	**9.3%**	8,390.2	29.3%
NFE Distressed Assets	**14,400.7**	**90.7%**	20,238.7	70.7%
Total	**15,874.2**	**100.0%**	28,628.9	100.0%

(1) Balance of distressed debt assets equals the sum of the Company's balance of distressed debt assets presented under financial assets at FVTPL, debt instruments at amortised cost and debt instruments at FVTOCI, as shown in the consolidated financial statements.

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

8.3.1.1.1.1.1 FI Distressed Assets

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

The table below sets forth a breakdown of our FI Distressed Assets acquired from each type of financial institution based on acquisition costs for the years indicated.

	For the year ended December 31,			
	2023		2022	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Banking				
Large commercial banks	7,605.0	22.6%	4,625.7	12.7%
Joint stock commercial banks	19,444.3	57.7%	12,595.5	34.8%
City and rural commercial banks	3,417.9	10.2%	3,605.8	9.9%
Other banks	221.0	0.7%	—	—
Subtotal	30,688.2	91.2%	20,827.0	57.4%
Non-banking financial institutions	2,970.6	8.8%	15,462.6	42.6%
Total	33,658.8	100.0%	36,289.6	100.0%

8.3.1.1.1.1.2 NFE Distressed Assets

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

8.3.1.1.1.2 Business models of distressed debt asset

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

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

	As at or for the year ended December 31,			
	2023		2022	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
Acquisition-and-disposal	35,204.5	74.5%	30,382.4	62.9%
Acquisition-and-restructuring	12,071.1	25.5%	17,955.0	37.1%
Total	47,275.6	100.0%	48,337.4	100.0%
Balance of distressed debt assets at the end of the period(1)				
Acquisition-and-disposal	184,436.5	46.3%	182,951.0	41.1%
Acquisition-and-restructuring	214,056.8	53.7%	261,923.1	58.9%
Total	398,493.3	100.0%	444,874.1	100.0%
Operating income from distressed debt assets for the period(2)				
Acquisition-and-disposal	(1,490.1)	(9.4%)	5,834.6	20.4%
Acquisition-and-restructuring	17,364.3	109.4%	22,794.3	79.6%
Total	15,874.2	100.0%	28,628.9	100.0%

(1) Balance of distressed debt assets at the end of the period equals the sum of the Company's balance of distressed debt assets presented under financial assets at FVTPL, debt instruments at amortised cost and debt instruments at FVTOCI, as shown in the consolidated financial statements.

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

8.3.1.1.1.2.1 Acquisition-and-disposal business

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

In 2023, the Company continually improved the asset layout and business structure of its acquisition-and-disposal business. On the acquisition side, the Company increased marketing, actively participated in market competition, proactively supported financial institutions in mitigating risk exposures and served the development of the real economy, and achieved significant results. Throughout the year, the Company acquired 230 newly added distressed assets packages and individual distressed debts, continued to maintain market leadership. The cost of the newly added acquisitions amounted to RMB35,204.5 million, representing an increase of 15.9% as compared with the previous year, and the balance of distressed debt assets at the end of the period amounted to RMB184,436.5 million, representing an increase of RMB1,485.5 million as compared with the end of the previous year. The optimization of the regional layout of assets has shown results, and the balance of distressed assets derived from the Yangtze River Delta, the Pearl River Delta and the Bohai Rim amounted to RMB109,283.4 million in total, representing an increase of RMB8,483.8 million as compared with the end of the previous year. On the disposal side, the Company stepped up its efforts to promote and dispose of its assets, and the gross amount of distressed debt assets disposed throughout the year was RMB28,216.5 million, with a realized gain of RMB4,012.4 million.

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

	As at or for the year ended December 31,	
	2023	**2022**
	(in millions of RMB)	
Balance of distressed debt assets at the beginning of the period	**182,951.0**	179,934.8
Acquisition cost of newly added distressed debt assets	**35,204.5**	30,382.4
Gross amount of distressed debt assets disposed	**28,216.5**	26,339.2
Balance of distressed debt assets at the end of the period[1]	**184,436.5**	182,951.0
Net gains or losses from distressed debt assets[2]		
Realized gain	**4,012.4**	6,861.6
Unrealized fair value changes	**(5,502.5)**	(1,027.0)
Total	**(1,490.1)**	5,834.6

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

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

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

	As at December 31, 2023		As at December 31, 2022	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Yangtze River Delta(1)	44,717.1	24.2%	39,562.0	21.6%
Pearl River Delta(2)	32,635.8	17.7%	30,493.3	16.7%
Bohai Rim Region(3)	31,930.5	17.3%	30,744.3	16.8%
Central Region(4)	20,047.6	10.9%	21,776.5	11.9%
Western Region(5)	44,131.5	23.9%	48,952.1	26.8%
Northeastern Region(6)	10,974.0	6.0%	11,422.8	6.2%
Total	184,436.5	100.0%	182,951.0	100.0%

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

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

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

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

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

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

8.3.1.1.1.2.2 Acquisition-and-restructuring business

The Company's acquisition-and-restructuring business mainly includes liquidity support business. Focusing on enterprises with temporary liquidity issues, the Company adopts personalized and professional customized restructuring approaches to restructure the debt elements, match the debtor's solvency with the conditions of the elements of the adjusted debts, shift elimination of credit risks, grant time and space for debt relief of enterprises, and help enterprises repair credit. The Company's core competitive advantage under the acquisition-and-restructuring business is the ability to discover, reassess and enhance the overall value of the debts for the debtors through professional operating.

8. Management Discussion and Analysis

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

	As at or for the year ended December 31, 2023	2022
	(in millions of RMB, except for percentages)	
Acquisition cost of newly added distressed debt assets	**12,071.1**	17,955.0
Operating income from distressed debt assets[(1)]	**17,364.3**	22,794.3
Annualized return on monthly average gross amount of distressed debt assets (excluding financial advisory income)[(2)]	**7.1%**	7.9%

	As at or for the year ended December 31, 2023	2022
	(in millions of RMB, except for percentages)	
Distressed debt assets presented under debt instruments at amortised cost and at FVTOCI		
Number of existing projects at the end of the period (quantity)	**975**	1,171
Balance of distressed debt assets[(3)]	**213,416.2**	260,967.6
Allowance for impairment losses[(4)]	**(48,246.2)**	(40,109.6)
Net carrying amount of distressed debt assets[(5)]	**170,572.5**	225,203.9
Allowance to distressed debt assets ratio[(6)]	**22.6%**	15.4%
Balance of stage 3 distressed debt assets[(7)]	**95,677.8**	96,757.6
Allowance for impairment losses for stage 3 distressed debt assets[(8)]	**(37,423.0)**	(32,683.9)
Distressed debt assets collateral ratio[(9)]	**43.0%**	41.7%
Acquisition-and-restructuring distressed debt assets presented under financial assets at FVTPL		
Number of existing projects at the end of the period (quantity)	**1**	1
Balance of carrying amount of distressed debt assets[(10)]	**640.6**	955.5
Distressed debt assets collateral ratio[(9)]	**41.9%**	30.9%

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

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

(3) Balance of distressed debt assets is the sum of the Company's balances of distressed debt assets presented under debt instruments at amortised cost and at FVTOCI, as shown in the consolidated financial statements.

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

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

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

(7) Balance of stage 3 distressed debt assets is the balance of distressed debt assets which are classified as stage 3 based on the stage division model.

(8) Allowance for impairment losses for stage 3 distressed debt assets is the allowance for impairment losses for distressed debt assets which are classified as stage 3.

(9) Distressed debt assets collateral ratio equals the percentage of the balance of collateralized distressed debt assets to the total appraised value of the collateral securing these assets.

(10) Balance of carrying amount of distressed debt assets equals the Company's balance of acquisition-and-restructuring distressed debt assets presented under financial assets at FVTPL, as shown in the consolidated financial statements.

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

	As at December 31, 2023		As at December 31, 2022	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Yangtze River Delta[1]	**31,629.8**	**14.7%**	41,725.9	15.9%
Pearl River Delta[2]	**41,746.6**	**19.5%**	48,175.4	18.4%
Bohai Rim Region[3]	**28,824.4**	**13.5%**	35,740.5	13.6%
Central Region[4]	**46,365.9**	**21.7%**	56,469.1	21.6%
Western Region[5]	**54,631.1**	**25.5%**	66,157.7	25.3%
Northeastern Region[6]	**10,859.0**	**5.1%**	13,654.5	5.2%
Total	**214,056.8**	**100.0%**	261,923.1	100.0%

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

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

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

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

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

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

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

	As at December 31, 2023		As at December 31, 2022	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Real estate	**104,390.5**	**48.8%**	119,273.5	45.6%
Manufacturing	**23,110.4**	**10.8%**	26,450.6	10.1%
Leasing and commercial services	**20,635.3**	**9.6%**	27,080.9	10.3%
Construction	**17,175.8**	**8.0%**	29,878.3	11.4%
Water, environment and public utilities management	**15,277.6**	**7.1%**	18,986.4	7.2%
Mining	**1,068.8**	**0.5%**	2,457.0	0.9%
Transportation, logistics and postal services	**1,466.2**	**0.7%**	2,194.9	0.8%
Others	**30,932.2**	**14.5%**	35,601.5	13.7%
Total	**214,056.8**	**100.0%**	261,923.1	100.0%

8.3.1.1.2 Other distressed asset management business of the Company

The Company's other distressed asset management business mainly refers to investment businesses such as substantive restructuring, except for the distressed debt asset management business, policy-based DES business through commercial buy-out, market-oriented DES business and special situations investment business. Through substantial restructuring and revitalization of the assets, liabilities, equity, talents, technology, management and other elements of the enterprises, the Company built a new production and operation model, in order to help enterprises get rid of operational and financial difficulties, restore operation capacity and solvency, and pursue restructuring premiums under the premise of risk control.

In 2023, the Company focused on preventing and resolving financial risks, serving the real economy, and successfully implemented a number of real enterprise relief projects to help enterprises get out of difficulties and help the industry extend and reinforce the chain. The Company actively participated in the resolution of real estate risks. Relying on CITIC Group's advantages in both industry and finance, the Company created the CITIC model characterized by the "industry-financing synergy for alleviating difficulties and mitigating risks". The Company actively supported the reform and development of state-owned enterprises, revitalized the existing assets, and implemented a number of "inefficient assets, ineffective assets and non-main business, non-dominant business" divestment and disposal projects for central and state-owned enterprises, helped enterprises reduce debt level, promote industrial integration, and explore new models to serve the reform of central and state-owned enterprises.

As at December 31, 2022 and December 31, 2023, the balance of the Company's investment in other distressed assets business was RMB62,201.7 million and RMB96,755.3 million, respectively, representing an increase of 55.6% as compared with the end of the previous year. In 2023, the Company realized a gain of RMB4,557.2 million from its other distressed assets business, representing an increase of 38.1% as compared with that of RMB3,299.4 million in the previous year.

8.3.1.2 Policy-based DES business through commercial buyout of the Company

The Company obtains DES Assets through debt-to-equity swaps, receipt of equities in satisfaction of debts and follow-on investments. The Company enhances the value of DES Assets by improving the business operations of the DES Companies. The Company exits from such investments primarily through asset swaps, merger and acquisition, restructuring and listing of DES Companies and realizes the appreciation of DES Assets. The Company's DES Assets are classified as shares of Unlisted Assets and Listed Assets. As at December 31, 2023, the Company held Unlisted DES Assets in 93 DES Companies, with carrying amount of RMB10,027.5 million; and Listed DES Assets in 5 DES Companies, with carrying amount of RMB2,754.0 million.

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

	As at December 31, 2023	As at December 31, 2022
	(in millions of RMB, except for number of companies)	
Composition of existing DES Assets portfolio		
Number of DES Companies	**98**	105
Unlisted	**93**	96
Listed	**5**	9
Carrying amount	**12,781.5**	13,601.8
Unlisted	**10,027.5**	9,676.3
Listed	**2,754.0**	3,925.5

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

	As at or for the year ended December 31,	
	2023	2022
	(in millions of RMB, except for number of companies)	
Number of DES Companies disposed	**7**	10
Acquisition cost of DES Assets disposed	**774.4**	693.1
Net gains on DES Assets disposed	**672.3**	448.2
Exit multiple of DES Assets disposed(1)	**1.9 times**	1.6 times
Dividend income from DES Companies	**241.2**	172.4

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

8.3.1.3 Market-oriented DES business and special situations investment business of the Group

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

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

In 2023, the Group actively conducted market-oriented DES business and special situations investment business, and strengthened equity asset management. Throughout the year, the market-oriented DES business and special situations investment business recorded income of RMB42,256.5 million during the year, representing a significant increase as compared with RMB-3,897.8 million in 2022.

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

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

The Group conducts distressed asset-based property development business through Industrial Company. In 2023, revenue from property development business of Industrial Company amounted to RMB309.3 million, representing an increase of 74.6% from RMB177.1 million in 2022.

8.3.2 Financial Services

The Group's continuing operations financial services segment is financial leasing business. Financial Leasing closely focuses on the central task of "consolidating the fundamentals and expanding new business, mitigating risks and increasing efficiency", and completes annual operating objectives with high quality. As at December 31, 2022 and December 31, 2023, the total assets of Financial Leasing amounted to RMB108,032.0 million and RMB117,641.5 million, respectively. In 2022 and 2023, profits before tax of Financial Leasing amounted to RMB1,617.1 million and RMB132.3 million, respectively.

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

	As at or for the year ended December 31,	
	2023	2022 (Restated)
Profitability indicators		
ROAA[(1)]	0.1%	1.1%
ROAE[(2)]	0.8%	6.5%
Asset quality indicators		
Distressed asset ratio[(3)]	1.9%	2.1%
Provision coverage ratio[(4)]	231.3%	167.9%
Capital adequacy indicators		
Core capital adequacy ratio[(5)]	14.5%	16.5%
Capital adequacy ratio[(5)]	15.7%	17.6%

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

(2) ROAE equals the net profit attributable to shareholders for the year as a percentage of the average balance of shareholder's equity as of the beginning and the end of the period.

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

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

(5) Disclosed by the means reported to NFRA.

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

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

	As at December 31, 2023		As at December 31, 2022	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
Manufacturing	15,348.5	14.7%	13,835.6	15.1%
Water, environment and public utilities management	48,194.4	46.1%	39,888.2	43.6%
Transportation, logistics and postal services	9,560.3	9.1%	9,153.8	10.0%
Construction	2,188.2	2.1%	3,153.3	3.5%
Mining	2,896.4	2.8%	1,788.6	2.0%
Leasing and commercial services	13,034.3	12.5%	9,375.3	10.3%
Others	13,292.9	12.7%	14,196.6	15.5%
Total	104,515.0	100.0%	91,391.4	100.0%

(1) Affected by the implementation of the New Lease Standards, some of the above finance lease receivables are presented in "debt instruments at amortised cost" in the consolidated financial statements.

8.3.3 Asset Management and Investment Business

In 2022 and 2023, the income from asset management and investment segment was RMB378.4 million and RMB5,192.2 million, respectively, and the loss before tax was RMB16,574.5 million and RMB12,800.0 million, respectively.

The Group conducts its asset management and investment business mainly through International Company and other subsidiaries. As at December 31, 2022 and December 31, 2023, the total assets of International Company were RMB164,230.9 million and RMB149,774.3 million, respectively. In 2022 and 2023, the total income of International Company was RMB6,026.0 million and RMB8,295.8 million, respectively.

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

	As at or for the year ended December 31,	
	2023	2022
	(in millions of RMB)	
International business		
Total assets	**149,774.3**	164,230.9
Total income	**8,295.8**	6,026.0
Profit before tax	**(981.6)**	(1,671.9)

8.3.4 Business Synergy

During the Reporting Period, based on the functional positioning of the financial asset management company, the Company diligently implemented the synergy work deployment of CITIC Group, fully integrated into the overall development pattern of CITIC. Focusing on the "Five-Five-Three" development strategy of the Group and the "One-Three-Five" strategic objectives of the Company, we continuously deepened the synergy mechanism, innovated the synergy model, expanded the synergy field, enriched synergy content, and promoted the Company's business synergy to "step up, increase scale, and improve quality and efficiency". Under the guidance of the Group's synergy strategy, the Company transitioned from joining to integrating, from leveraging to assisting, fully playing its unique role, and actively contributing synergy value through collaborating with fellow subsidiaries of CITIC Group to serving the real economy and maintaining the healthy and stable development of the real estate industry, sparing no efforts to build the CITIC brand as the "national team" in financial assistance.

8.3.5 Major Investment and Acquisition

During the Reporting Period, the Company made new investments in associates, details of which are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 30. Interests in associates and joint ventures".

8.3.6 Development of Information Technology

8.3.6.1 Information Technology Governance

During the Reporting Period, the Group intended to develop "digital finance" and formulated a digital action plan for the next three years. The Group carried the "14th Five-Year" Plan for Digital Development of CITIC Group, integrated into the "Four-One Project" of CITIC Group, and supported the "One-Three-Five" strategic objectives of the Company. Based on the preliminary preparation of the Company's Informatization Outline Plan, the Group further decomposed tasks, refined objectives, clarified the specific implementation tasks for each year, ascertained the responsibilities of each executive unit, and formulated the Company's Information Technology Digitalization Action Plan ("Action Plan"). The Action Plan adheres to the eight-character policy of "cementing foundation, improving quality, integration, and empowerment", classifies and coordinates according to the approach of "one core, three integrations, and three improvements", and defines 41 detailed tasks to be completed during the period from 2024 to 2025, aiming to achieve effective integration of technology and business, alignment of top-level design with system implementation, and unity of long-term goals with the recent tasks, facilitating the Company's digital transformation.

During the Reporting Period, the Group actively pursued digital transformation with the construction of a new core business system as the focal point. Under the close attention of CITIC Group and the Company's Party Committee, the focus was on key aspects of business operation and management, adhering to the principle of "starting from oneself and taking oneself as the mainstay". Through "internal exploration" and "case referencing", the Group maximized the utilization of its resources and synergies, resulting in the formulation of primary business overall plan, primary business operational three-tier business processes, and detailed business needs. This effort led to the establishment of an enterprise-level data model and the launch of the new core business system data foundation 1.0, while also clarifying the business landscape of the Company in recent years, to some extent, restoring the essence of operations. This initiative effectively addressed most of the frontline staff's pressing concerns, pain points in line management, and long-standing system issues.

During the Reporting Period, the Group strengthened information and network security management, fortifying its security firewall. Firstly, it established a network security operation system and launched the Network Security Operation and Management Platform (SOC) to enhance the efficiency of network security operations. Secondly, it advanced the comprehensive coverage of network security level protection, completed the retesting of Level 3 information systems for company-level protection, added Level 2 protection for public security, and organized level protection assessments for branches and subsidiaries to effectively implement the Group's requirements for comprehensive level protection. Thirdly, it established a "one-site, two-center" structure, completing the construction of an application-level disaster recovery center based on the existing application-level disaster recovery center, conducting emergency drills, and addressing infrastructure deficiencies that had troubled the Company for years. Fourthly, it promoted data security management, formulated a plan for controlling access by overseas personnel to customer systems, clarified the strategy for protecting personal information, conducted special inspections, identified 23 headquarters issues, and 10 common issues among branch companies, and organized their rectification.

8.3.6.2 Information system development

During the Reporting Period, the Group focused on key areas to enhance the efficiency of technological products. Firstly, it implemented the Group's "cloud-based management" initiative, initiated the construction of financial informatization 2.0, completed the comprehensive budget management system, meeting the requirements for cloud-based management of the budget system; initiated the construction of consolidated financial statement systems, formulated business requirements documents; refined reporting requirements, strictly controlled the quality of cloud-based data, and completed the promotion and implementation of "Pioneer Online". Secondly, it advanced the "data lake" initiative, achieving online submission of data for 17 indicators and full project details for the parent company and subsidiaries, optimizing the logic of data processing, improving the accuracy and consistency of submitted data. A comprehensive check of structured data assets was completed, achieving the goal of full coverage of data assets for the parent company and subsidiaries, submitting 81,353 data assets to the Group, and essentially clarifying the Company's data assets. Thirdly, it promoted continuous improvement of the Company's information systems, completing the launch of the second phase of the new expense reimbursement system, the business travel platform, the fourth phase of the related party transaction system, the new legal review system for law firm engagement, and other systems and functionalities, effectively supporting related party transaction management and data management and control, and enhancing support for frontline business operations.

8.3.7 Human Resources Management

8.3.7.1 Human resources management

During the Reporting Period, the Group closely focused on business development, strengthening the team building of high-quality and professional talents, constantly improving the construction of organizational and personnel mechanism, improving the positive incentive and restraint mechanism featuring openness, transparency, scientificity and rationality, and enhancing the cultivation and training of employees, highlighted work priorities, promoted resource coordination, diversified training methods and emphasized the improvement of the ability of cadres and employees to perform their duties and their professional quality, so as to provide strong personnel guarantee for achieving the "One-Three-Five" strategic objectives. Caring for cadres and employees, the Company actively responded to employees' concerns, protected employees' individual interests, encouraged employees to take responsibility, and constantly enhanced the cohesiveness and combat effectiveness of its team, showing new atmosphere, new actions and new progress of the Company.

8.3.7.2 Employees

As of December 31, 2023, the Group had a total of 5,080 employees. The proportion of the Group's employees with a master's degree or above (inclusive) is 52%. The Company's employees have more than 50 types of professional qualifications, including certified public accountant, sponsor representative, attorney, financial risk manager, asset appraiser, tax accountant, chartered financial analyst, banking practice qualification, securities practice qualification and fund practice qualification.

The Group attaches great importance to the legitimate rights and interests of employees, provides employees with equal and diversified career development paths to the greatest extent, eliminates all forms of discrimination in recruitment, introduction and promotion, upholds the principles of priority at career, fairness and preferential selection to build a diversified staff team. As of December 31, 2023, male and female employees of the Group accounted for 55.14% and 44.86%, respectively. The Group expected to maintain a reasonable level of gender diversity at the staff level.

In order to protect the legitimate rights and special interests of female employees, the Group has actively organized and promoted the signing of the Specialized Collective Contract for Protecting Rights and Benefits of Female Employees since 2013. Up to now, four issues of the Specialized Collective Contract for Protecting Rights and Benefits of Female Employees have been signed, which has consolidated the effective mechanism of the Company to protect the rights and interests of female employees.

8.3.7.3 Remuneration policy

The Group's remuneration management is combined with the Company's strategies, business development and talent introduction. The Group continued to improve the business performance appraisal system based on business performance, strengthened the incentive and restraint mechanism oriented by operation contribution, and established and improved a remuneration management system that was competitive in the market, matched with performance and took into account internal fairness, in accordance with the principles of matching revenue and risks, and coordinating long-term and short-term incentives. At the same time, the Company further improved the mechanism for recourse and kickback of performance-based remuneration, revised and issued the Performance-based Salary Deferral, Stoppage, Recourse and Kickback Management Regulations of the Company, clarified the scope of deferral and the conditions for stop payment of the performance-based remuneration, and strictly implemented the system of recourse and kickback of performance-based remuneration.

8.3.7.4 Education and training

During the Reporting Period, the training work of the Group focused on the cadre education and training plan of CITIC Group and the "14th Five-Year" Talent Development Plan. It implemented the Company's "14th Five-Year" Talent Development Plan, emphasized key areas of work, strengthened resource coordination, closely integrated with the central task of the Company's development, and focused on enhancing political theoretical literacy. It solidified practical skills throughout the entire business process, effectively integrating training work into the overall development of the Company. This provided robust learning support and training guarantees for the Company's development and construction. The Company revised and issued Management Measures for Staff Education and Training of the Company, improved the training mechanism, enhanced process management and control, and conducted education and training in a compliant, stable, and effective manner.

8.4 Risk Management

During the Reporting Period, closely following the ideology of "consolidating the foundation, seeking progress while maintaining stability, and improving quality and efficiency", focusing on the "One-Three-Five" strategical objectives, the Group deepened the building of its comprehensive management system, adopted practical measures to promote risk disposal and resolution, strengthened management and control of its asset quality, implemented vertical management by the risk director, optimized the risk management mechanisms and tools and enhanced the development of its risk management system to make every effort to promote the Company's ability of risk management and control.

8.4.1 Comprehensive risk management system

Comprehensive risk management for the Company intending to fulfil the overall operational objectives involves the establishment of a risk governance structure with effective checks and balances, the fostering of excellent risk culture, the formation and implementation of unified risk management strategies, risk appetite, risk limits and risk management policies, and the adoption of a combined qualitative and quantitative method to effectively identify, measure, assess, monitor, report, control or mitigate various risks, in order to provide a secured process and method for achieving operational and strategical objectives.

During the Reporting Period, the Group consistently deepened the development of comprehensive management system and the ability of risk management was enhanced effectively. Formulating the plan and the mission form of the development of comprehensive risk management system, the Group specified the goal and approach of 2023–2025 risk management development and set up the management system of "full organization, full customer, full process, full category and full coverage". The Group further consolidated the comprehensive risk management foundation in respect of risk management and governance structure, policy and rule, process management and control, system tool, idea and culture development and others, to consistently strengthen the support of the transformation and development of the Company. The Group further optimized risk governance structure and implemented vertical management by the risk director of subsidiaries. The Group strengthened the top-level design of risk policy and improved the mechanism of risk appetite policy formulation and transmission mechanism. The Group optimized the whole-process management of projects and the management before, during and after investment will be continuously enhanced. The Group consistently promoted the development of governance and system of risk data, comprehensively reshaped the idea of risk management, further developed the culture of risk responsibility to improve the quality and efficiency of risk management.

8.4.2 Structure of risk management

The Group further optimized the structure of corporate risk governance and the risk governance structure of "four levels with three lines" was sound and clearly layered. Four levels on the basis of corporate governance structure refer to the Board, the Board of Supervisors, the senior management, the lead department of comprehensive risk management, various types of risk-attributed management departments and subsidiaries. Three lines of defense in practical operations refer to three lines of defense of risk management consisting of business departments, risk management-related functional departments and audit department.

During the Reporting Period, the Group implemented vertical management by risk directors of subsidiaries, strengthened the transmission of idea, policy and approach of risk management, enhanced the independence, professionalism and authority of the risk director's diligence; the new post-investment management department was established, and the Group clarified the management structure of "risk, compliance, review and post-investment" in the comprehensive middle office risk sector, established a platform for learning and communication for risk line and set up a regular communication mechanism, so as to continuously improve the ability of diligence of the risk management line.

8.4.3 Credit risk management

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

In accordance with the regulatory requirements and the actual development, the Group has constantly put emphasis on the construction of credit risk management system, continuously improved the credit risk management system, mechanism construction and tool expansion, and continuously improved the quality of credit risk identification, monitoring, measurement, analysis and reporting. At the same time, the Group improved management functions and promoted management efficiency by promoting the development of credit risk management information system.

During the Reporting Period, the Group continuously strengthened the management and control of the whole business process before, during and after investment, and improved systems and mechanisms of credit risk management. The Group improved the rules of access management and strictly controlled the threshold of business access, according to the situation of the conduct of business. The Group actively responded to internal and external risk challenges, constantly strengthened risk monitoring and asset quality management and control, defined short-term and medium and long-term risk control objectives, formulated differentiated management policies, strengthened the supervisory function of the line management departments at headquarters, resolved and implemented the tasks on the principle of one policy for one account, enhanced the review of new risks, and strictly prevented asset quality from deteriorating. The Group further optimized the impairment measurement and internal rating model, and improved the system functions such as the early risk warning, project inspection and management of loans approaching due dates, so as to provide support and guarantee for the credit risk management.

During the Reporting Period, the Group actively carried out the risk disposal and resolution work, optimized the settings of the Asset Preservation Department, strengthened overall management of risk disposal work, promoted high-quality risk resolution focusing on the tasks of "reducing exposure, receiving cash, controlling distressed assets, and reducing losses". Actively using business meeting and technical consultation, management at an escalated level, listed supervision, list-based management and other work mechanisms, the Group promoted settlement and disposition work based on the risk profile of projects to intensify efforts on the risk resolution. In the whole year, the Group achieved positive results in risk disposal, with new highs recorded in the scale of risk exposure reduction and cash settlement as compared with the same period of previous years, and ultimate disposal conducted for a batch of key projects.

8.4.4 Market risk management

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

During the Reporting Period, the Group continuously enhanced the market risk management, improved the mechanism for market risk management, strengthened the tracking analysis and monitoring reports on market changes in stocks, bonds and foreign exchange and provided early warning and reminders for major risks.

With regard to stock risk, based on the analysis and forecast of the macroeconomic situation, market capital, financial regulatory policies, industrial development trends, corporate profitability, and other factors, the Group comprehensively analyzed and judged the capital market and the development trends of listed companies, conducted compliance and effective management of stock investment, and strictly complied with the regulatory requirements for disposal operations and public information disclosure. Meanwhile, through various means, including continuous market value monitoring, regular stress tests, market-oriented management via entrusting professional bodies and improvement of emergent risk disposal mechanism, the Group effectively managed and controlled risks to promote value preservation and appreciation of state-owned assets.

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

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

8.4.5 Liquidity Risk Management

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

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

The Group actively implemented the requirements of the regulatory authorities for liquidity management; adopted a centralized and unified liquidity management mechanism, and enhanced the initiative and forward looking of liquidity management to make sure the mismatch of the terms of assets and liabilities is maintained within an acceptable liquidity risk level. The Group improved a working capital planning system, refined the way of fund position management, rationalized the scale and structure of provision, and made full use of the internal fund transfer pricing system to speed up turnover of funds and improve the fund utilization efficiency. Besides, the Group constantly expanded financing channels and consolidated multi-term, multi-variety and market-oriented financing methods, which were mainly inter-bank loans and bond issuance, and complemented by interbank borrowing and pledge-style repo, to continuously optimize the financing structure and lengthen the duration of liabilities.

8.4.6 Operational risk management

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

During the Reporting Period, the Group further improved operational risk management system, strengthened operational risk appetite and limit management. Through daily business management activities, the Group dynamically and continuously monitored the quality of operational risk and its control and mitigation measures, so as to rapidly discover the issues from policy, process and internal control and to adopt relevant remedies. Combining with the self-assessment of the internal control system and taking the process as the link, the Group evaluated the risk level of key operational links in the core business and management process, the effectiveness of the control measures and the size of the residual risk, to ensure that operational risk in each process will be controlled effectively. By conducting operational risk stress tests, the Group conducted an assessment on its ability to withstand operational risks, further specified relevant management and control measures and strengthened the prevention and control of operational risk. Improving the business continuity management, the Company newly formulated the Standards for Business

Continuity Management of the Company (《公司業務連續性管理規範》) and conducted the rehearsal of critical business identification, influence analysis and business continuity, to further enhance the ability of the Company's business continuity management.

The Group attached great importance to the building of a legal risk prevention and control system covering all processes, all systems and all directions, continuously improved the legal work system, kept optimizing the legal review process, continuously strengthened legal due diligence investigation, contract management and litigation case management, intensified legal risk prevention and control and comprehensively prevented and controlled legal risks in business management activities.

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

8.4.7 Reputational risk management

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

During the Reporting Period, based on the management principles of proactiveness, prudence, full process and full coverage, the Group enhanced the sensitivity and initiative of reputational risk management, identified potential reputational risks in a timely manner, proactively took measures to prevent, control and resolve reputational risks, and established a full process management mechanism for reputational risks covering risk investigation, source prevention and control, public opinion monitoring, hierarchical handling and post-event summary, and an efficient operation system featuring "linkage and coordination between the headquarters and subsidiaries". During the Reporting Period, the Group appropriately and effectively responded to the key matters, encountered no material reputational risk, and maintained the overall stability of the public opinion environment, which practically maintained the reputation and brand image of the Company.

8.4.8 Internal control

During the Reporting Period, pursuing the objectives of efficient operations, reliable reports and compliant operations, the Group carried out self-assessment on internal control system and continued to improve the internal control system. The Board, Board of Supervisors, senior management, headquarters, branches, subsidiaries and other institutions of different levels, as well as the three lines of defense of internal control, consisting of operation management department, internal control management department and internal audit department, performed their own functions, to facilitate the achievement of the internal control goals. Details of the Group's internal control are set out in "12. Internal Control".

8.4.9 Internal audit

The Group has established an independent internal audit department. Under the leadership of the Company's Party Committee, the Board and its Audit Committee, the internal audit department is responsible for independent and objective supervision, evaluation and suggestions on conditions such as financial revenues and expenditures, operations, internal control, risk management, and the performance of economic responsibilities by main leadership of internal management.

During the Reporting Period, the internal audit personnel of the Group deeply understood the responsibilities and missions of audit work in the new era, continuously focused on the Company's strategic deployment, earnestly fulfilled its internal audit supervision responsibilities. The annual audit plan has been fully completed, the construction of the internal audit system was improved continuously, the depth of audit supervision was expanded continuously, with the approach of comprehensively coordinating internal audit management taking shape, continuously deepening the application of audit results, and strengthening the construction of the audit team, thus presenting a new look on the internal audit work.

The Group continued to improve the construction of the internal audit system, optimized the top-level design, formulated and issued the three-year development plan of internal audit. It implemented the regulatory requirements, organized and implemented special investigations on internal audit management, standardized the setting of audit institutions of branches and subsidiaries together with and organizing of the human resources department, solved the problem of project follow-up audit from the source, and vigorously improved the quality and efficiency of internal audit at the grass-roots level. The Company integrated and coordinated management requirements, creatively forming the Implementation Opinions on Centralized Management of Internal Audit, and establishing a centralized internal audit management mechanism. Centered on internal reform requirements, focusing on the overall situation serving by the Company's central work, the Group have continuously strengthened its management of the internal audit.

The Group fully performed the function of internal audit and supervision to serve the selection and employment of personnel, and efficiently implemented quitting audit. The Group highlighted the supervision of key areas and minority areas and thoroughly implemented the incumbent economic responsibility audit of the main persons in charge. The Group actively implemented supervision and the requirements of the Group to reduce costs and increase efficiency, and effectively carried out a series of special audit or special work, such as related party transactions, anti-money laundering and anti-terrorist financing, write-off of doubtful debts, design and implementation of remuneration system, technology outsourcing, internal control evaluation, case prevention assessment, and selection and management of intermediary agencies.

The Group strengthened audit rectification and application of results. Comprehensively benchmarked with CITIC Group's rectification management requirements, with improving the rectification quality and efficiency of issues found during the audit as a breakthrough point and enhancing the comprehensive effect of audit supervision as an objective, the Group consolidated the rectification responsibilities of all parties and strongly urged the discovery and rectification of problems. The Group explored to establish the mechanism for reporting and feedback of major audit reports to the Party Committee to further enhance the authority of auditing, at the same time, deepened the application and feedback of audit results, strengthened synergies with other supervision departments, and promoted the application of audit results in the appointment and dismissal and appraisal, rewards and punishments of officials, optimization of management, and prevention and mitigation.

8.4.10 Anti-money laundering management

The Group has strictly complied with the anti-money laundering and anti-terrorist financing laws and regulations, duly fulfilled relevant legal duty, continuously improved its anti-money laundering and anti-terrorist financing management system and working mechanism, so as to ensure effective enforcement of anti-money laundering and anti-terrorist financing laws and regulations and relevant rules of the Group. During the Reporting Period, based on risk self-assessment results of money laundering and terrorist financing, the Group formed a list of customer types and embedded it into the project system; continuously optimized the functions of the anti-money laundering management information system, strengthened the rigid control of the anti-money laundering process, optimized the system operating environment; actively carried out the publicity and training of anti-money laundering, organized and conducted anti-money laundering self-inspection and rectification, and effectively improved the level of money laundering risk management.

8.5 Capital Management

The Company earnestly implemented the spirit of the regulation, adhered to focusing on the core business and returning to the source, and continuously deepened the concept of capital constraint, optimized the capital management system according to the Capital Management Measures for Financial Asset Management Companies (Trial) (Yin Jian Fa [2017] No. 56) and other relevant regulations. In 2023, the Company actively sought special investment opportunities, focused on improving the quality and efficiency of risk mitigation, further optimized its business layout and asset structure, and took multiple measures to stimulate operational vitality and restore its financial position through methods such as resource allocation and management mechanism reform, so as to promote the improvement of endogenous capital accumulation capacity, improve capital adequacy, and consolidate the foundation for high-quality development.

As at December 31, 2022 and December 31, 2023, the capital adequacy ratios of the Company were 15.07% and 15.11%, respectively.

As at December 31, 2022 and December 31, 2023, the leverage ratios[3] of the Company were 16.1:1 and 11.5:1, respectively.

8.6 Development Outlook

Looking ahead to 2024, risks and uncertainties in global economic development will persist for a long time. Although the world economy avoided a severe recession in 2023, the recovery is sluggish. Against this background, global inflation has shown a downward trend, the growth rate of developed economies has further slowed down, emerging economies are facing differentiated growth prospects, and the possibility of a "soft landing" for the global economy is increasing. However, the pace of economic recovery is still slow.

The Central Economic Work Conference pointed out that the basic trend of China's economic recovery and long-term improvement has not changed. In 2024, China will adhere to the principle of "seeking progress while maintaining stability, promoting stability by making progress, and building the new before discarding the old", and introduce a series of policies conducive to stabilizing expectations, growth and employment, whereby the proactive fiscal policy should be appropriately strengthened for better quality and effect, and the prudent monetary policy should be flexible, appropriate, precise and effective to enhance the consistency of macro policy orientation. China will continue to lead the construction of a modern industrial system with scientific and technological innovation, focus on expanding domestic demand, deepen reforms in key areas,

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

expand high-level opening up, and continue to effectively prevent and resolve risks in key areas. China will persist in the work of "agriculture, rural areas and farmers", promote urban-rural integration and coordinated regional development, further promote the construction of ecological civilization and green and low-carbon development, and effectively guarantee and improve people's livelihood. It is expected that China's economic development will be more powerful, of higher quality and more resilient in 2024.

Through the lens of the distressed asset industry, with the gradual recovery of China's economy, the non-performing loan ratio of commercial banks is expected to further improve. However, the increase in the loan scale is driving the continuous increase in the supply scale of the distressed asset market. The Central Financial Work Conference has elevated finance to the level of national strategy for the first time, proposing to build a financial superpower, with emphasis on preventing and resolving risks, especially in the three major areas of real estate, local debt and small and medium-sized financial institutions. Financial asset management companies have special functions and a variety of tools to play an important role in the prevention and resolution of risks and the revitalization of inefficient resources. Regulatory authorities are expected to further strengthen policy support, and there is great potential for financial asset management companies to give full play to the advantages of their main business.

In 2024, the Company will fully follow the spirit of the 20th National Congress of the Communist Party of China and conscientiously implement the spirit of the Central Financial Work Conference, the Central Economic Work Conference and the Group's Annual Work Conference. On the one hand, the Company will seize development opportunities of the industry, take the initiative to lay out the "major non-performing" areas, strengthen the main business of distressed asset, continue to focus on increasing the income of the main business, accelerate the construction of the marketing body, and leverage CITIC Group's advantages in the parallel development of industry and finance to continuously enhance its ability to serve the real economy; on the other hand, the Company will improve the quality and efficiency of risk resolution, strengthen comprehensive risk control and active liquidity management, improve the level of standardized and refined management, and strive to build a benchmark for the distressed asset management industry. The Company will always adhere to the general tone of "seeking progress while maintaining stability, promoting stability by making progress, and building the new before discarding the old". With the development task of "implementing national strategies, serving the real economy and mitigating financial risks" and the development prospect of "focusing on the main business of distressed assets and building a first-class financial asset management company", the Company will build up its strength, take advantage of the momentum to embark on a new journey of "significantly improving quality and efficiency in three years" and strive to achieve the "One-Three-Five" strategic objectives.

9. Changes in Share Capital and Information on Substantial Shareholders

9.1 Changes in Share Capital

As of December 31, 2023, the share capital of the Company was as follows:

Class of Shares	Number of Shares	Approximate percentage to the total issued share capital
Domestic Share(s)	44,884,417,767	55.93%
H Share(s)	35,362,261,280	44.07%
Total	80,246,679,047	100.00%

9. Changes in Share Capital and Information on Substantial Shareholders

9.2 Substantial Shareholders

9.2.1 Interests and short positions held by the substantial shareholders and other parties

As at December 31, 2023, the Company received notices from the following persons about their disclosable interests or short positions held in the Company's Shares and underlying Shares pursuant to Divisions 2 and 3 of Part XV of the SFO, and such interests or short positions were recorded in the register kept pursuant to Section 336 of the SFO as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held or deemed to be held	Approximate percentage to the same class of share capital of the Company (%)[1]	Approximate percentage to the total share capital of the Company (%)[2]
CITIC Group Corporation[3]	Domestic Shares	Beneficial owner	21,230,929,783(L)	47.30(L)	26.46(L)
MOF[3]	Domestic Shares	Beneficial owner	7,493,684,063(L)	16.70(L)	9.34(L)
	H Shares	Beneficial owner	12,376,355,544(L)	35.00(L)	15.42(L)
China Life Insurance (Group) Company[4]	Domestic Shares	Beneficial owner	1,650,000,000(L)	3.68(L)	2.06(L)
	H Shares	Beneficial owner	1,960,784,313(L)	5.54(L)	2.44(L)
China Life Franklin Asset Management Co., Limited[4]	H Shares	Investment manager	1,960,784,313(L)	5.54(L)	2.44(L)
Warburg Pincus & Co.[5],[6]	H Shares	Interest of controlled corporation	2,060,000,000(L)	5.83(L)	2.57(L)
Warburg Pincus Financial International Ltd[5],[6]	H Shares	Beneficial owner	2,060,000,000(L)	5.83(L)	2.57(L)
China Insurance Rongxin Private Fund Co., Ltd.	Domestic Shares	Beneficial owner	14,509,803,921(L)	32.33(L)	18.08(L)
China Cinda Asset Management Co., Ltd.	H Shares	Beneficial owner	3,921,568,627(L)	11.09(L)	4.89(L)
National Council for Social Security Fund	H Shares	Beneficial owner	2,475,271,109(L)	7.00(L)	3.08(L)
Central Huijin Investment Ltd.[7]	H Shares	Interest of controlled corporation	1,960,784,313(L)	5.54(L)	2.44(L)
ICBC Financial Asset Investment Co., Ltd.[7]	H Shares	Beneficial owner	1,960,784,313(L)	5.54(L)	2.44(L)

Note: (L) refers to long position

Notes:

(1) Calculated based on 44,884,417,767 Domestic Shares or 35,362,261,280 H Shares in issue of the Company as at December 31, 2023.

(2) Calculated based on a total of 80,246,679,047 Shares in issue of the Company as at December 31, 2023.

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

(4) According to the Corporate Substantial Shareholder Notice from China Life Franklin Asset Management Co., Limited filed with the Hong Kong Stock Exchange on February 15, 2023 and to the knowledge of the Company, China Life Franklin Asset Management Co., Limited was appointed as an investment manager to manage 1,960,784,313 H Shares of the Company held by China Life Insurance (Group) Company.

(5) According to the Corporate Substantial Shareholder Notice from Warburg Pincus & Co., Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and WP XI International II Ltd filed with the Hong Kong Stock Exchange, respectively, on November 24, 2022, Warburg Pincus Financial International Ltd directly holds 2,060,000,000 H Shares of the Company. As WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P., Warburg Pincus International L.P. and Warburg Pincus Financial International Ltd are all corporations directly or indirectly controlled by Warburg Pincus & Co., therefore, for the purpose of the SFO, Warburg Pincus & Co., WP Global LLC, Warburg Pincus XI, L.P., Warburg Pincus Private Equity XI, L.P., Warburg Pincus International Capital LLC, WP XI International II Ltd, WP Financial L.P. and Warburg Pincus International L.P. are deemed to be interested in the long positions held by Warburg Pincus Financial International Ltd.

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

(7) According to the Corporate Substantial Shareholder Notice from Central Huijin Investment Ltd., Industrial and Commercial Bank of China Limited and ICBC Financial Asset Investment Co., Ltd. filed with the Hong Kong Stock Exchange, respectively, on November 28, 2022, ICBC Financial Asset Investment Co., Ltd. directly holds 1,960,784,313 H Shares of the Company. As ICBC Financial Asset Investment Co., Ltd. is a corporation directly or indirectly controlled by Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited, therefore, for the purpose of the SFO, both Central Huijin Investment Ltd. and Industrial and Commercial Bank of China Limited are deemed to be interested in the long positions held by ICBC Financial Asset Investment Co., Ltd.

9.2.2 Substantial Shareholders

During the Reporting Period, the details of the substantial Shareholders of the Company with shareholding of class of Shares over 5% are as follows:

CITIC Group Corporation

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

MOF

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

National Council for Social Security Fund

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

China Insurance Rongxin Private Fund Co., Ltd.

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

China Cinda Asset Management Co., Ltd.

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

China Life Insurance (Group) Company

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

Warburg Pincus LLC

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

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

ICBC Financial Asset Investment Co., Ltd.

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

10. Directors, Supervisors and Senior Management

10.1 Directors

During the Reporting Period and as of the Latest Practicable Date, details of the Directors of the Company were as follows:

No.	Name	Gender	Year of Birth	Position	Commencement Date of the Term of Office
Current Directors					
1	Liu Zhengjun	M	1965	Chairman of the Board and Executive Director	From April 2022
2	Li Zimin	M	1971	Executive Director and President	From January 2023
3	Zhao Jiangping	F	1965	Non-executive Director	From June 2020
4	Xu Wei	M	1980	Non-executive Director	From May 2022
5	Tang Hongtao	M	1972	Non-executive Director	From April 2023
6	Shao Jingchun	M	1956	Independent Non-executive Director	From November 2016
7	Zhu Ning	M	1973	Independent Non-executive Director	From March 2019
8	Chen Yuanling	F	1963	Independent Non-executive Director	From October 2020
9	Lo Mun Lam, Raymond	M	1953	Independent Non-executive Director	From December 2023
Resigned Directors					
1	Zheng Jiangping	M	1964	Non-executive Director	From June 2020 to January 2024
2	Tse Hau Yin	M	1948	Independent Non-executive Director	From March 2015 to December 2023

(1) Pursuant to the Articles of Association of the Company, the term of office of Directors shall be 3 years and Directors may be re-elected after the expiry.

(2) Mr. Li Zimin was appointed as the president of the Company as resolved by the Board of the Company on September 30, 2022, his term of office became effective from October 31, 2022 and was elected as the executive Director of the Company as considered and approved by the sixth extraordinary general meeting of Shareholders for 2022 of the Company on October 21, 2022, and his term of office became effective from January 19, 2023.

(3) Mr. Tang Hongtao was elected as the non-executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company on March 25, 2022, and his term of office became effective from April 28, 2023.

(4) Mr. Lo Mun Lam, Raymond was elected as an independent non-executive Director of the Company as considered and approved by the annual general meeting for 2022 of the Company on June 28, 2023, and his term of office became effective from December 24, 2023.

(5) Mr. Zheng Jiangping resigned as the non-executive Director and a member of the Strategy and Development Committee of the Board, Risk Management Committee of the Board, the Related Party Transaction Committee of the Board and the Nomination and Remuneration Committee of the Board of the Company on January 8, 2024. Mr. Zheng's resignation became effective on January 8, 2024.

(6) Mr. Tse Hau Yin resigned as an independent non-executive Director and the chairman of the Audit Committee of the Board, a member of each of the Strategy and Development Committee and the Related Party Transaction Committee of the Board of the Company on March 23, 2021. Mr. Tse's resignation became effective on December 24, 2023.

(7) Mr. Shao Jingchun resigned as an independent non-executive Director and the chairman of the Related Party Transaction Committee of the Board, a member of each of the Strategy and Development Committee and the Audit Committee and the Nominating and Compensation Committee of the Board of the Company on November 11, 2022. Mr. Shao's resignation shall be effective from the commencement of the term of office of the new independent non-executive Director.

10. Directors, Supervisors and Senior Management

10.1.1 Executive Directors

Mr. Liu Zhengjun has been the chairman of the Board and executive Director of the Company since April 2022 and the party committee secretary of the Company since March 2022. Mr. Liu formerly served as a staff member, deputy director and director of Jinan Regional Office (濟南特派員辦事處) of National Audit Office of the People's Republic of China ("CNAO"), deputy director of Department of Public Finance Audit of CNAO, director general and secretary of the party group of Changchun Regional Office (長春特派員辦事處) of CNAO, director general of Department of Non-profit Government Agencies Audit of CNAO, director general of Law Department of CNAO, and member of the party group of CNAO. From June 2019 to March 2021, Mr. Liu formerly served as a non-executive director of Asia Satellite Telecommunications Holdings Limited, and successively served as vice chairman and chairman of the board of directors thereof. From August 2019 to March 2021, he served as a non-executive director of CITIC Telecom International Holdings Limited. From September 2020 to March 2024, he served as the chairman of CITIC Trust Corporation Ltd. (中信信託有限責任公司). He is currently a member of the party committee, vice president and executive director of CITIC Group Corporation, the vice president and executive director of CITIC Limited, the vice president and executive director of CITIC Corporation Limited and the chairman of CITIC Construction Co., Ltd (中信建設有限責任公司). Mr. Liu graduated from School of Economics, Nankai University in finance with a Master's degree and Doctorate in economics.

Mr. Li Zimin has been an executive Director of the Company since January 2023 and the president of the Company since October 2022, and served as the deputy secretary of the party committee and senior economist of the Company since September 2022. Mr. Li started his career in CITIC Trust Co., Ltd. (中信信託有限責任公司) ("**CITIC Trust**") (formerly known as CITIC Industrial Trust Investment Corporation (中信興業信託投資公司) and CITIC Trust Investment Co., Ltd. (中信信託投資有限責任公司), respectively) in July 1994 and successively served as a salesman, project manager, the project manager, senior manager and expert of the annuity trust department, the head of the corporate integrated financial services team, the general manager of the investment banking department I and the business director. He served as a member of party committee, the deputy general manager, deputy secretary of party committee, general manager and director of CITIC Trust from April 2011 to October 2017, and concurrently served as the chairman of CITIC Tourism Group Co., Ltd. (中信旅遊集團有限公司) in August 2016. He served as the vice chairman, general manager and deputy secretary of party committee of CITIC Trust in October 2017, the vice chairman, general manager and secretary of party committee of CITIC Trust in October 2020. He ceased to concurrently serve as the chairman of CITIC Tourism Group Co., Ltd. in March 2021. He has served as a non-executive director of China Hongqiao Group Limited since January 2021 and a non-executive director of CITIC Limited since December 2023. Mr. Li obtained a bachelor's degree in economics from Beijing Institute of Economics (北京經濟學院) in July 1994, a master's degree in business administration from School of Economics and Management, Tsinghua University in January 2006, and a doctorate in management from School of Management, University of Chinese Academy of Sciences (中國科學院大學管理學院) in July 2015.

10. Directors, Supervisors and Senior Management

10.1.2 Non-executive Directors

Ms. Zhao Jiangping has been a non-executive Director of the Company since June 2020 and is a senior accountant. Ms. Zhao Jiangping started her career at the Central Enterprise Division of Shanxi Province commissioned by the Ministry of Finance in July 1988, successively serving as a staff member and a deputy chief staff member of the Central Enterprise Division of the Department of Finance of Shanxi Province commissioned by the Ministry of Finance from March 1989 to January 1995 (during which she worked as a member of the rural task team at Xiashen Village, Qi County, Shanxi Province from October 1989 to October 1990); a deputy chief staff member and a chief staff member of the Business Division I, a chief staff member of the office, the deputy director of the office, the director of the Business Division II, the director of the office, a member of the party group and a deputy inspector of the Shanxi Finance Ombudsman Office commissioned by the Ministry of Finance from January 1995 to April 2019. She has been a member of the party group of the Shanxi Regulatory Office of the Ministry of Finance from April 2019 to June 2020, successively serving as a deputy inspector and a level-two inspector. Ms. Zhao obtained a bachelor's degree in economics from the Department of Finance of Shanxi College of Finance and Economics, majoring in public finance.

Mr. Xu Wei has been a non-executive Director of the Company since May 2022. Mr. Xu joined Sinosteel Investment Co., Ltd. (中鋼投資有限公司) as a project manager of the M&A department in July 2005. He joined CITIC Group Corporation in August 2008 and served as a project manager, senior project manager and division director of the strategic development department, deputy general manager of Caspi Bitum JV LLP (裏海瀝青公司), and deputy general manager of JSC Karazhanbasmunai (卡拉贊巴斯石油公司). He joined CITIC Heavy Industries Co., Ltd. as a deputy general manager in May 2019. He has been the deputy general manager of the strategic development department of CITIC Group Corporation since March 2021. Mr. Xu graduated from the University of International Business and Economics majoring in business administration with a master's degree in management.

10. Directors, Supervisors and Senior Management

Mr. Tang Hongtao has been a non-executive Director of the Company since April 2023. Mr. Tang successively served as a staff member in the business department and a staff member in the management office of non-bank financial institutions of Heilongjiang Branch of the People's Bank of China, and a staff member in the management office of non-bank financial institutions of Harbin Central Sub-branch from July 1996 to September 2000. From September 2000 to February 2004, he successively served as a section-level cadre and the assistant director of the general office of the Harbin Special Commissioner's Office of the former China Insurance Regulatory Commission. From February 2004 to October 2018, he successively served as a director of the statistical research division, office director of the party committee and the director of the inspection division, the director of the personal insurance supervision division, member of the party committee, deputy head and secretary of the discipline inspection commission of the former China Insurance Regulatory Commission Heilongjiang Office. From October 2018 to September 2020, he successively served as member of the preparatory group, member of the party committee and deputy director of the former CBIRC Heilongjiang Office. From September 2020 to September 2022, he has been a member of the party committee and vice president of China Insurance Investment Co., Ltd. Since September 2022, he served as a member of the party committee, director and vice president of China Insurance Investment Co., Ltd. Mr. Tang holds double bachelor's degree in international economics and law from the Department of International Economics and Trade of Nankai University, and he is a senior economist.

10.1.3 Independent Non-executive Directors

Mr. Shao Jingchun has been an independent non-executive Director of the Company since November 2016. Mr. Shao served as a lecturer of the faculty of law of Peking University in 1988; a post-doctoral fellow of the European University Institute in 1989; a guest researcher of the European University Institute in 1990; Mr. Shao has been travelling, studying and conducting legal practice in Europe from 1991 to 1994. He was an associate professor of the faculty of law of Peking University in 1994; the director of international economic law department of the Law School of Peking University in 1996. He has been serving as a professor of Law School and doctoral supervisor of Peking University since 2001. He was the director of the international economic law institute of Peking University from 1997 to 2019, the honorary director of the international economic law institute of Peking University since 2019 and a director of WTO legal study center of Peking University from 2002 to 2018. Concurrently, Mr. Shao served as an arbitrator of China International Economic and Trade Arbitration Commission from 1995 to 2006, a counselor of All China Lawyers Association from 2003, an arbitrator/mediator of International Center for Settlement of Investment Disputes (ICSID) of the World Bank from 2004 to 2016, an English senior translator of the Commission of Legislative Affairs of the National People's Congress of the People's Republic of China from 2005, the vice director of the Institute of International Economic Law of China Law Society from 2005, the vice director of the World Trade Organization Institute of China Law Society from 2015 to 2018, the vice director of International Construction Law Association from 2015 and the vice director of China Association for Quality Promotion (CAQP) from 2016, the independent supervisor of China Suntien Green Energy Corporation Limited (a listed company on the Hong Kong Stock Exchange, stock code: 00956) from 2019, a member of Hainan Free Trade Port Legislative Advisory Committee from January 2021. Mr. Shao was admitted to the Law School of Peking University in 1978 and obtained the bachelor's degree in law, master's degree in law and doctor's degree in law of Peking University in 1982, 1985 and 1988, respectively.

Mr. Zhu Ning has been an independent non-executive Director of the Company since March 2019. Mr. Zhu served successively as an assistant professor, associate professor and tenured professor at the University of California (Davis), the United States of America from August 2003 to June 2010; a senior vice president and a quantitative strategies director at Lehman Brothers Asia Limited from July 2008 to October 2008; a general consultant and an executive director of the portfolio advisory team of Nomura International (Hong Kong) Limited from January 2009 to August 2010; a professor and the deputy director of Shanghai Advanced Institute of Finance (SAIF), Shanghai Jiao Tong University since July 2010; and a Chair Professor of Oceanwide Finance at PBC School of Finance, Tsinghua University and a deputy director of National Institute of Financial Research and the director of Center for Global Merger Acquisition and Restructuring at Tsinghua University during his sabbatical leave from July 2016 to June 2018. Mr. Zhu is currently also a distinguished professor of finance at Guanghua School of Management at Peking University and a faculty fellow at Yale University International Center for Finance. Mr. Zhu has been an independent non-executive director of China Asset Management (Hong Kong) Limited since March 2012, and an independent non-executive director of UTour Group Co., Ltd. (a company listed on Shenzhen Stock Exchange, stock code: 002707) from May 2018 to June 2021. Mr. Zhu served as an independent non-executive director of Healthcare Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 603313) from December 2012 to April 2017, an independent non-executive director of Everbright Securities Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 601788, and on the Hong Kong Stock Exchange, stock code: 06178) from February 2013 to September 2017, an independent non-executive director of China Guangfa Bank Co., Ltd. from March 2014 to June 2020, an independent non-executive director of Leshi Internet Information & Technology Corp., Beijing (a company listed on Shenzhen Stock Exchange, stock code: 300104) from October 2015 to April 2017, an independent non-executive director of Industrial Securities Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 601377) from February 2016 to December 2017. Mr. Zhu was also formerly a visiting scholar at Federal Reserve (Philadelphia), Federal Reserve Board of Governors and International Monetary Fund, and a senior visiting researcher at Advanced Research Institute of Waseda University. Mr. Zhu graduated from Yale University with a Ph.D. degree in Finance.

10. Directors, Supervisors and Senior Management

Ms. Chen Yuanling has been an independent non-executive Director of the Company since October 2020. Ms. Chen worked as a full-time lawyer in economy and finance from 1985 to 2010. She successively served as a lawyer and a partner in law firms such as DeHeng Law Offices in Beijing and Kangda Law Firm in Beijing, and she was a first-grade lawyer. Ms. Chen served as a non-executive director of China Construction Bank Corporation (a company listed on Shanghai Stock Exchange, stock code: 601939, and on the Hong Kong Stock Exchange, stock code: 00939) from June 2010 to June 2016, a non-executive director of New China Life Insurance Company Ltd. (a company listed on Shanghai Stock Exchange, stock code: 601336, and on the Hong Kong Stock Exchange, stock code: 01336) from March 2016 to June 2017, and a deputy general manager New China Asset Management Co., Ltd. from June 2017 to July 2019. Ms. Chen is currently a senior consultant in DeHeng Law Offices in Beijing. She served as an independent director of Heilongjiang Transport Development Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 601188) from February 2020 to February 2023. She has been an independent director of Guangxi Beibu Gulf Bank Co., Ltd. since December 2020, and an independent director of Bank of Jilin Co., Ltd. since August 2022. Ms. Chen once worked for Government of Jilin Province as a legal adviser, and acted as a mediator at China Council for the Promotion of International Trade and the Mediation Centre of China Chamber of International Commerce, a director of All China Lawyers Association, a member of the Finance Specialize Committee of All China Lawyers Association and an external expert of asset securitization of Shenzhen Stock Exchange. Ms. Chen graduated with a bachelor's degree from the Department of Law of Peking University and graduated from the in-service postgraduate program of Business School of Jilin University.

Mr. Lo Mun Lam, Raymond has been an independent non-executive Director of the Company since December 2023. Mr. Lo is currently a managing partner and an executive director of Amasse Capital Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 08168), an independent non-executive director of China Datang Corporation Renewable Power Co., Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01798), an independent non-executive director of Multifield International Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00898) and an independent non-executive director of Oriental Explorer Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00430). Mr. Lo served as an executive director and co-managing partner of South Asian Investment Management Company and served as an executive director and the licensee of SPDB International Holdings Limited, an investment bank of Shanghai Pudong Development Bank. Mr. Lo is licensed as a Responsible Officer by the Securities and Futures Commission of Hong Kong for providing Type 1 and 6 (advising on corporate finance) regulated activities advisory. He held directorate level and strategist positions with multinational financial and emerging companies internationally. Mr. Lo served as the chairman of the board of directors and an independent non-executive director of Luk Fook Holdings (International) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00590) from September 2004 to August 2013, the vice chairman and a non-executive director of Asian Capital Resources (Holdings) Limited (a company listed on the Hong Kong Stock Exchange, stock code: 08025) from June 2001 to May 2014, an independent non-executive director of Guangshen Railway Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00525) from June 2011 to May 2014, and an independent non-executive director of Shanghai Zendai Property Limited (a company listed on the Hong Kong Stock Exchange, stock code: 00755) from September 2002 to June 2015. Mr. Lo is a Chartered Accountant trained in England & Wales and Corporate Finance designate of the ICAEW (FCA/CF), a Canadian Chartered Accountant, a Chartered Surveyor (FRICS), a Chartered Arbitrator (FCIArb.), a Trust & Estate Practitioner (TEP) and the member of International Bar Association. Mr. Lo graduated from the University of Hong Kong and obtained a master's degree in law.

10.2 Supervisors

During the Reporting Period and as of the Latest Practicable Date, details of the Supervisors of the Company were as follows:

No.	Name	Gender	Year of Birth	Position	Commencement Date of the Term of Office
Current Supervisors					
1	Cheng Fengchao	M	1959	External Supervisor	Since June 2020
2	Han Xiangrong	M	1970	External Supervisor	Since June 2020
3	Sun Hongbo	F	1968	Employee Representative Supervisor	Since June 2020
4	Guo Jinghua	F	1966	Employee Representative Supervisor	Since May 2021
Resigned Supervisor					
1	Hu Jianzhong	M	1965	Chairman of the Board of Supervisors and Shareholders Representative Supervisor	From March 2020 to February 2024

(1) According to the Articles of Association, the term of office of Supervisors of the Company shall be 3 years. Supervisors may be re-elected after the expiry of the said term.

(2) On January 27, 2022, Mr. Cheng Fengchao resigned as an external supervisor and the chairmen of the Supervision Committee under the Board of Supervisors of the Company. Mr. Cheng's resignation will take effect upon the election of a new external supervisor to fill his vacancy at the general meeting of Shareholders.

(3) On February 23, 2024, Mr. Hu Jianzhong resigned as the Chairman of the Board of Supervisors and Shareholders Representative Supervisor of the Company. The resignation of Mr. Hu became effective on February 23, 2024.

10. Directors, Supervisors and Senior Management

Mr. Cheng Fengchao has been an external Supervisor of the Company since June 2020 and obtained the qualification of Chinese Certified Public Accountant in May 1997 and the qualification of Chinese Certified Public Valuator in December 2003. He was accredited as a researcher by the Senior Professional and Technical Title Evaluation Committee of the People's Bank of China in November 2016 and a senior accountant by Hebei Senior Accountant Evaluation Committee in July 1996. Mr. Cheng served as deputy director of Finance Bureau of Pingquan County in Hebei Province, deputy director of the Office of the Finance Department of Hebei Province, head of Hebei Certified Public Accountants, secretary general of Hebei Institute of Certified Public Accountants, deputy general manager of Shijiazhuang Office, general manager of Evaluation Management Department, general manager of Tianjin Office and general manager of Development Research Department of China Great Wall Asset Management Corporation, and non-executive director of Agricultural Bank of China Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01288, and on the Shanghai Stock Exchange, stock code: 601288). He served as non-executive director of Industrial and Commercial Bank of China Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01398, and on the Shanghai Stock Exchange, stock code: 601398) from March 2015 to April 2019; a supervisor of China Everbright Group Ltd. from January 2018 to March 2019; an independent non-executive director of Beijing GeoEnviron Engineering & Technology, Inc. (a company listed on the Shanghai Stock Exchange, stock code: 603588) from May 2019 to January 2022; and an independent non-executive director of Minmetals Capital Company Limited (a company listed on the Shanghai Stock Exchange, stock code: 600390) from May 2019 to May 2023. He has been the chairman of Zhongguancun Guorui Financial and Industrial Development Research Institute since May 2019; an external supervisor of Everbright Securities Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 06178, and on the Shanghai Stock Exchange, stock code: 601788) since December 2020; an independent non-executive director of Sinochem International Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600500) since November 2021; an independent non-executive director of PICC Property and Casualty Company Limited (a company listed on the Hong Kong Stock Exchange, stock code: 02328) since November 2022; and an independent non-executive director of China Minsheng Banking Corp., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 01988, and on the Shanghai Stock Exchange, stock code: 600016) since February 2024. Mr. Cheng is now a doctoral supervisor of Hunan University and a postgraduate supervisor of the Graduate School of the Chinese Academy of Social Sciences. Mr. Cheng graduated from Hunan University, majoring in management science and engineering, with a doctorate in management.

Mr. Han Xiangrong has been an external Supervisor of the Company since June 2020. Mr. Han once served as senior staff member of the Treasury Department of the Ministry of Finance, principal staff member, deputy director and investigator of the Financial Department of the Ministry of Finance, director of the Department for the Supervision of Use of Funds of the China Insurance Regulatory Commission and deputy director of the Department for the Supervision of Use of Insurance Funds of the China Insurance Regulatory Commission, member of the Party Committee and deputy director of the China Insurance Regulatory Commission, Liaoning Bureau; since March 2016, he has been the chairman of the board of directors of Funde Asset Management (Hong Kong) Company Limited. Mr. Han is currently vice chairman of Insurance Asset Management Association of China, chairman of real estate special committee of Insurance Asset Management Association of China, and chairman of Funde Equity Investment Fund Management (Shenzhen) Co., Ltd. Mr. Han graduated from Wuhan University, majoring in foreign history of economic thoughts, with a master's degree in economics.

10. Directors, Supervisors and Senior Management

Ms. Sun Hongbo has been an employee representative Supervisor of the Company since June 2020. She was accredited as an engineer by the Science and Technology Quality Center of the Internal Trade Bureau in January 1997, and received the Accountant Certificate of National Unified Examination issued by the Ministry of Finance in May 1999. Ms. Sun began her career in the Ministry of Commerce in August 1990, serving successively as the deputy director of the Science and Technology and Quality Bureau of the Ministry of Internal Trade, the State Internal Trade Bureau and the China General Chamber of Commerce until March 2001. Ms. Sun joined the Company in March 2001 and worked successively in the Equity Administration Department, Asset Management Department II, Business Review Department and Risk Management Department, and served successively as assistant to the general manager of the Business Review Department, the assistant to the general manager of the Risk Management Department, deputy general manager of the Risk Management Department, deputy director member of the Risk Executive Review Committee of China Huarong Financial Leasing Co., Ltd., deputy general manager of the Investment Business Department (International Business Department), deputy general manager of the Investment Business Department, deputy general manager of the Investment Development Department and risk director from June 2009 to April 2016. Ms. Sun served successively as the supervisor, director, deputy general manager (general manager level) and risk director of China Huarong Capital Management Co., Ltd., and concurrently served as deputy general manager of Investment Development Department and risk director of the Company from April 2016 to July 2019, and had been the general manager of the Audit Department of the Company from July 2019 to November 2022, and has been an employee representative supervisor since June 2020. Ms. Sun has the qualification in the securities industry. She graduated from Dongbei University of Finance & Economics with a bachelor's degree in economics, majoring in industrial and commercial administration. She later participated in the education of the equivalent degree in finance at Renmin University of China and obtained a master's degree in economics.

Ms. Guo Jinghua has been an employee representative Supervisor of the Company since May 2021, and was accredited as a senior economist by the Company in October 2001. Ms. Guo worked in the Industrial and Commercial Bank of China from July 1988 to November 1999 as the head of the Corporate Management Department of the Head Office and the deputy director of the Corporate Division of the Asset Risk Management Department. Ms. Guo joined the Company in November 1999, serving successively as the deputy director and the senior manager of the Equity Management Department, assistant to the general manager of the Operation Management Department, assistant to the general manager and the deputy general manager of the Beijing Office, the deputy general manager of the Operation Management Department, the deputy general manager of the Business Development Department, the deputy general manager of the Risk Management Department, the deputy general manager of the Asset Management Department, the deputy general manager (in charge of work) and the general manager of the Customer Marketing Department, the director of the Listing Office, the general manager of the Business Evaluation Department, the director of the Board Office, the general manager of the Internal Control and Compliance Department, and the executive vice chairman of the Labor Union Committee since March 2021, and the general manager of Party-mass work department (labor union office) since February 2023. Ms. Guo graduated with a bachelor's degree in arts and a master's degree in economics from Department of Chinese Language and Literature of Peking University and Department of Finance of Central University of Finance and Economics, respectively.

10.3 Senior Management

During the Reporting Period and as of the Latest Practicable Date, details of senior management of the Company were as follows:

No.	Name	Gender	Year of Birth	Position	Commencement Date of the Term of Office
Current Senior Management					
1	Li Zimin	M	1971	President	Since October 2022
2	Zhu Wenhui	M	1978	Vice President, Chief Financial Officer	Since June 2022
3	Xu Jiongwei	M	1975	Vice President	Since March 2024
4	Cao Yan	M	1977	Senior Management	Since April 2022
5	Wen Jinxiang	M	1964	Assistant to President Chief Risk Officer	Since August 2022 Since November 2023
6	Gao Gan	M	1967	Assistant to President	Since July 2019
7	Yuan Caiping	M	1965	Assistant to President	Since November 2023
8	Wang Yongjie	M	1979	Secretary to the Board	Since November 2023
9	Liu Zeyun	M	1971	Assistant to President	Take effect from the date of approval by the NFRA
Resigned Senior Management					
1	Yang Pei	F	1963	Assistant to President	From July 2019 to May 2023

(1) Mr. Liu Zeyun was appointed as the assistant to the President of the Company by the Board of the Company on March 28, 2024. His term of office shall take effect from the date of approval by the NFRA and is subject to the Company's announcement.

(2) On May 12, 2023, Ms. Yang Pei resigned as an assistant to president and chief risk officer of the Company. The resignation of Ms. Yang became effective on May 12, 2023.

10. Directors, Supervisors and Senior Management

Mr. Li Zimin has been the president of the Company since October 2022, and has been an executive Director of the Company since January 2023. Details of the biography of Mr. Li are set out in "10.1.1 Executive Directors".

Mr. Zhu Wenhui has been the vice president, the chief financial officer of the Company since June 2022, and is a senior economist, a certified practising accountant of Australia. Mr. Zhu worked as a project manager of the Finance Department of CITIC Group Corporation from June 2000 to March 2010; and as a project manager of CITIC Australia Pty Limited from March 2010 to September 2013; he successively took the positions of the senior project manager, senior executive and director of the Finance Department of CITIC Group Corporation from September 2013 to September 2017; he successively took the positions of director and assistant to the general manager of the Treasury Department of CITIC Group Corporation from September 2017 to March 2021; he has served as deputy general manager of the Finance Department of CITIC Group Corporation from March 2021 to March 2022; he has served as a director of each of CITIC Industrial Investment Group Corp., Ltd., CITIC Engineering Design & Construction Co., Ltd. and CITIC Press Corporation from August 2021 to September 2022. Mr. Zhu has been a non-executive director of China Everbright Bank Company Limited since August 2023. Mr. Zhu holds a master's degree in economics from Peking University and a master's degree in Business Administration from Lancaster University in the United Kingdom.

10. Directors, Supervisors and Senior Management

Mr. Xu Jiongwei has served as the vice president of the Company since March 2024. Mr Xu started his career in the investment banking division of Huaxia Securities Co., Ltd. (華夏證券股份有限公司) in July 1997; he joined the investment banking division of CSC Financial Co., Ltd. (中信建投証券股份有限公司) in December 2005, and successively served as a senior business director, senior manager, assistant to the general manager, business director, executive general manager, managing director of the investment banking division from December 2005 to October 2019; Mr. Xu served as the chairman of China Securities Investment Co., Ltd. (中信建投投資有限公司) ("**China Securities Investment**") from October 2019 to December 2023; he has also served as the Party branch secretary of China Securities Investment from March 2020 to October 2023; he also served as the general manager of China Securities Investment from December 2020 to June 2022. Mr. Xu graduated from Fudan University majoring in accounting with a bachelor's degree in economics in July 1997.

Mr. Cao Yan has served as a member of Senior Management of the Company since April 2022. Mr. Cao enlisted in the Air Force Institute of Political Studies in September 1996, then he successively served as an officer of the Political Department of the Navy Weihai Coastal Guard Area; file assistant, officer and secretary of Discipline Inspection Department of the PLA General Political Department; secretary of General Office of the Central Military Commission's Discipline Inspection Commission, deputy director of the Inspection Department of CITIC Group Corporation and office director of Discipline Inspection and Supervision Team accredited to CITIC Group Corporation by the CPC Central Committee for Discipline Inspection and the National Supervisory Commission of PRC. Mr. Cao is a member of Communist Party of China and has a bachelor's degree.

10. Directors, Supervisors and Senior Management

Mr. Wen Jinxiang has been the assistant to the president since August 2022, and has been the chief risk officer and the senior economist of the Company since November 2023. In August 1985, he worked in Jiangsu Commerce College. He worked at Suzhou Branch of CITIC Industrial Bank in February 1993 and successively served as a staff member of Capital Department and deputy manager of the Credit Review Department. He served as the vice president of Suzhou Branch in February 2000, a member of the Party committee and vice president of Suzhou Branch in January 2005, the deputy secretary of the Party committee and vice president of Dalian Branch in May 2005, general manager of the Corporate Banking Department of China CITIC Bank in March 2007, during which he also had concurrently served as general manager of the Small-Enterprise Financial Center from June 2009 to May 2010; the secretary of the Party committee of Suzhou Branch of China CITIC Bank in May 2013; the secretary of the Party committee as well as the president of Suzhou Branch in August 2013. Since January 2019, Mr. Wen has successively served as general manager of Shanghai Auditing Center of the Auditing Department of China CITIC Bank (general manager level at first-tier department), general manager of Strategic Account Department and general manager of Credit Approval Department, during which he also had concurrently served as general manager of the Legal Security Department from November 2021 to January 2022. Mr. Wen served as general manager of Credit Administration Department from January 2022 to August 2022. Mr. Wen obtained his master's degree in Economics in July 1991.

Mr. Gao Gan has been the assistant to the President of the Company since July 2019. He obtained the qualification as senior economist from the Company in October 2001. He started his career at Industrial and Commercial Bank of China Head Office in July 1989, successively serving as head of the general division and deputy director of the general management division in Administrative Office of Industrial and Commercial Bank of China from September 1997 to January 2000. In January 2000, Mr. Gao joined the Company, and successively served as deputy director, senior manager and director assistant at the President's Office from January 2000 to April 2002; successively as deputy general manager and deputy general manager (in charge) of the Asset Management Department II from April 2002 to July 2006; as general manager of the Shenyang office from July 2006 to October 2008; and as director of the restructuring office of China Huarong Asset Management Corporation from October 2008 to March 2009. He served as president of Huarong Real Estate Co., Ltd. (currently known as Huarong Industrial Investment & Management Co., Ltd. (華融實業投資管理有限公司)) from March 2009 to August 2012, as well as general manager of the Equity Management Department of the Company (renamed Equity Business Department in September 2013) from August 2012 to October 2019, during which he served as chairman of Huarong Ruitong Equity Investment Co., Ltd. from January 2017 to October 2019, and as chairman of Huarong Real Estate Co., Ltd. (currently known as Huarong Industrial Investment & Management Co., Ltd.) from July 2018 to July 2019 and has been concurrently serving as chairman of Huarong (HK) Industrial and Financial Investment Limited from July 2018 to March 2021. Mr. Gao graduated from Peking University in July 1989 with a bachelor's degree in history and graduated from the School of Economics and Management of Tsinghua University in January 2005 with an MBA degree.

10. Directors, Supervisors and Senior Management

Mr. Yuan Caiping has been the assistant to the President and accountant of the Company since November 2023. Mr. Yuan started his career in the Tax Bureau of Suqian, Jiangsu Province in July 1986. He participated in the preparation of Suqian Sub-branch of Bank of China in Jiangsu Province in May 1988, and successively served as deputy head of Credit Division and head of Account Division. He successively served as vice president (in charge of work) and president of Shuyang Sub-branch under Suqian Branch of Bank of China from March 1997 to January 2002; member of the Party Committee, member of the Party Committee and vice president of Suqian Branch of Bank of China in Jiangsu Province from March 2002 to June 2007; president of Jiangning Sub-branch of Bank of China in Nanjing, Jiangsu Province, secretary of the Party Committee and president of Xuzhou Branch of Bank of China in Jiangsu Province, secretary of the Party Committee and president of Yangzhou Branch of Bank of China in Jiangsu Province from June 2007 to October 2016; member of the Party Committee and secretary of Committee of Discipline of Hubei Branch of Bank of China in October 2016. He was re-designated as the head of Jiangsu Branch of the Company in July 2020, and served as the secretary of the Party Committee and general manager of Jiangsu Branch of the Company from October 2020 to July 2023. Mr. Yuan obtained an executive master of business administration from Zhongnan University of Economics and Law in June 2009.

Mr. Wang Yongjie has been the secretary to the Board since November 2023 and is a certified public accountant, and started his career at the Department of Finance under the Ministry of Finance in August 2004, successively served as a deputy chief staff member of the Financial Division IV, a deputy chief staff member, chief staff member and deputy director of the Government Loan Division I of the Department of Finance under the Ministry of Finance from August 2005 to February 2012; deputy director in the General Office of the Ministry of Finance from March 2012 to August 2013; deputy director and investigator of the Financial Division II, second grade investigator and first grade investigator of the Financial Property Division of the Department of Finance under the Ministry of Finance from September 2013 to July 2023. Mr. Wang obtained his master's degree of Economics from Central University of Finance and Economics in August 2004, and obtained a master of science from Alliance Manchester Business School, UK in November 2009.

Mr. Liu Zeyun[4], started his career in CITIC Bank (previously known as CITIC Industrial Bank) and served as a staff of the trade settlement department (貿清部) of the head office in August 1996, and successively a staff, deputy chief and chief of secretarial section (文秘科) of the office of business department of the head office since January 1999. He successively served as an office secretary of the head office, the manager of the interbank and investment banking business management department (同業及投資銀行業務管理部), and the head of the asset preservation department (資產保全部) from February 2001 to April 2006; successively the deputy general manager and general manager of the international settlement department of the international business department of the head office from April 2006 to February 2008; successively an assistant to general manager, deputy general manager and deputy general manager (in charge of work) of the international business department of the head office from February 2008 to April 2013. He successively served as the deputy general manager (in charge of work) and general manager of the asset custody department of the head office from April 2013 to January 2016; the general manager of the international business department of the head office in January 2016, concurrently a director of CITIC Financial Leasing Co., Ltd. in December 2016, concurrently the general manager of the international business operation center (國際業務運營中心) of the head office from June 2017 to November 2018, and concurrently a director of JSC Altyn Bank in June 2018. He served as the secretary of the Party Committee and performed duties of the president of Qingdao Branch of CITIC Bank in November 2018, and served as the secretary of the Party Committee and the president of Qingdao Branch of CITIC Bank in May 2019. Mr. Liu no longer concurrently served as a director of JSC Altyn Bank in March 2024. He has successively served as the secretary of the Party Committee and executive director of China Huarong International Holdings Limited since January 2024. Mr. Liu graduated from Chinese Academy of Fiscal Sciences majoring in finance, and obtained a doctorate in economics.

4 Mr. Liu Zeyun was appointed as the assistant to the President of the Company by the Board of the Company on March 28, 2024. His term of office shall take effect from the date of approval by the NFRA and is subject to the Company's announcement.

10.4 Changes in Directors, Supervisors and Senior Management

10.4.1 Changes in Directors

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

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

On May 25, 2023, the Board of the Company re-nominated Ms. Zhao Jiangping for non-executive Director of the Company and Mr. Zhu Ning and Ms. Chen Yuanling for independent non-executive Directors of the Company, and on June 28, 2023, their reappointments were approved by the shareholders of the Company at the 2022 annual general meeting. For details, please refer to the announcements and circulars of the Company published on May 25, 2023 and June 28, 2023.

On May 25, 2023, Mr. Lo Mun Lam, Raymond was nominated as an independent non-executive Director of the Company by the Board of the Company. On June 28, 2023, Mr. Lo Mun Lam, Raymond was elected as an independent non-executive Director of the Company as considered and approved by the 2022 Shareholders' general meeting of the Company. On November 15, 2023, Mr. Lo Mun Lam, Raymond was appointed as a member of each of the Strategy and Development Committee, the Related Party Transaction Committee of the Board and the chairman of the Audit Committee of the Board. On December 24, 2023, Mr. Lo Mun Lam, Raymond performed his duties upon the approval of his qualifications as a director by the NFRA. For details, please refer to the announcements and circulars of the Company published on May 25, 2023, May 29, 2023, June 28, 2023, November 15, 2023, and December 26, 2023.

On March 23, 2021, Mr. Tse Hau Yin resigned as the independent non-executive Director, the member of the Strategy and Development Committee of the Board, the member of the Related Party Transaction Committee of the Board and the chairman of the Audit Committee of the Board of the Company. The resignation of Mr. Tse became effective on December 24, 2023. For details, please refer to the announcements of the Company published on March 23, 2021, May 25, 2023 and December 26, 2023.

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

On November 11, 2022, Mr. Shao Jingchun resigned as the independent non-executive Director, the chairman of the Related Party Transaction Committee of the Board and the member of each of the Strategy and Development Committee and the Audit Committee as well as the Nomination and Remuneration Committee of the Board of the Company. His resignation would take effect when a new independent non-executive Director officially assumed his/her duties. For details, please refer to the announcement of the Company published on November 11, 2022.

10.4.2 Changes in Supervisors

On January 27, 2022, Mr. Cheng Fengchao resigned as an external supervisor and chairman of the Supervision Committee under the Board of Supervisors of the Company due to change of his work arrangements. Mr. Cheng's resignation will be effective upon the election of a new external supervisor to fill his vacancy at the general meeting. For details, please refer to the announcement of the Company published on January 27, 2022.

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

10.4.3 Changes in Senior Management

On July 11, 2023, the Board of the Company appointed Mr. Wen Jinxiang as the chief risk officer of the Company. On November 15, 2023, Mr. Wen performed his duties upon the approval of his qualification as the chief risk officer by the NFRA. For details, please refer to the announcements of the Company published on July 11, 2023 and November 27, 2023.

On July 11, 2023, the Board of the Company appointed Mr. Yuan Caiping as the assistant to the President of the Company. On November 21, 2023, Mr. Yuan performed his duties upon the approval of his qualification as the assistant to the President by the NFRA. For details, please refer to the announcements of the Company published on July 11, 2023 and November 27, 2023.

On July 11, 2023, the Board of the Company appointed Mr. Wang Yongjie as the secretary to the Board and the joint company secretary of the Company. On November 21, 2023, Mr. Wang performed his duties upon the approval of his qualification as the secretary to the board of directors by the NFRA. For details, please refer to the announcements of the Company published on July 11, 2023 and November 27, 2023.

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

On March 28, 2024, the Board of the Company appointed Mr. Liu Zeyun as the assistant to the president of the Company. His term of office shall take effect from the date of approval by the NFRA. For details, please refer to the announcement of the Company published on March 28, 2024.

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

10.4.4 Annual Remuneration

10.4.4.1 Remuneration of Directors, Supervisors and senior management

Details of the remuneration of the Directors, Supervisors and senior management of the Company are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 17. Emoluments of directors and supervisors". The remuneration of the above Directors, Supervisors and senior management of the Company for 2023 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. Further disclosure will be made when the final compensation packages are determined.

10.4.4.2 Highest paid individuals

Details of the emoluments of the five highest paid individuals of the Company during the Reporting Period are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 18. Five highest paid individuals".

11. Corporate Governance Report

11.1 Summary of Corporate Governance

During the Reporting Period, in compliance with the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Listing Rules and other relevant laws and regulations, regulatory documents and the Articles of Association, the Company constantly enhanced its corporate governance structure construction and mechanism construction to improve corporate governance level, strengthened internal control and management, improved the overall risk management system, standardized information disclosure and improved the level of investor relations management. These actions boosted the implementation of major strategies, maintained healthy and sustainable development of the Company, and created fruitful returns for the shareholders.

11.1.1 Corporate Governance Code

During the Reporting Period, the Board has reviewed the disclosures in the Corporate Governance Report, and confirmed that the Company had complied with the code provisions of the Corporate Governance Code contained in Appendix C1 of the Listing Rules and adopted the best practices applicable therein according to actual situations.

During the Reporting Period, the Board of the Company performed the following corporate governance functions through the special committees of the Board: First, it continuously assessed and improved the state of corporate governance, including carrying out corporate governance assessment under the domestic regulatory requirements and strictly meeting the requirements of corporate governance in its work. Second, it intensified training of Directors and senior management and their professional development. Third, it conducted the assessment of substantial shareholders and major shareholders. According to the regulatory system, the Company consists of four substantial shareholders and major shareholders which are CITIC Group, the MOF, China Insurance Rongxin Fund and China Life Insurance respectively. After evaluation, the qualifications of the four shareholders above have been approved by the financial supervision and regulation department, and their actions have complied with the provisions and requirements of laws and regulations, regulatory rules and the Articles of Association. Fourth, it amended relevant provisions of the Articles of Association in conjunction with the proposed change of name of the Company.

11.1.2 Corporate Culture

We take "implementing national strategies, serving the real economy, and defusing financial risks" as our development mission, "focusing on the main business of non-performing assets, and building a first-class financial asset management company" as our development vision, and "being faithful, responsible, pragmatic, and dedicated" as our corporate culture concept.

11.1.3 Amendment of the Articles of Association

During the Reporting Period, pursuant to the overall strategic planning and positioning of the Company, and in order to further enhance its brand influence, the Company changed its name in both English and Chinese and amended relevant provisions of the Articles of Association accordingly. The amended Articles of Association will take effect on the date when the change of company name comes into effect. For details, please refer to the announcement dated November 15, 2023, the notices and circulars of the extraordinary general meeting of Shareholders dated November 28, and the announcement published on January 25, 2024.

11.2 Shareholders' General Meetings

11.2.1 Responsibilities of the Shareholders' General Meeting

The Shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers: (1) to decide the Company's operating policies and annual investment plans; (2) to elect and replace the Directors and Supervisors who are not representative of the employees of the Company and to determine the emoluments of Directors and Supervisors; (3) to consider and approve the reports of the Board; (4) to consider and approve the reports of the Board of Supervisors; (5) to consider and approve the annual financial budget and final accounts of the Company; (6) to consider and approve the profit distribution plan and loss recovery plan of the Company; (7) to consider and approve any motion raised by Shareholder(s), individually or jointly holding 3% or more of the total issued Shares of the Company with voting rights; (8) to resolve on any increase or decrease in registered capital of the Company; (9) to resolve on the issuance of corporate bonds, any class of Shares, warrants or other marketable securities of the Company and their listing; (10) to resolve on matters related to merger, division, dissolution, liquidation or change of organization of the Company; (11) to amend the Articles of Association, the rules of procedures of the Shareholders' general meeting, and of the meetings of the Board and the Board of Supervisors; (12) to decide the engagement, dismissal or termination of appointment of accounting firms of the Company responsible for the regular statutory audit for the financial reports of the Company; (13) to resolve on the repurchase of the Shares of the Company due to the circumstances in Clauses (1) and (2) of Paragraph 1 of Article 28 of the Articles of Association; (14) to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges, mortgage and guarantee of assets, purchase and disposal of fixed assets, disposal of DES Assets, write-off of assets, major decisions of legal corporations and donations of the Company; (15) to consider and approve matters in relation to the change of use of the raised funds; (16) to consider and approve share incentive schemes; (17) to consider and approve any purchase or disposal of major assets or provisions of guarantees with aggregate value of more than 30% of the total assets of the Company within a period of a year; (18) to consider and approve related party transactions required to be considered and approved by Shareholders' general meeting under the laws, regulations, regulatory documents and relevant requirements of the securities regulatory authorities of the place(s) where the Company's Shares are listed and the Articles of Association; (19) to consider and approve the liability insurance of Directors and Supervisors; and (20) to consider and approve all other matters which are required to be determined by Shareholders' general meeting under the laws, regulations, regulatory documents, relevant requirements of the securities regulatory authorities of the place(s) where the Company's Shares are listed and the Articles of Association.

11.2.2 Details of Shareholders' General Meetings

During the Reporting Period, the Company held three Shareholders' general meetings in Beijing, including one annual general meeting and two extraordinary general meetings, which considered and approved 19 resolutions, and heard one report. The Company strictly complied with the legal procedures applicable to Shareholders' general meetings which Shareholders or their proxies attended and exercised their rights. The Company engaged PRC legal counsels to attend and witness Shareholders' general meetings and to provide legal opinion. Material matters include: consideration and approval of the final account plan of the Company for 2022; consideration and approval of the profit distribution plan of the Company for 2022; consideration and approval of the work report of the Board and the work report of the Board of Supervisors for 2022; consideration and approval of the change in the Company's name; consideration and approval of the amendment of the Articles of Association and others.

11.2.3 Shareholders' Rights

11.2.3.1 Right to propose to convene extraordinary general meeting

Shareholders who individually or jointly hold 10% or more of the Shares of the Company with voting rights shall have the right to request the Board to convene an extraordinary general meeting or class meeting in writing. The Board shall reply in writing as to whether or not it agrees to convene such extraordinary general meeting within 10 days upon receipt of the proposal in accordance with laws, regulations, regulatory documents and the Articles of Association. If the Board agrees to convene an extraordinary general meeting or class meeting, a notice of such meeting shall be issued within 5 days after the resolution of the Board is passed. If the Board does not agree to convene an extraordinary general meeting or class meeting, or fails to give its response within 10 days upon receipt of the proposal, the requesting Shareholders may propose to the Board of Supervisors to convene an extraordinary general meeting or class meeting in writing. If the Board of Supervisors agrees to convene an extraordinary general meeting, a notice of such meeting shall be issued within 5 days upon receipt of the proposal. If the Board of Supervisors does not issue the notice of such meeting within the prescribed period, it shall be deemed that the Shareholders' general meeting will not be convened and presided over by the Board of Supervisors. In such circumstances, Shareholders who individually or jointly hold 10% or more of the Company's total Shares with voting rights for not less than 90 consecutive days may have the discretion to convene and preside over the meeting.

11.2.3.2 Right to submit proposals at the Shareholders' general meeting

Shareholders holding 3% or more, individually or jointly, of the Shares with voting rights of the Company shall have the right to submit proposals to the Company in writing. The Company shall include such proposals within the scope of authority of the Shareholders' general meeting in the agenda of such meeting. Shareholders holding 3% or more, individually or jointly, of the Shares with voting rights of the Company shall have the right to submit interim proposals in writing 10 days before the Shareholders' general meeting to the convener of such meeting. The convener shall issue supplemental notice within 2 days upon receiving such proposals to notify other Shareholders of the interim proposals, and include such proposals within the scope of authority of the Shareholders' general meeting, which contain specific topics for discussion and resolutions of specific issues, in the agenda of such meeting.

11.2.3.3 Right to propose to convene extraordinary meeting of the Board

The chairman of the Board shall issue a notice to convene an extraordinary meeting of the Board within 10 days from the date of receipt of the request of the Shareholders who, individually or jointly, hold 10% or more of the Shares with voting rights of the Company.

11.2.3.4 Right to submit proposals for Board meetings

Shareholders who individually or jointly hold 10% or more of the Shares with voting rights may submit proposals to the Board.

11.2.3.5 Shareholders' right to raise proposal and enquiry

Shareholders shall have the right to supervise the Company's business operation, and to present proposals or to raise enquiries. Shareholders are entitled to inspect the Articles of Association, the register of members, the state of Company's share capital and minutes of Shareholders' general meetings of the Company. Shareholders may raise their enquiry or proposal to the Board Office by mail to the registered address of the Company, or by email to the Company. In addition, Shareholders may contact Computershare Hong Kong Investor Services Limited, the share registrar of the H Shares of the Company, regarding any enquiry on shares or rights (if any), the contact information of which is set out in Corporate Information in this annual report.

11.2.3.6 Other rights

Shareholders shall have the right to dividends and other distribution in proportion to the number of Shares held and other rights conferred by the laws, regulations, regulatory documents and the Articles of Association.

11.2.4 Attendance of Directors at Shareholders' General Meetings

Directors' attendance at Shareholders' general meetings in 2023 is set out in the following table:

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Director		
Liu Zhengjun	3/3	100%
Li Zimin	3/3	100%
Non-executive Director		
Zhao Jiangping	3/3	100%
Zheng Jiangping	2/3	67%
Xu Wei	3/3	100%
Tang Hongtao	3/3	100%
Independent non-executive Director		
Shao Jingchun	3/3	100%
Zhu Ning	1/3	33%
Chen Yuanling	3/3	100%
Lo Mun Lam, Raymond	N/A	N/A
Director resigned during the Reporting Period		
Tse Hau Yin	3/3	100%

Notes:

1. Changes in Directors are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management".

2. Attendance includes on-site attendance and attendance by telephone or by video conference.

3. Attendance rate is the percentage of the number of meetings attended to the number of meetings required to attend.

4. Attendance rate is not applicable to Mr. Lo Mun Lam, Raymond because the Company did not hold any relevant meetings during his tenure.

11.2.5 Independence from Controlling Shareholder

The Company is independent from its controlling shareholder in operation, personnel, assets, organization and finance. The Company is an independent legal person and is financially independent. The Company has its own independent and complete business and can operate independently.

11.3 Board of Directors

11.3.1 Composition and Responsibilities of the Board

As of the Latest Practicable Date, the Board had nine Directors, including two executive Directors, namely Mr. Liu Zhengjun (chairman) and Mr. Li Zimin (president); three non-executive Directors, namely Ms. Zhao Jiangping, Mr. Xu Wei and Mr. Tang Hongtao; and four independent non-executive Directors, namely Mr. Shao Jingchun, Mr. Zhu Ning, Ms. Chen Yuanling and Mr. Lo Mun Lam, Raymond. The term of office of the Directors is three years and the Directors are eligible for re-election upon the expiration of the term.

During the Reporting Period and to the date of publication of this annual report, the Board has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules, pursuant to which the Board must have not less than three independent non-executive Directors and at least one of the independent non-executive Directors has the requisite appropriate professional qualification or accounting or the same financial management expertise. Meanwhile, the Company has also complied with Rule 3.10A of the Listing Rules which stipulates that the number of independent non-executive Directors appointed by a listed company shall not be less than one third of the Board.

The Company has established relevant mechanisms to ensure that independent views and opinions are available to the Board, including but not limited to checking from time to time that independent non-executive Directors have appropriate qualifications and professional skills and have committed sufficient time to the Group, that the number of independent non-executive Directors has complied with the Listing Rules, and that channels have been established (including but not limited to questionnaires or Board meetings) to assess independent non-executive Directors' contributions and opinions. The Board will review the implementation and effectiveness of the mechanism annually.

The Board is accountable to the Shareholders' general meeting in accordance with the Articles of Association. The major duties of the Board include: (1) to convene and report its work to the Shareholders' general meeting; (2) to implement the resolutions of the Shareholders' general meeting; (3) to determine the operation plans, development strategies and investment proposals of the Company and supervise the implementation thereof; (4) to formulate capital plans; (5) to formulate annual financial budget and final accounts of the Company; (6) to formulate profit distribution plan and loss recovery plan of the Company; (7) to formulate proposals for increases or reductions of the registered capital of the Company; (8) to formulate plans for the merger, division, changes of organization and dissolution of the Company; (9) to formulate proposals for the issuance of corporate bonds, any classes of Shares, warrants or other marketable securities by the Company and its listing; (10) to formulate plans for the repurchase of Shares of the Company under the circumstances set out in (1) and (2) of paragraph 1 of Article 28 of the Articles of Association; (11) to resolve on the repurchase of Shares of the Company under the circumstances set out in (3), (5) and (6) of paragraph 1 of Article 28 of the Articles of Association; (12) to formulate the amendments to the Articles of Association, the rules of procedures of the Shareholders' general meeting and Board meeting; (13) to consider and approve the terms of reference of the president submitted by the president; (14) to appoint or remove the president of the Company and the secretary to the Board; (15) to appoint or remove vice president and other senior management members (excluding secretary to the Board) as nominated by the president; (16) based on the proposal of Shareholders individually or jointly holding 10% or more Shares of the Company with voting rights, chairman of the Board and at least one-third of the Directors, to elect the chairman and members of the Nomination and Remuneration Committee; based on the nomination of the Nomination and Remuneration Committee, to elect the chairman (other than the chairman of the Strategy and Development Committee) and members of other special committees of the Board; (17) to propose the performance appraisal system and remuneration packages for Directors to the Shareholders' general meeting for approval; (18) to determine the compensation, performance appraisal, incentive and punishment of the senior management members and director of the internal audit department of the Company; (19) to formulate the basic management system of the Company; to determine the risk management, compliance and internal control policies of the Company and formulate systems in relation to internal control and compliance management as well as internal audit of the Company; (20) to determine the structure of internal management departments of the Company; (21) to regularly evaluate and improve the corporate governance of the Company; (22) to formulate share incentive scheme; (23) to manage matters in relation to information disclosure and management of investors' relations of the Company, and assume ultimate responsibility for the truthfulness, accuracy, completeness and timeliness of the accounting and financial reports of the Company; (24) to propose the appointment, removal or termination of appointment of accounting firm to the Shareholders' general meeting; (25) to consider and approve, or authorize the Related Party Transactions Control Committee of the Board to approve related party transactions, except for those which shall be considered and approved by Shareholders' general meeting according to law; (26) within the scope of authorization of Shareholders' general meeting, to consider and approve the investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and mortgage and guarantee of assets, purchases and disposal of fixed assets, disposal of DES Assets, write-off of assets, major decisions of legal corporations and external donations; (27) to consider and approve the proposals of special committees of the Board; (28) to listen to the work report of the president to ensure that each Director obtains the information related to the performance of his/her duties in accordance with the regulatory requirement in a timely manner; to review the work of senior management; to monitor and ensure their effective performance of management duties; (29) to review the execution and rectification of regulation opinions against the Company by the banking regulators of the State Council; (30) the establishment of the first class branches of the Company inside and outside the PRC; (31) to consider the liability insurance of senior management; (32) to approve the Company's internal audit charter, long and medium-term audit plans, annual work plans and audit budget; determine the establishment of internal audit system, compensation of internal auditors, appointment and removal of major persons-in-charge; and (33) to perform other duties as required by laws, regulations, regulatory documents, the securities regulatory authority of the place(s) where the Shares of the Company are listed and the Articles of Association, and other matters as authorized by Shareholders' general meeting.

11.3.2 Board Meetings

In 2023, the Board of Directors held 7 meetings, including 4 regular meetings and 3 extraordinary meetings. 41 resolutions were passed and 20 work reports were heard at the meetings. Among the resolutions passed, there were 19 resolutions on operation and management matters, 2 resolutions on system development, 8 resolutions on personnel management and 12 other resolutions. Among above resolutions, the major issues included: reviewing and approving the final accounts plan and the profit distribution plan for 2022 and the fixed assets investment budget for 2023 of the Company; reviewing and approving the change of company name; reviewing and approving the amendment of Articles of Association; reviewing and approving the 2022 Annual Report (Annual Results Announcement) of the Company; reviewing and approving the work report of the Board for 2022; listening to the report of the Company on related party transaction management and risk management.

In addition, the Board conducted self-evaluation on the effectiveness of the internal control of the Group during the Reporting Period. Details are set out in "12. Internal Control".

11.3.3 Attendance of Board Meetings

Directors' attendance at Board meetings in 2023:

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Liu Zhengjun	6/7	86%
Li Zimin	7/7	100%
Non-executive Directors		
Zhao Jiangping	7/7	100%
Zheng Jiangping	6/7	86%
Xu Wei	7/7	100%
Tang Hongtao	5/5	100%
Independent non-executive Directors		
Shao Jingchun	7/7	100%
Zhu Ning	5/7	71%
Chen Yuanling	7/7	100%
Lo Mun Lam, Raymond	N/A	N/A
Director resigned during the Reporting Period		
Tse Hau Yin	7/7	100%

Notes:

1. Changes in Directors are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management".

2. Attendance includes physical attendance and attendance by telephone and video conference.

3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

4. Attendance rate is not applicable to Mr. Lo Mun Lam, Raymond because the Company did not hold any relevant meetings during his tenure.

11.4 Special Committees of the Board

The Board of the Company has five special committees, namely, the Strategy and Development Committee, Risk Management Committee, Related Party Transaction Committee, Audit Committee, and the Nomination and Remuneration Committee.

11.4.1 Strategy and Development Committee

As of December 31, 2023, the Strategy and Development Committee of the Company consisted of ten Directors. The chairman was acted by Mr. Liu Zhengjun, the chairman of the Board. The members included executive Director Mr. Li Zimin, non-executive Directors Ms. Zhao Jiangping, Mr. Zheng Jiangping[5], Mr. Xu Wei, Mr. Tang Hongtao and independent non-executive Directors Mr. Shao Jingchun, Mr. Zhu Ning, Ms. Chen Yuanling and Mr. Lo Mun Lam, Raymond.

The major duties and authorities of the Strategy and Development Committee include, but are not limited to, the following: to review the operational target and general strategic development plan of the Company and to make recommendations to the Board; to assess factors that may affect the strategic development plan of the Company and its implementation and make recommendations on adjustment of the strategic plan to the Board in a timely manner based on the economic and financial conditions and market trends in the PRC and overseas; to review the annual financial budget and final accounts based on the development strategy, and make recommendations thereon to the Board; to assess the overall development status of various businesses and make suggestions on adjustment of the strategic development plan to the Board in a timely manner; to review the implementation of the business plan and investment plan of the Company, and the strategic asset allocation and the asset liability management objectives of the Company, and make recommendations thereon to the Board; to review major restructuring and adjustment proposals, and make recommendations thereon to the Board; to review major investment and financing plans and other matters

5 On January 8, 2024, Mr. Zheng Jiangping resigned as a member of the Strategy and Development Committee.

such as the acquisition, disposal and write-off of assets and provision of guarantees to external parties that are subject to the approval of the general meeting of Shareholders and the Board, and make recommendations thereon to the Board; to review those plans for the establishment of any legal entity and the merger with or acquisition of any entity that are subject to the approval of the general meeting of Shareholders and the Board, and make recommendations thereon to the Board; to review the establishment and adjustment plan of the Company's internal functional departments and first level sub-branches as well as other institutions directly under the control of the Company and make recommendations thereon to the Board; to review plans such as information technology development and other special strategic development plans, and make recommendations thereon to the Board; to examine and assess the soundness of the corporate governance structure of the Company in order to ensure that the financial reports, risk management and internal controls are in compliance with corporate governance standards; and to perform such other duties as stipulated by laws, regulations, regulatory documents, the securities regulatory authorities in place(s) where the Shares of the Company are listed and the Articles of Association and other matters as authorized by the Board.

In 2023, the Strategy and Development Committee convened four meetings in total to consider 15 resolutions and reports, including the fixed assets budget plan of the Company for 2023 and the business plan for 2023 of the Company, etc.

Attendance of members at Strategy and Development Committee meetings in 2023:

Members	Number of meetings attended/ required to attend	Attendance rate
Liu Zhengjun	4/4	100%
Li Zimin	4/4	100%
Zhao Jiangping	4/4	100%
Zheng Jiangping	4/4	100%
Xu Wei	4/4	100%
Tang Hongtao	3/3	100%
Shao Jingchun	4/4	100%
Zhu Ning	4/4	100%
Chen Yuanling	4/4	100%
Lo Mun Lam, Raymond	N/A	N/A
Directors resigned during the Reporting Period		
Tse Hau Yin	4/4	100%

Notes:

1. Changes in Directors are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management".

2. Attendance includes physical attendance and attendance by telephone and video conference.

3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

4. Attendance rate is not applicable to Mr. Lo Mun Lam, Raymond because the Company did not hold any relevant meetings during his tenure.

11.4.2 Risk Management Committee

As of December 31, 2023, the Risk Management Committee of the Company consisted of four Directors. The chairman was acted by Ms. Zhao Jiangping, a non-executive Director. The members included executive Director Mr. Li Zimin, non-executive Director Mr. Zheng Jiangping[6] and independent non-executive Director Ms. Chen Yuanling.

The main duties of the Risk Management Committee include, but are not limited to, the following: to review the framework, basic policies, procedures and system of risk management of the Company according to the general strategy of the Company, supervise the implementation and effectiveness of the risk strategy, risk management procedures and internal control process of the Company, and make recommendations thereon to the Board; to supervise the deployment, organizational structure, working procedure and effectiveness of risk management department, and make recommendations thereon to the Board; to review the risk capital allocation plan, capital adequacy ratio management target, assets classification criteria and risk provision policy of the Company, and submit the same to the Board for consideration; to review and supervise the implementation of capital plans and make recommendations on the information disclosure regarding capital adequacy ratio; to review the annual risk management target and annual risk management plan submitted by the senior management, submit the same to the Board for approval before implementation and supervise their implementation; to review the duties, authority and reporting system of the senior management in relation to risks, and submit the same to the Board for approval before implementation; to procure the senior management to adopt necessary measures to effectively identify, assess, detect and control risks, supervise and appraise the performance of the senior management in controlling risks associated with credit, market and operation, and make recommendations thereon to the Board; to make recommendations on improving the risk management and internal control of the Company from the perspective of the Company and the general environment; to assess the risk profile of the Company on a regular basis and make recommendations thereon to the Board; to review those major risk management matters or transactions that exceed the authority of the president and submitted by the president to this committee for review, and make recommendations thereon to the Board; to supervise the legal and compliance management work; to review legal and compliance policies and related basic management systems and make recommendations thereon,

6 On January 8, 2024, Mr. Zheng Jiangping resigned as a member of the Risk Management Committee.

and submit the same to the Board for consideration and approval; to hear and review the implementation of the legal and compliance policies; and other matters as required by the laws, regulations and regulatory documents, the securities regulatory authorities of the place(s) where the Shares of the Company are listed and the Articles of Association and as authorized by the Board of Directors.

In 2023, the Risk Management Committee convened four meetings in total to consider and listen to 8 resolutions and reports, including risk management for 2022, the work summary in 2022 and work plan for 2023 of the Risk Management Committee of the Company, etc.

Attendance of members at Risk Management Committee meetings in 2023:

Members	Number of meetings attended/ required to attend	Attendance rate
Zhao Jiangping	4/4	100%
Li Zimin	3/4	75%
Zheng Jiangping	4/4	100%
Chen Yuanling	3/4	75%

Notes:

1. Changes in Directors are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management".

2. Attendance includes on-site attendance and attendance by telephone or by video conference.

3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

11.4.3 Related Party Transaction Committee

As of December 31, 2023, the Related Party Transaction Committee of the Company consisted of five Directors. The chairman was acted by Mr. Shao Jingchun, an independent non-executive Director. The members included non-executive Directors Mr. Zheng Jiangping[7] and Mr. Xu Wei, independent non-executive Directors Mr. Zhu Ning and Mr. Lo Mun Lam, Raymond.

7 On January 8, 2024, Mr. Zheng Jiangping resigned as a member of the Related Party Transaction Committee.

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The main duties of the Related Party Transaction Committee include but are not limited to the following: to review the basic management system of related party transactions, supervise its implementation and make recommendations to the Board of Directors; to recognize the related parties of the Company, report to the Board of Directors and the Board of Supervisors, and timely disclose to the relevant personnel of the Company; to conduct preliminary review of the related party transactions which should be approved by the Board of Directors or the Shareholders' general meeting and submit them to the Board of Directors for approval; within the scope authorized by the Board of Directors, to consider and approve related party transactions and other matters associated with related party transactions; to accept the related party transactions record and review the information disclosure matters of the Company's significant related party transactions; to consider and approve the annual related party transactions management report and report it to the Board of Directors; and other matters as required by the laws, regulations and regulatory documents, the securities regulatory authorities of the place(s) where the Shares of the Company are listed and the Articles of Association and as authorized by the Board of Directors.

In 2023, the Related Party Transaction Committee convened seven meetings in total to consider and listen to 9 resolutions and reports, including the related party transaction management of the Company for 2022, and work summary in 2022 and work plan for 2023 of the Related Party Transaction Committee, the related party transaction matters related to the acquisition of part of the equity interest in CITIC shares, etc.

Attendance of members at Related Party Transaction Committee meetings in 2023:

Members	Number of meetings attended/ required to attend	Attendance rate
Shao Jingchun	7/7	100%
Zheng Jiangping	7/7	100%
Xu Wei	7/7	100%
Zhu Ning	7/7	100%
Lo Mun Lam, Raymond	N/A	N/A
Directors resigned during the Reporting Period		
Tse Hau Yin	7/7	100%

Notes:

1. Changes in Directors are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management".

2. Attendance includes on-site attendance and attendance by telephone or by video conference.

3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

4. Attendance rate is not applicable to Mr. Lo Mun Lam, Raymond because the Company did not hold any relevant meetings during his tenure.

11.4.4 Audit Committee

As of December 31, 2023, the Audit Committee of the Company comprised five Directors. The chairman was acted by Mr. Lo Mun Lam, Raymond, an independent non-executive Director. The members included non-executive Directors Ms. Zhao Jiangping and Mr. Tang Hongtao, and independent non-executive Directors Mr. Shao Jingchun and Ms. Chen Yuanling.

The main duties of the Audit Committee include but are not limited to the following: to supervise the Company's internal control, the Company's core business and the formulation and implementation of management rules and regulations, assess the compliance and effectiveness of the Company's major business activities; to supervise the Company's financial information and its disclosure, major financial policies of the Company and its implementation and financial operation status; to monitor the authenticity of financial reports and the effectiveness of management's implementation of financial reporting procedures; to review the basic management rules and regulations of the Company's auditing, medium and long-term auditing planning, annual work plan and internal audit system setting program, make recommendations to the Board of Directors; to supervise and evaluate the internal auditing work of the Company, to supervise the implementation of the internal audit system of the Company; to evaluate the working procedures and work effectiveness of the internal audit department; to propose to engage, further engage or replace the external auditing institution, approve the clauses on its remuneration and engagement, report to the Board of Directors for deliberation, and take appropriate measures to supervise the work of the external auditing institution, and examine the reports of the external auditing institution to ensure the ultimate responsibility of the external auditing institution towards the Board of Directors and the Audit Committee; to review the accounting firm's annual audit reports and other special opinions, audited financial and accounting reports, other financial and accounting reports and other financial information to be disclosed; to make judgments on the authenticity, completeness and accuracy of the audited financial report information and submit them to the Board for deliberation; to coordinate the communication between the internal audit department and the external auditing institution; and other matters as required by the laws, regulations and regulatory documents, the securities regulatory authorities of the place(s) where the Shares of the Company are listed and the Articles of Association and as authorized by the Board of Directors.

In 2023, the Audit Committee convened seven meetings in total to consider and listen to 21 resolutions and reports, including proposal for the 2022 Annual Results Announcement and the 2022 Annual Report, proposal on the appointment of accounting firm for 2023, the final accounts and the Evaluation Report on Internal Control of the Company for 2022, etc.

Attendance of members at Audit Committee meetings in 2023:

Members	Number of meetings attended/ required to attend	Attendance rate
Lo Mun Lam, Raymond	N/A	N/A
Zhao Jiangping	7/7	100%
Tang Hongtao	5/5	100%
Shao Jingchun	7/7	100%
Chen Yuanling	5/7	71%
Directors resigned during the Reporting Period		
Tse Hau Yin	7/7	100%

Notes:

1. Changes in Directors are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management".

2. Attendance includes on-site attendance and attendance by telephone or by video conference.

3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

4. Attendance rate is not applicable to Mr. Lo Mun Lam, Raymond because the Company did not hold any relevant meetings during his tenure.

11.4.5 Nomination and Remuneration Committee

As of December 31, 2023, the Nomination and Remuneration Committee of the Company consisted of three Directors. The chairman was acted by Mr. Zhu Ning, an independent non-executive Director. The members included non-executive Director Mr. Zheng Jiangping[8] and independent non-executive Director Mr. Shao Jingchun.

The main responsibilities of the Nomination and Remuneration Committee include, but are not limited to: to review the strategic development plan of human resources and make recommendations to the Board of Directors; to make recommendations to the Board of Directors on the candidates for the Directors, the President and the secretary to the Board of Directors; to formulate the procedure and standard for election and appointment of Directors, chairman and members of the special committees of the Board and senior management and make recommendations to the Board of Directors; to conduct preliminary review of the

8 On January 8, 2024, Mr. Zheng Jiangping resigned as a member of the Nomination and Remuneration Committee, and Ms. Zhao Jiangping took over him as a member of the Nomination and Remuneration Committee.

qualifications of Directors and senior management candidates and make recommendations to the Board of Directors; to nominate chairmen of special committees under the Board of Directors (except for the chairman of the Strategy and Development Committee) and member candidates; to formulate performance appraisal system and remuneration packages for the Directors, and evaluate the performance and behavior of the Directors, and submit them to the Shareholders' general meeting for determination after reporting to and approval by the Board of Directors; to formulate and review the performance appraisal system and remuneration packages for the senior management and the head of internal audit department of the Company, evaluate the performance and behavior of senior management and submit them to the Board of Directors for approval; to consider the major human resources and remuneration policies and management systems submitted by the senior management and to be approved by the Board of Directors or Shareholders' general meeting, submit them to the Board of Directors for decision-making and monitor the implementation of relevant policies and management systems; and other matters as required by the laws, regulations, regulatory documents, the securities regulatory authorities of the place(s) where the Shares of the Company are listed and the Articles of Association and as authorized by the Board of Directors.

In 2023, the Nomination and Remuneration Committee convened five meetings in total to consider and listen to 11 resolutions and reports, including the matters for the nomination of Mr. Li Zimin as a member of special committees of the Board, the nomination of Mr. Wang Yongjie as the secretary of the Board of the Company, the remuneration settlement plan of the Company's Directors and senior management for 2020 and 2021, etc.

Attendance of members at Nomination and Remuneration Committee meetings in 2023:

Members	Number of meetings attended/ required to attend	Attendance rate
Zhu Ning	5/5	100%
Zheng Jiangping	5/5	100%
Shao Jingchun	5/5	100%

Notes:

1. Changes in Directors are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management".

2. Attendance includes on-site attendance and attendance by telephone or by video conference.

3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

The procedures of nominating candidates and the selection and recommendation criteria of Directors are as follows:

Candidates for Directors or independent non-executive Directors shall be nominated by way of proposals with their detailed information, which shall include personal particulars such as education background, working experience and any part-time positions; whether there is any connected relationship with the Company or the controlling Shareholders and actual controller of the Company; their shareholdings in the Company; and whether there are any penalties imposed by the securities regulatory authorities of the State Council and other relevant authorities and/or punishments imposed by the stock exchange;

A candidate for Director shall, at least 14 days prior to the convening of the Shareholders' general meeting, give a written undertaking letter indicating that he/she agrees to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrants that he/she will duly perform his/her obligations as a Director after he/she is elected. A written notice of the candidate's willingness to be elected shall have a notice period of no less than seven days, and shall be delivered to the Company no later than seven days prior to the convening of the Shareholder's general meeting and no earlier than the day after issue date on which the notice of such meeting for the election is delivered; the Board shall disclose the detailed information on the candidates of Directors to the Shareholders at least seven days before the convening of the Shareholder's general meeting to ensure Shareholders to obtain adequate knowledge about the candidates when casting their votes; the Shareholders' general meeting shall vote on the election of the candidates of Directors one by one; and a candidate for Director shall act as a Director upon the consideration and approval of the Shareholders' general meeting with his/her qualification verified by the regulatory authorities.

11.4.5.1 Board diversity

To improve the effectiveness of the Board and the standard of corporate governance, the Company formulated the Board Diversification Policy. The composition of the Board reflects an appropriate balance between the requisite skills, experience and diverse perspectives to ensure an effective leadership and independent decision-making ability of the Company. The Board shall maintain a balanced mix of executive Directors and non-executive Directors, including independent non-executive Directors, so as to enable the members of the Board to be independent and make judgment in an effective manner. When selecting the candidates, the Nomination and Remuneration Committee will consider (among other things) the composition diversity of the Board and various other factors including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and/or terms of service, to ensure that the members of the Board possess appropriate skills, experience and diversified perspectives and opinions.

As of December 31, 2023, the Board of Directors consists of 10 Directors with knowledge and experience in economics, accounting, law, management and other fields, and female Directors represent 20% of the total number of the Board. The composition of the Board of Directors of the Company complies with the Listing Rules requirements relating to gender diversity of Board members and is in line with the Company's Board Diversity Policy. The Company values the importance and benefits of gender diversity among its Board members, and the Company's Board Diversity Policy ensures that the Board will have alternate potential successors in reserve to retain the existing gender diversity of the Board.

11.4.5.2 Employee diversity

The Group emphasizes the legal rights and interests of its employees, provides employees with equal and diversified career development paths to the maximum extent, eliminates all forms of discrimination in recruitment and promotion, adheres to the principle of career priority and fair selection, and builds a diversified staff team. As of December 31, 2023, male and female employees of the Group accounted for 55.14% and 44.86% respectively. The Group expects to maintain a reasonable level of gender diversity at the staff level. At the same time, the Group actively protects the legal rights and special interests of female employees, and continues to improve the effective mechanism for protecting the rights and interests of female employees.

11.5 Board of Supervisors

11.5.1 Duties of the Board of Supervisors

The Board of Supervisors is a supervisory entity of the Company, and shall be accountable and report to the Shareholders' general meeting in accordance with the Articles of Association. The Board of Supervisors shall mainly perform the following duties: (1) to examine and oversee the Company's financial conditions, and review financial information including the financial reports and profit distribution plan; (2) to formulate the procedural rules of the Board of Supervisors or to formulate amendments to the procedural rules of the Board of Supervisors; (3) to nominate Shareholder Representative Supervisors, external Supervisors and independent Directors, to supervise the election and appointment process of Directors; (4) to supervise the Directors and senior management in their performance of their duties and to propose the removal of Directors and senior management who have violated laws, regulations, the Articles of Association or the resolutions of the Shareholders' general meeting; (5) when the acts of Directors and senior management are harmful to the Company's interests, to require correction of those acts; (6) to negotiate with Directors on behalf of the Company or to initiate litigation against Directors or senior management in accordance with the Company Law; (7) to supervise the scientificity and rationality of the Company's remuneration management system and policies and the remuneration schemes of senior management; (8) to propose to convene an extraordinary meeting of the Board; (9) to propose the convening of extraordinary general meetings of Shareholders and convene and preside over Shareholders' general meetings when the Board fails to perform the duty of convening and presiding over Shareholders' general meeting under laws, regulations and the Articles of Association; (10) to initiate proposals to Shareholders' general meeting; (11) to formulate the performance appraisal system and remuneration packages of Supervisors and carry out appraisal and assessment of Supervisors for approval at the Shareholders' general meeting; (12) to monitor and inspect the business decision-making, risk management and internal control of the Company and urge rectification thereof; (13) to supervise and guide the work of the internal audit department of the Company; (14) to perform other duties as required by laws, regulations, regulatory documents, the securities regulatory authorities of the place(s) where the Shares of the Company are listed and the Articles of Association.

11.5.2 Composition of the Board of Supervisors

The Board of Supervisors of the Company comprises Shareholder Representative Supervisors, external Supervisors and employee Supervisors, of which the Shareholder Representative Supervisors and external Supervisors are elected at the Shareholders' general meeting and the employee Supervisors are elected at the employee representative meeting and other democratic procedures. The term of office of a Supervisor shall be 3 years commencing from the date when it is passed by the resolution at the Shareholders' general meeting or elected at the employee representative meeting and other democratic procedures. Supervisors may be re-elected after the expiry of his/her term of office.

During the Reporting Period, the Board of Supervisors of the Company comprised five Supervisors, including a Shareholder Representative Supervisor, namely Mr. Hu Jianzhong, two external Supervisors, namely Mr. Cheng Fengchao and Mr. Han Xiangrong, and two employee Supervisors, namely Ms. Sun Hongbo and Ms. Guo Jinghua.

On January 27, 2022, Mr. Cheng Fengchao resigned as the external Supervisor and the chairman of the Supervision Committee of the Board of Supervisors of the Company. Mr. Cheng's resignation shall take effect after a new external Supervisor is elected to fill his vacancy at the general meeting of Shareholders.

On February 23, 2024, Mr. Hu Jianzhong resigned as the chairman of the Board of Supervisors and Shareholder Representative Supervisor.

11.5.3 Chairman of the Board of Supervisors

During the Reporting Period, Mr. Hu Jianzhong has been the chairman of the Board of Supervisors and he is responsible for organizing the performance of the duties of the Board of Supervisors in accordance with the Articles of Association.

11.5.4 Operation of the Board of Supervisors

The Board of Supervisors conducts voting on resolutions in meetings of the Board of Supervisors. The meetings of the Board of Supervisors are divided into regular and extraordinary meetings. Regular meetings of the Board of Supervisors shall be held at least four times a year and shall be convened at least once every six months informing all Supervisors in writing 10 days prior to the holding of meeting. To convene an extraordinary meeting of the Board of Supervisors, a written notice shall be given to all Supervisors seven days before the date of meeting. The resolutions of the meetings of the Board of Supervisors shall be passed by not less than two-thirds of all the Supervisors.

11.5.5 Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Company convened four meetings in total, and considered and approved 11 resolutions, including the 2022 Annual Report, etc.

11.5.6 Supervisors' attendance at meetings of the Board of Supervisors

Attendance of members at meetings of the Board of Supervisors of the Company in 2023:

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Hu Jianzhong[9]	4/4	100%
Cheng Fengchao	4/4	100%
Han Xiangrong	3/4	75%
Sun Hongbo	3/4	75%
Guo Jinghua	4/4	100%

Notes:

1. Attendance includes on-site attendance and attendance by telephone or by video conference.

2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

3. Supervisors who did not attend the meeting in person have entrusted other supervisors to attend the meeting on their behalf.

11.5.7 Special Committees of the Board of Supervisors

Before December 28, 2023, the Board of Supervisors set one special committee, namely the Supervision Committee under the Board of Supervisors, which consisted of four members. The chairman was acted by Mr. Cheng Fengchao and the members included Mr. Han Xiangrong, Ms. Sun Hongbo and Ms. Guo Jinghua.

The main duties of the Supervision Committee under the Board of Supervisors include: to assist the Board of Supervisors to organize and carry out daily supervision of the performance of the Board, senior management and its members, financial management, internal control and risk management; to assist the Board of Supervisors to inspect and supervise the Company's finance, and to communicate with the Company's senior management, external auditing institution on the preparation and review of regular financial reports; to

9 On February 23, 2024, Mr. Hu Jianzhong resigned as the chairman of the Board of Supervisors and Shareholder Representative Supervisor.

organize and implement key tasks specified in the annual plan of the Board of Supervisors; to organize and implement the performance evaluation work according to relevant work system on performance evaluation of Directors, Supervisors and senior management by the Board of Supervisors and the annual performance evaluation programs considered and approved by the Board of Supervisors.

During the Reporting Period, the Supervision Committee under the Board of Supervisors convened three meetings in total to review 3 issues, including 2022 Annual Audit Work.

On December 28, 2023, the Board of Supervisors decided to adjust the setting of the special committee of the Board of Supervisors and canceled the Supervision Committee of the Board of Supervisors. According to the relevant provisions, the roles for Mr. Cheng Fengchao serving as the chairman of the Supervision Committee of the Board of Supervisors, and the duties of Mr. Han Xiangrong, Ms. Sun Hongbo, Ms. Guo Jinghua for serving as the members of the Supervision Committee of the Board of Supervisors were automatically removed.

11.5.8 Trainings for the Supervisors

During the Reporting Period, all members of the Board of Supervisors of the Company participated in the relevant trainings of the Hong Kong Chartered Governance Institute, mainly learning financial monitoring and risk management, etc.; reading the latest information related to regulatory matters covering the Company Law of the PRC, related party transactions, anti-fraud, anti-corruption, etc.

11.6 Chairman of the Board and President

In accordance with C.2.1 of the Corporate Governance Code as contained in Appendix C1 to the Listing Rules and the Articles of Association, the chairman of the Board and the president of the Company shall be assumed by different individuals, and the chairman of the Board shall not be assumed by the legal representative or key management of the controlling Shareholder.

Mr. Liu Zhengjun acts as the chairman of the Board and legal representative of the Company, and is responsible for leading the Board to formulate the annual budget and final accounts and determine operation and development strategies, risk management, compliance, internal control policies and other major matters of the Company.

Mr. Li Zimin was appointed as the president of the Company and is responsible for the daily management for the business operation of the Company. The president of the Company shall be appointed by the Board and is accountable to the Board. He shall perform his duties in accordance with the requirements of the Articles of Association and the authorization granted by the Board.

11.7 Senior Management

11.7.1 Composition and duties of Senior Management

The senior management of the Company is the execution body of the Company and is accountable to the Board. As of the Latest Practicable Date, details of its composition and the biography of members are set out in "10. Directors, Supervisors and Senior Management — 10.3 Senior Management". There is a strict separation of powers between the senior management and the Board. The senior management determines the operation management and decisions within its terms of reference as authorized by the Board. The senior management shall timely, accurately and completely report the Company's business performance, important contracts, financial position, risk profile and operation prospects to the Board on a regular basis or as required by the Board, accept inquiries from the Board and special committees of the Board, and accept the supervision of the Board of Supervisors.

11.7.2 Supervision and evaluation on the performance of senior management

The Board of Supervisors of the Company earnestly implemented relevant regulatory requirements, and strengthened the supervision on the performance of senior management and its members through various manners such as attending meetings, reading documents, listening to reports, conducting research and daily performance supervision, studied and formulated the plan for evaluating the performance of senior management, and evaluated the performance of senior management in accordance with the procedures and standards of regulatory requirements.

11.7.3 Remuneration of Directors and senior management

The remuneration policies of the Directors and senior management are set out in "13. Report of the Board of Directors — 13.26 Remuneration Policy of Directors, Supervisors and Senior Management".

11.8 Communication with Shareholders

11.8.1 Policies related to Shareholders

The Company has formulated the Shareholders' Communication Policy to ensure that Shareholders' opinions and concerns are properly addressed. Pursuant to the Shareholders' Communication Policy, the Company regularly holds the annual general meeting every year; the Company establishes a special investor relationship section on its website for updating the information regularly, to ensure that the latest information about the Group is available to shareholders and potential investors in a timely manner. Such information includes financial statements, results announcements, circulars, notices of general meetings and relevant explanatory documents, and all announcements. The Company convenes the results presentation every half year to timely inform shareholders or potential investors of the Company's results. The Company receives inquiries from shareholders or potential investors from time to time. According to the requirements of the Listing Rules, the Company has adopted electronic dissemination of corporate communication. Methods to receive and apply for corporate communication in printed form are disclosed in the investor relations section of the Company's official website. Based on the above-mentioned measures, the Company can effectively implement the Shareholders' Communication Policy, to ensure that the Company maintains long-term effective and good communication with its shareholders.

11.8.2 Information disclosure and investor relations

In strict compliance with regulatory provisions and policies including the Administrative Rules on Information Disclosure (《信息披露管理制度》), the Administrative Measures on the Preparation of Periodic Reports of Information Disclosure (《信息披露定期報告編製管理辦法》), the Administrative Measures on the Internal Reporting of Material Information (《重大信息內部報告管理辦法》), the Rules on Investor Relations Management (《投資者關係管理制度》), and the Guidelines on Investor Relations Management (《投資者關係管理工作指引》) of the Company, the Company conducted the management of information disclosure and investor relations of the Company, communicated and interacted with shareholders and potential investors in various forms and assisted investors in making rational investment decisions to protect the legal interests of investors.

In 2023, the Company strictly abided by the principles of truthfulness, accuracy, completeness, timeliness and fairness and conscientiously conducted information disclosure. The Company continued to improve the quality of periodic report disclosure and strengthened the pertinence and effectiveness of the periodic report disclosure. The Company disclosed the extraordinary announcements in accordance with laws and regulations in a timely and accurate manner, and constantly improved the transparency of information disclosure to protect the investors' rights to know. The Company continued to improve the information disclosure mechanism, raised awareness of employees in information disclosure and enhanced compliance culture building in information disclosure.

The Company attached great importance to communication with investors, earnestly listened to the opinions and suggestions of investors, interacted and communicated with investors in various forms such as performance announcements, the holding of analyst communication meeting, participation in investment banking summits, dealing with phone calls and letters from and visits by investors, and timely responded to investors' concerns to enhance investors' confidence in the Company and improve the Company's recognition and brand influence in the capital market.

11.8.3 Contacts of Board Office

The office established under the Board, i.e. the Board Office, is responsible for assisting the Board in dealing with daily matters. Should investors have any enquiries or Shareholders have any suggestions, enquiries or proposals, please contact:

Board Office of China CITIC Financial Asset Management Co., Ltd.

Address: No. 8 Financial Street, Xicheng District, Beijing, China

Tel. no.: 86-10-59619119

Email address: ir@chamc.com.cn

11.9 Inside Information Management

During the Reporting Period, the Company regulated the inside information management in accordance with relevant policies. It is also a clear requirement that inside information shall not be leaked by any insiders of the Company by any means before it is disclosed in accordance with laws, nor be used to conduct insider trading, nor be used in concert with other parties to manipulate the trading price of the Company's Shares and its derivatives. As far as the Company knows, during the Reporting Period, there were no incidents of insider trading of the Company's Shares by those who are aware of inside information taking advantage of the inside information.

11.10 Auditor's Remunerations

The remunerations paid and payable by the Group to Ernst & Young, the auditor of the Company, in respect of audit and non-audit services in 2022 and 2023 are set out below, respectively:

Audit and non-audit services	For the year ended December 31, 2023 (in millions of RMB)	2022
Audit services	**44.6**	49.6
Non-audit services	**1.4**	1.6
Total	**46.0**	51.2

11.11 Responsibilities of Directors for Financial Statements

The Directors are responsible for implementing applicable accounting policies in accordance with PRC GAAP and IFRS. They are also responsible for implementing the relevant accounting requirements of the MOF subject to PRC GAAP and IFRS and supervising the preparation of the annual and interim financial statements of the Group of each accounting year, so that the financial reports truly and fairly reflect the Group's operating condition.

11.12 Statement from the Board of Directors Regarding the Risk Management Responsibility

Being the highest decision-making body of risk management of the Company, the Board of Directors is accountable to the Shareholders' general meeting on the effectiveness of the comprehensive risk management. The major duties of the Board include: finalizing the overall objectives of risk management, risk appetite and risk management strategies of the Company; finalizing the fundamental policies and systems of risk management, the setting up of the organizations and institutions on risk management and the plans of responsibilities thereof of the Company; finalizing the risk management reports and solutions on the management of significant risks of the Company; finalizing the audit reports on the evaluation of the risk management supervision submitted by the internal audit department and other responsibilities. The Board assigns part of the responsibilities of risk management to the Risk Management Committee and the Audit Committee. The Board reviews the Company's semi-annual and annual risk reports every half a year, checks current risk situation, the execution condition of the risk appetite, the adequacy of the Company's capital and the status of various risks and provides advice on the risk management and control of next step. The Board confirmed that the risk management of the Company was effective enough to provide a solid guarantee for the development of the Company. The Board also stated that the Company's risk management system was designed to manage rather than eliminate the risk of failing to meet business objectives and that it would only make reasonable, but not absolute, guarantees that there would be no material misrepresentation or loss.

11.13 Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Relevant Employees which regulates the securities transactions by Directors, Supervisors and relevant employees and is of no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix C3 to the Listing Rules. The Company has made enquiries to all Directors and Supervisors who all confirmed that they had complied with the Model Code and the requirements set out therein during the Reporting Period.

11.14 Independence of Independent Non-executive Directors

All independent non-executive Directors of the Company are independent individuals. The Company has received annual confirmation letters from each of the independent non-executive Directors to confirm their independence. As at the Latest Practicable Date, the Company considered that all independent non-executive Directors are independent. The independence of independent non-executive Directors complied with the relevant requirements set out in Rule 3.13 of the Listing Rules.

11.15 Training for Directors

During the Reporting Period, according to the provisions of the Training System for the Directors, Supervisors and Senior Management (《董事、監事和高級管理人員培訓制度》), the Board focused on the continuing professional development of the Directors by actively encouraging them to take part in and organizing training programs. All members of the Board continued to familiarize themselves with various regulatory information and the latest regulatory requirements in the daily performance of their duties, including relevant laws and regulations and regulatory documents in relation to corporate governance and the Listing Rules. They also updated their knowledge and skills, and improved their abilities to perform their duties through various methods, such as participating in relevant trainings organized by industry associations, professional bodies and the Company, and personally visiting domestic and foreign financial institutions and the Group, in order to ensure that they can contribute to the Board in a well-informed manner based on its actual needs.

The major trainings attended by the Directors and their continuous professional development in 2023 are as follows:

	Types of Training	
Name of Directors	Read the latest information related to regulation	Attend a training class/lecture
Executive Directors		
Liu Zhengjun	√	√
Li Zimin	√	√
Non-executive Directors		
Zhao Jiangping	√	√
Zheng Jiangping	√	√
Xu Wei	√	√
Tang Hongtao	√	√
Independent non-executive Directors		
Shao Jingchun	√	√
Zhu Ning	√	√
Chen Yuanling	√	√
Lo Mun Lam, Raymond	—	—
Directors who resigned during the reporting period		
Tse Hau Yin	√	√

11.16 Liability Insurance for Directors

The Company has maintained liability insurance for Directors, Supervisors and senior management during the Reporting Period to provide protection against any potential liability arising from the Group's business which they might need to undertake.

11.17 Joint Company Secretaries

The secretary to the Board of the Company and one of the joint company secretaries, Mr. Wang Yongjie is an employee of the Company. He is familiar with the internal management and business operations of the Company. In addition, the Company has appointed Mr. Ngai Wai Fung as another joint company secretary to work closely with and provide assistance to Mr. Wang in discharging his duties and responsibilities as a joint company secretary to acquire relevant experience within the meaning of Rule 3.28 of the Listing Rules. Mr. Ngai is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider. In respect of corporate governance, the Listing Rules and other laws and regulations related to the Company and other matters, Mr. Ngai will contact Mr. Wang, and Mr. Wang will be responsible for reporting to the Board and/or the chairman of the Board. The relevant professional trainings that Mr. Wang and Mr. Ngai participated in during the Reporting Period have reached 15 hours, which is in compliance with the requirements of Rule 3.29 of the Listing Rules.

12. Internal Control

12.1 Statement of the Board in Relation to Internal Control Responsibilities

The Board is responsible for the establishment and implementation of a sound and effective internal control system, and the evaluation of its effectiveness. The Company continued to establish and improve the internal control governance structure. The Audit Committee, Risk Management Committee and Related Party Transaction Committee under the Board supervise and review work including risk management, internal control and related party transactions. The Board of Supervisors oversees the internal control established and implemented by the Board and senior management. The senior management is responsible for the daily operation of internal control of the Company. The Company's headquarters, branches and subsidiaries have all identified functional departments for internal control and management, which are responsible for organizing and coordinating the establishment, implementation and daily operation of the internal control system. The internal audit department is responsible for taking the lead in organizing internal control evaluations.

The basic objectives of the Company's internal control were to provide reasonable assurance for the achievement of the effectiveness of the Company's operation, the reliability of reports and the compliance of operation. Internal control could only provide reasonable assurance to achieve the above objectives due to its inherent limitation. In addition, there were risks in predicting the effectiveness of future internal control based on assessment results of internal control, because internal control may become inappropriate or the extent to which control policies and procedures are followed may be reduced as conditions change.

The Company conducted one annual internal control evaluation work annually in accordance with the relevant requirements of regulations including the Basic Standards for Enterprise Internal Control and its supporting guidelines, the Guidelines for Internal Control of Commercial Banks of the former CBIRC, and the Measures on the Internal Control and the Evaluation Procedure for Internal Control of the Company. The evaluation work was made in accordance with the principles of comprehensiveness, significance and objectivity. Focusing on five elements including the internal environment, risk assessment, control activities, information and communication, and internal supervision, on the basis of comprehensively evaluating the effectiveness of the internal control design and operation of the Company, the Company highlighted risk orientation, concentrated on risk points that affect the achievement of the Company's internal control objectives and continued to improve the Company's internal control level and serve the Company's transformation and development. In accordance with requirements of the corporate internal control standard system and relevant regulations, the Company maintained an effective internal control in all material aspects during the Reporting Period.

12.2 Basis of Establishment of the Internal Control Management System of the Company

During the Reporting Period, the Board continued to enhance and optimize the internal control management system in line with the internal control objectives of the Company, in accordance with the Basic Standards for Enterprise Internal Control and its supporting guidelines, the Measures on the Internal Control of Financial Asset Management Companies, the Guidelines on the Internal Control of Commercial Banks, the Corporate Governance Code and Corporate Governance Report as contained in Appendix C1 to the Listing Rules and other regulatory requirements.

12.3 Main Features and Building of Internal Control Management System

The basic objectives of the Company's internal control were to provide reasonable assurance for the achievement of the effectiveness of the Company's operation, the reliability of the report and the compliance of operation. During the Reporting Period, the Company conducted internal control system self-assessment, through the benchmarking between external regulatory documents and the Company's internal system, to comprehensively rationalize and evaluate the core businesses and management process, and further identify the key risk points, optimize control measures, ensure the executability and operability of each process, so as to ensure that all work is in line with the comprehensive promotion of the "One-Three-Five" strategy and the comprehensive realization of the goal of "getting on right track within one year". At the same time, in combination with the actual needs of institutional reform and operation and management, the company has carried out a comprehensive system review, conducted a comprehensive assessment of the compliance, applicability, effectiveness, cohesion and problems existing in the implementation of various systems, identified and filled in the gaps, and continued to improve the system. Strengthen the supervision and inspection of the system implementation, continue to secure the system cage, play the role of the system to cure the root cause, and effectively transform the results of the system into the effectiveness of the company's governance, so as to promote the company to realize high-quality development.

12.4 Process Used to Evaluate the Effectiveness of the Internal Control and to Resolve Material Internal Control Defects

The Company integrates internal control into daily business management activities. In accordance with the relevant regulatory provisions and in line with the Company's actual situations, the Company identifies and analyzes the management and business activities of the Company, establishes and implements effective internal control, and improves the internal control system. The Board of Directors of the Company establishes and implements a fully effective internal control system, and is responsible for determining the Company's internal control policies and formulating the Company's internal control management measures. The Board of Supervisors is responsible for supervising the Board of Directors and senior management to improve the internal control system. The senior management of the Company organizes and leads the daily operation of the Company's internal control to ensure the effective performance of various responsibilities of internal control, as well as formulates systematic processes and methods, takes corresponding risk control measures, and monitors and evaluates the adequacy and effectiveness of the internal control system. All functional departments of the headquarters assume direct responsibility for the effectiveness of the internal control of the business and management activities within the scope of duty, and are responsible for identifying risks in the business and management activities related to their own responsibilities according to the division of work, formulating and improving related systems, operating procedures and management mechanisms, as well as organizing implementation and supervision inspection, guiding and supervising branches and subsidiaries to implement internal control management requirements in relevant business areas, reporting the problems in internal control according to the specified time limit and path, and organizing the implementation of rectification. The internal control and compliance management department is responsible for taking the lead in the construction of the internal control system. The internal audit department, which is independent from the business department and other functional departments under the headquarters, is responsible for performing the function of internal control audit and supervision, independently conducting audit supervision, inspection and evaluation of the adequacy and effectiveness of the company's internal control system, and proposing improvement suggestions for internal control deficiencies found in the audit supervision, inspection and evaluation, in accordance with the company's Report on the internal audit work procedures, or include them in the company's annual internal control evaluation report, and organizing rectification work. The Company will continue to improve the construction of the internal control system, strengthen the rigid constraint force of the implementation of the internal control system, constantly optimize approaches and methods for internal control evaluation, strengthen internal control supervision and inspection, and continue to provide reasonable guarantees for the effectiveness of the Company's operations, reliability of reports and compliance of its operations.

12.5 Internal Control Measures for Risks of Being Sanctioned

To ensure that the Company abides by its undertakings to the Hong Kong Stock Exchange as disclosed in the Prospectus relating to the listing in Hong Kong that the Group or Relevant Persons would not be subject to any sanction risks, the Group has thoroughly implemented the Sanction Risk Management Measures of CITIC Group Corporation and relevant internal system requirements, and continuously strengthened sanction risk management and control measures:

(1) Legal Compliance Department of the Company took the lead in sanction risk prevention and control, and made the Due Diligence Questionnaire for Sanctions, the Due Diligence Questionnaire on Export Control and the Commitment Letter on International Sanction Risk Control (reference template) which will be used as the basic tools for due diligence, prevention and control of sanction risks in subsidiaries of the Group, further strengthening the professionalism of related work.

(2) The Company has invited international legal advisors to review the matters related to sanction laws and conducted risk assessment, and filed the sanction risk assessment results and risk control and management measures with the Risk Compliance Department of CITIC Group.

(3) The Company has established a sanction risk blacklist database and updated the blacklist information daily.

(4) The Company has engaged lawyers to provide relevant staff with necessary training on sanction risk knowledge every six months.

13. Report of the Board of Directors

13.1 Principal Business

The Group's business operation and review and discussion about future business development are set out in "8. Management Discussion and Analysis — 8.3 Business Overview" and "8. Management Discussion and Analysis — 8.6 Development Outlook", respectively.

The major risks and uncertainties that the Group may be exposed to are set out in "8. Management Discussion and Analysis — 8.4 Risk Management". During the Reporting Period, there was a transition within the Board of Directors and the senior management, the details of which are set out in "10. Directors, Supervisors and Senior Management — 10.4 Changes in Directors, Supervisors and Senior Management", respectively.

Meanwhile, the environmental policies of the Group are set out in "13.7 Social Responsibility Report (Namely Environmental, Social and Governance Report)" of this report of the Board of Directors. The compliance with relevant laws and regulations with significant impact on the Group are set out in "13.30 Compliance with Relevant Laws and Regulations" of this report of the Board of Directors. Descriptions of the relationship between the Group and its employees, clients and suppliers are set out in "8. Management Discussion and Analysis — 8.3 Business Overview — 8.3.7 Human Resources Management", and "13.11 Major Clients" and "13.12 Major Suppliers" of this report of the Board of Directors, respectively.

13.2 Dividend Policy

The Company has been attaching great importance to Shareholders' returns and has established a complete decision-making process and mechanism for dividend distribution. The Company will maintain the stability of dividend policy and continue to provide stable cash return for the majority of Shareholders under the premise of ensuring business development needs. In the process of determining the dividend distribution plan, the Board of the Company takes the advice and requests of Shareholders into full consideration in order to safeguard the legal interests of minority Shareholders and submits the dividend distribution plan at the Shareholders' general meeting for approval. Independent non-executive Directors play their part in performing their duties during the decision-making process of the dividend distribution plan.

13.3 Profit and Dividend Distribution

In view of the fact that the profit distributable by the Company at the end of 2023 was negative, according to the provisions of the Articles of Association and considering the actual situation of the Company's current operations and development, no cash dividend and bonus shares will be distributed, no transfer of any capital reserve to share capital and no other form of distribution will be conducted by the Company for the year ended December 31, 2023.

13.4 Reserves

Reserves of the Group for the year ended December 31, 2023 are set out in the Consolidated Statement of Changes in Equity in the consolidated financial statements.

13.5 Distributable Reserves

The distributable reserves of the Group for the year ended December 31, 2023 are set out in the Consolidated Statement of Financial Position in the consolidated financial statements.

13.6 Summary of Financial Information

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2023 are set out in "5. Financial Summary".

13.7 Social Responsibility Report (Namely Environmental, Social and Governance Report)

In 2023, the Group further improved the Environmental, Social and Governance ("**ESG**") indicator collection system. The disclosure scope of ESG environmental indicator covered the Company's headquarters, headquarters of branches and subsidiaries in 2023. Meanwhile, we made deep communication with stakeholders to enquire about their opinions and suggestions regarding 21 social responsibility issues on economy, society, environment and corporate governance, and we derived a matrix of material issues in 2023 through scientific analysis and took it as an important reference for the Group to determine the management direction for social responsibility of the year and prepare future work plans. Details on the Group's ESG aspects are set out in "16. Social Responsibility Report".

13.8 Donation

Total donations made by the Group for 2023 amounted to RMB3 million.

13.9 Property and Equipment

None of the properties held by the Group had any percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of more than 5%. The details in relation to the changes in property and equipment of the Group for the year ended December 31, 2023 are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 34. Property and equipment".

13.10 Pension Plan

According to the relevant PRC regulations, the employees of the Group participated in the basic social pension insurance plan implemented by the local human resource and social security departments. The Group shall pay the pension insurance fee to the local-level basic social pension insurance agency according to the base figure and proportion prescribed by the local regulations on basic social pension insurance. Such insurance fees were charged to the profit or loss for the period on an accrual basis. Local human resource and social security departments will pay basic social pension to the employees upon their retirement.

Other than the basic social pension insurance, the employees of the Group also participated in the Annuity Scheme established by the Group in accordance with relevant policies of the PRC on the annuity system. According to the Annuity Scheme of the Company, the Group makes contributions to the Annuity Scheme at a certain proportion of the total wages of the employees, and such contributions are charged to the cost when incurred.

13.11 Major Clients

During the Reporting Period, the revenue from the top five entities to which the Company disposed of distressed assets in aggregate accounted for not more than 30% of the Company's total revenue for the year.

13.12 Major Suppliers

During the Reporting Period, the cost from the top five suppliers from which the Company acquired distressed assets accounted for a total of 46.59% of the Company's acquisition costs in 2023. The top five suppliers, China CITIC Bank Corporation Limited (stock code: 00998.HK, 601998.SH, "**China CITIC Bank**"), China Construction Bank Corporation (stock code: 00939.HK, 601939.SH), Industrial and Commercial Bank of China Limited (stock code: 01398.HK, 601398.SH, "**ICBC**"), China Minsheng Banking Corp., Ltd. (stock code: 01988.HK, 600016.SH) and Evergrowing Bank Co., Ltd. accounted for 24.61%, 7.97%, 5.29%, 4.39% and 4.33% respectively. Among them, as of the Latest Practicable Date, a substantial shareholder of the Company, CITIC Group (the ultimate beneficial owner of which is the MOF), indirectly held approximately 65.93% of the total share capital of China CITIC Bank through its subsidiaries and was the actual controller of China CITIC Bank; and a major shareholder of the Company, the MOF, directly held approximately 31.14% of the issued share capital of ICBC. Save as disclosed above, as of the Latest Practicable Date, to the Company's knowledge after reasonable enquiry, none of the Directors, their close associates or any Shareholders of the Company (which to the knowledge of the Directors owns more than 5% of the issued capital of the Company) had any interest in the top five suppliers as disclosed above during the year.

13.13 Share Capital and Public Float

As at December 31, 2023, the Company had a total of 80,246,679,047 Shares, and 432 registered holders. Details are set out in "9. Changes in Share Capital and Information on Substantial Shareholders".

As of the Latest Practicable Date, based on the public information available to the Company and to the knowledge of the Board of Directors, the public float of the Company was in compliance with requirements of relevant laws, regulations and the Listing Rules and exemptions from the Hong Kong Stock Exchange.

13.14 Pre-emptive Right and Share Option Arrangement

During the Reporting Period, none of the Shareholders of the Company was entitled to any preemptive right according to relevant PRC laws and the Articles of Association, and the Company did not have any share option arrangement.

13.15 Purchase, Sale and Redemption of Listed Securities

During the Reporting Period, save for those disclosed in this report, no listed securities of the Company were purchased, sold or redeemed by the Company or its subsidiaries.

13.16 Issuance of Securities

Details of securities issued by the Company are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 45. Bonds and Notes Issued".

13.17 Material Interests and Short Positions

Details of material interests and short positions of Shareholders are set out in "9. Changes in Share Capital and Information on Substantial Shareholders — 9.2 Substantial Shareholders — 9.2.1 Interests and Short Positions Held by the Substantial Shareholders and Other Parties".

13.18 Use of Proceeds

13.18.1 Proceeds from Initial Public Offering of Shares

On October 30, 2015, the Group was listed on the Main Board of the Hong Kong Stock Exchange and the total proceeds from the listing amounted to HK$19,696.7 million. All proceeds from initial public offering of shares have been utilized in 2022.

The use of proceeds from initial public offering of shares was consistent with the committed use of proceeds set out in the Prospectus relating to the listing in Hong Kong and the use of proceeds approved by the Company's first Extraordinary General Meeting in 2021.

13.18.2 Proceeds from Non-public and Directional Issuance of Domestic Shares and H Shares

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

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

13.19 Borrowings

The balance of the borrowings of the Group as at December 31, 2023 amounted to approximately RMB665,305.3 million. Details of our borrowings are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 41. Borrowings".

13.20 Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in "10. Directors, Supervisors and Senior Management". The daily operations of the Board are set out in "11. Corporate Governance Report".

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

As of December 31, 2023, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares and underlying Shares of the Company or other associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

13.22 Interests in Significant Transactions, Arrangements or Contracts and Service Contracts of Directors and Supervisors

None of the Directors and Supervisors of the Company or their associated entities had any beneficial interests, directly or indirectly, in any transactions, arrangements or contracts of significance (except service contracts) concerning the business of the Group entered into with the Company or any of its controlling companies, subsidiaries or fellow subsidiaries in 2023.

None of the Directors and Supervisors of the Company had entered into any service contract with the Company which was determinable by the Company within one year with payment of compensation (other than statutory compensation).

13.23 Material Contracts with Controlling Shareholders

During the Reporting Period, the Company and its subsidiaries did not enter into material contracts (including material contracts for the provision of services) with the controlling Shareholders or any of its subsidiaries.

13.24 Management Contracts

During the Reporting Period, the Company did not enter into any management contracts with respect to the entire business or the core business of the Company.

13.25 Interests of Directors in Businesses Competing with the Company

None of the Directors of the Company holds any interest in any business which directly or indirectly competes, or is likely to compete with the business of the Company.

13.26 Remuneration Policy of Directors, Supervisors and Senior Management

The remuneration policy of Directors, Supervisors and senior management of the Company is in compliance with the Administrative Measures for the Remuneration of Representatives of Central Financial Enterprises (關於中央金融企業負責人薪酬管理辦法) issued by the MOF and the Management Measures for the Remuneration of Directors and Supervisors of the Company and other relevant regulations. The remunerations for Directors, Supervisors and senior management are distributed in line with the principles of integrating incentives and restrictions, aligning their performance with risks and responsibilities of their respective positions, and combining government supervision with market regulation. The remuneration system implemented shall comprise basic annual salary, performance-based annual salary, bonuses based on term of service, and other benefits, as well as corporate annuity scheme in accordance with relevant national requirements.

13.27 Relationship between Directors, Supervisors and Senior Management

There was no financial or business relationship, kinship or any other relationship which is required to be disclosed between the Directors, Supervisors and senior management of the Company.

13.28 Indemnity from Directors, Supervisors and Senior Management

During the Reporting Period, the Company maintained liability insurance for Directors, Supervisors and senior management of the Company to provide protection against any potential liabilities they may assume arising from the Group's operation.

During the Reporting Period, there was no approved indemnity provision that can benefit Directors.

13.29 Details of Related Transaction/Connected Transaction and Related Party Transactions

13.29.1 Annual Overview of Related Party Transactions under the Regulatory Rules of the NFRA

During the Reporting Period, the Company continued to improve the management mechanism for related party transactions in accordance with the provisions of the NFRA in respect of the management of related party transactions, standardize the management and report of related party transactions under the regulatory rules. All new related party transactions of the Company under the regulatory rules during the Reporting Period were related party transactions that normally occurred in the course of the Company's business, and matters related to the material related party transactions and unified transaction agreements were disclosed by the Company in accordance with the regulatory rules.

13.29.2 Connected Transactions

During the Reporting Period, the Company entered into one connected transaction which was required to be disclosed pursuant to Chapter 14A of the Listing Rules, and had performed the approval of the Board/general meeting of Shareholders and announcement procedures in accordance with the requirements of the Listing Rules.

On November 15, 2023, the Company entered into the Share Transfer Agreement with CITIC Group and CITIC Polaris Limited ("**CITIC Polaris**"), pursuant to which the Company acquired 1,457,422,158 shares of CITIC Limited ("**CITIC Limited**") held by CITIC Polaris, representing approximately 5.01% of the issued shares of CITIC Limited, at a total consideration of RMB12,726,159,300 (HKD13,626,897,177.3), which was considered and approved by the Company's extraordinary general meeting of Shareholders on December 15, 2023.

As at the date of the Share Transfer Agreement, CITIC Group held 21,230,929,783 domestic shares of the Company (representing 26.46% of the total issued shares of the Company). CITIC Group is a substantial shareholder of the Company and constitutes a connected person of the Company under Chapter 14A of the Listing Rules. CITIC Polaris is a wholly-owned subsidiary of CITIC Group, and is therefore an associate of CITIC Group and constitutes a connected person of the Company under Chapter 14A of the Listing Rules.

The acquisition is beneficial to improving the asset quality of the Company, optimizing its industrial layout, and helping the Company improve its financial conditions. It can effectively replenish capital and enhance sustainable profitability of the Company. It is an important measure to optimize the layout of state-owned assets.

For details of the acquisition, please refer to the announcements of the Company dated November 15, 2023, December 15, 2023 and December 22, 2023 and the supplemental circular dated November 30, 2023.

13.29.3 Agreements on Continuing Connected Transactions

During the Reporting Period, the Group conducted continuing connected transactions with CITIC Group in accordance with the Comprehensive Services Framework Agreement and Financing and Asset Transactions Framework Agreement, details of the transactions are as follows:

On August 1, 2022, the Company entered into the Comprehensive Services Framework Agreement and its 2022–2024 annual caps with CITIC Group, pursuant to which, CITIC Group (including CITIC Group and its subsidiaries and/or its associates, same below) purchases comprehensive services from the Company (including the Company and its subsidiaries, same below) in the ordinary course of business, including entrusted asset management services, entrusted asset disposal services, asset promotion services, brokerage services, consulting and advisory services and other comprehensive services; meanwhile, the Company purchases comprehensive services from CITIC Group in the ordinary course of business, including underwriting and sponsorship services, entrusted asset management services, agency services, information technology and network services, consulting and advisory services, entrusted loan services, transaction trust services, brokerage services, entrusted construction services and other comprehensive services. The Comprehensive Services Framework Agreement is valid from January 1, 2022 to December 31, 2024. For details of the Comprehensive Services Framework Agreement and its caps, please refer to the announcement of the Company dated August 1, 2022.

On August 16, 2022, the Company entered into the Financing and Asset Transactions Framework Agreement and its 2022–2024 annual caps with CITIC Group, which was considered and approved by the fifth extraordinary general meeting of Shareholders for 2022 of the Company on September 30, 2022. Pursuant to which, CITIC Group (including CITIC Group and its subsidiaries and/or its associates, the same below) provides financing, sells financial products and distressed assets and provides deposit services to the Company (including the Company and/or its subsidiaries, the same below) in its daily operations; at the same time, the Company provides financing, sells financial products and distressed assets to CITIC Group in its daily operations. The Financing and Asset Transactions Framework Agreement is valid from January 1, 2022 to December 31, 2024. For details of the Financing and Asset Transactions Framework Agreement and its caps, please refer to the announcements of the Company dated August 16, 2022 and September 30, 2022 and the circular dated September 16, 2022.

As at the dates of Comprehensive Services Framework Agreement and the Financing and Asset Transactions Framework Agreement, CITIC Group held 18,823,529,411 Domestic Shares of the Company (representing 23.46% of the total issued shares of the Company), being a substantial shareholder of the Company and constituting a connected person of the Company under Chapter 14A of the Listing Rules.

CITIC Group is involved in various fields such as financial business and industry. Its member companies, such as China CITIC Bank, CITIC Securities, CITIC Trust and other institutions are leading enterprises in their respective industries, and boast strong comprehensive strengths. Before CITIC Group became the substantial shareholder of the Company, the Company maintained a good and long-term cooperative relationship with CITIC Group. The Company conducts transactions under the Comprehensive Services Framework Agreement and the Financing and Asset Transactions Framework Agreement with CITIC Group based on the demand of the ordinary business of the Company, and for which it may integrate strengths and resources of the Company and CITIC Group, give full play to the synergy effect of the integrated financial platform of CITIC Group. Through conducting the transactions under the Financing and Asset Transactions Framework Agreement also promotes the establishment of coordination mechanisms between the Company and CITIC Group in terms of project development, business innovation and investment and financing, strengthens information linkage and win-win cooperation, so as to effectively improve the Company's economic benefits and promote the Company's comprehensive competitiveness in its core business of distressed asset operation.

During the Reporting Period, the transaction amounts of the aforesaid continuing connected transactions did not exceed the caps agreed in the agreements. Specific amounts are as follows:

Comprehensive services	Annual cap in 2023 (RMB'0,000)	Utilized amounts in 2023 (RMB'0,000)
Service fees paid by CITIC Group to the Company	100,000	770.74
Service fees paid by the Company to CITIC Group	100,000	43,862.15

Financing and asset transactions		Annual cap in 2023 (RMB'0,000)	Utilized amounts in 2023 (RMB'0,000)
Finance transactions	The maximum daily balance (including interests) of non-exempt financial assistance provided by CITIC Group to the Company	6,785,000	793,478.50
	The maximum daily balance (including interests) of non-exempt financial assistance provided by the Company to CITIC Group	1,414,000	5,374.51
Asset transactions	Total amount of consideration paid by the Company to CITIC Group	8,250,000	1,145,042.34
	Total amount of consideration paid by CITIC Group to the Company	3,950,000	110,987.20
Deposits	The maximum daily balance of the Company's deposits in CITIC Group	15,000,000	2,583,265.30

Confirmation of Independent Non-executive Directors

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that:

(1) such transactions are entered into in the ordinary course of business of the Group;

(2) such transactions are conducted on normal commercial terms; and

(3) such transactions are conducted pursuant to the agreements relating to such transactions, the terms of which are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

The Confirmation by Auditors

After obtaining the list of continuing connected transactions provided by the management of the Company and performing relevant work in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, the auditors have provided a letter to the Board of Directors confirming that, in connection with the disclosed continuing connected transactions:

(1) Nothing has come to the auditors' attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Company's Board of Directors.

(2) For transactions involving the provision of services by the Group, nothing has come to the auditors' attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group.

(3) Nothing has come to the auditors' attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

(4) With respect to the aggregate amount of each of the continuing connected transactions disclosed above, nothing has come to the auditors' attention that causes them to believe that the amounts of such continuing connected transactions have exceeded the aggregate annual caps as set by the Company.

13.29.4 Related Party Transactions

During the Reporting Period, the related party transactions defined by the Group in accordance with International Financial Reporting Standards are listed in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 58. Related party transactions". For related party transactions disclosed in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 58. Related party transactions" that constitute connected transactions or continuing connected transactions that are not exempted under Chapter 14A of the Listing Rules, the Company has complied with the provisions of Chapter 14A of the Listing Rules on reporting, announcement, independent shareholder approval and annual review. During the Reporting Period, the Company has complied with the relevant requirements under Chapter 14A of the Listing Rules.

13.30 Compliance with Relevant Laws and Regulations

The Group has established corresponding compliance and internal control measures to ensure its compliance with applicable laws, rules and regulations which may have significant effects on the Group. The Risk Management Committee of the Group is responsible for overseeing the legal and compliance management of the Group and reviewing laws and compliance policies as well as the implementation of relevant laws and policies on a regular basis. The Group has established a legal and compliance department to be responsible for the implementation of laws and regulations, and ensure relevant staff and operating units will be informed of any changes of applicable laws, rules and regulations from time to time. In addition, the Group has obtained all major qualifications and licenses necessary to conduct its business operations according to relevant laws and regulations. During the Reporting Period, the Group did not violate any relevant laws, rules or regulations which may have a material effect on the Company.

13.31 Major Subsidiaries

The major subsidiaries of the Company are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 62. Particulars of principal subsidiaries".

13.32 Auditors

The consolidated financial reports of the Company for 2023 prepared under the IFRSs and PRC GAAP have been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

13.33 Statement for Changes of Auditors in the Past Three Years

The Company has not changed its auditors in the past three years.

13.34 Equity-Linked Agreement

During the Reporting Period, the Company has not entered into or has any equity-linked agreement that, or stipulates that any agreement entered into by the Company, will or may result in the issuance of Shares by the Company.

13.35 Debentures Issued

During the Reporting Period, the Company did not issue any debenture.

13.36 Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual results of the Group for 2023 and the 2023 audited consolidated financial statements prepared in accordance with IFRSs and PRC GAAP.

By order of the Board
LIU Zhengjun
Chairman
March 28, 2024

14. Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors steadily promoted the supervision work in accordance with the relevant PRC laws and regulations, regulatory requirements and the provisions of the Articles of Association, and actively exerted the supervisory role to promote the Company's continuous improvement of corporate governance and to achieve high-quality development.

14.1 Convening of Meetings

During the Reporting Period, the Board of Supervisors held 4 meetings to review and approve 11 resolutions including 2022 Annual Report. The Supervision Committee of the Board of Supervisors held 3 meetings to consider 3 resolutions, including the annual audit for 2022.

14.2 Supervision Work

Performance supervision. By attending relevant meetings of the Board of Directors and senior management, reading documents, listening to reports, conducting research and daily supervision, the Board of Supervisors continuously paid attention to the compliance with laws and regulations, the Articles of Association and relevant rules of procedures by the Board of Directors, senior management and its members, the implementation of resolutions passed on the general meeting of Shareholders and the implementation of national economic and financial policies, regulatory requirements, be aware of the implementation of serving the national strategies, supporting and serving the real economy and preventing and mitigating financial risks and in spite of the improvement in corporate governance, strategy implementation and other aspects of the exercise of authority and obligations in compliance with laws of Directors and senior management; according to the relevant regulatory requirements, made recommendations to Directors and senior management on performance of duties, following the principles of compliance of laws and regulations, objectivity and impartiality, unified standards, scientific and effectiveness, formulate evaluation plans, and promote Directors and senior management to perform their duties in compliance with laws and regulations.

Financial supervision. The Board of Supervisors strengthened supervision on the preparation and review procedures of regular financial reports, carefully reviewed regular financial reports, annual financial accounts and profit distribution plans. The Supervision Committee of the Board of Supervisors convened two meetings to hear the reports on annual and interim reports, fully communicated with the external audit institutions and senior management regarding the procedures of preparation and review of regular financial reports, and made relevant recommendations; The Board of Supervisors strengthened supervision on the formulating and implementation of key financial policies. The Board of Supervisors kept an eye on the formulating and implementation of business plans, the improvement of the performance appraisal system, capital replenishment, tax plans, cost reduction and efficiency enhancement, etc., promoted the strengthening of financial management, standardized financial behavior, and improved the effectiveness of financial resource allocation.

Internal control supervision. The Board of Supervisors paid attention to the implementation of the policies of the relevant state departments and the regulatory requirements, followed up with the implementation progress and promoted the implementation of regulatory requirements to achieve practical results; The Board of Supervisors paid attention to the optimization and improvement of the internal control system, the construction and implementation of the system, the operation of the internal control mechanism, and reviewed the annual internal control evaluation report; Strengthened the supervision on related party transactions, anti-money laundering, data governance and information system operation, as well as continues to follow up the optimization and improvement of internal control in important businesses and key risk links.

Risk management supervision. The Board of Supervisors had regular access to relevant materials, paid attention to the operation of the comprehensive risk management system, formulation and transmission of risk management strategies and risk appetite, the improvement and implementation of risk management policies and procedures, concerned about the management of consolidated statements, capital management and stress tests, and promoted the further optimization of the comprehensive risk management system. The Board of Supervisors carried out researches on asset quality for certain institutions, paid attention to the transmission of risk management culture, the risk control mechanism and the implementation of risk management policies, and promoted further improvement of the risk management level.

14.3 Self-construction

The Board of Supervisors diligently performed its duties. The Supervisors attended more than 20 meetings during the Reporting Period. The Board of Supervisors, based on its supervisory duties, carefully conducted research and deliberated on resolutions, expressed its opinions objectively and impartially, exercised its voting rights appropriately, and devoted sufficient time and energy to participate in the supervisory work. The Board of Supervisors organized a number of researches and put forward opinions and suggestions to promote the Company to further strengthen its operation and management policies and mechanisms; and continuously strengthened its self-construction. The Board of Supervisors organized the Supervisors to attend relevant trainings of the Hong Kong Chartered Governance Institute, kept them informed of the latest policies and requirements of the regulatory authorities related to corporate governance, finance, anti-fraud, related party transactions, risk management, etc., to continuously enhance the ability to perform duties. The Board of Supervisors organized and conducted evaluations and assessments on Supervisors' performance of their duties to assess the Supervisors' performance of their duties, which was reported to the general meeting of Shareholders and regulatory authorities.

March 28, 2024

15. Significant Events

15.1 Material Litigation and Arbitration

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

15.2 Major Acquisition and Disposal of Assets and Merger

During the Reporting Period, the Company has completed the equity acquisition of China Everbright Bank Company Limited and CITIC Limited. Details of which are set out in "18. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 30. Interests in associates and joint ventures". In addition, the Group did not enter into any material disposal of assets or mergers of enterprises.

15.3 Use of Funds by the Controlling Shareholders and Other Related Parties

During the Reporting Period, the controlling Shareholder and other related parties have not used the funds of the Company.

15.4 Implementation of Share Incentive Scheme

The Company did not implement any share incentive scheme and did not have any subsisting share incentive scheme during the Reporting Period.

15.5 Major Contracts and Their Implementation

15.5.1 Major Custodies, Underwriting and Leasing

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

15.5.2 Material Guarantees

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

15.6 Events after the Reporting Period

Details of events after the Reporting Period are set out in "18. Audit Report and Financial Statements — VI. Events after the Reporting Period".

16. Social Responsibility Report

16.1 Statement of the Board of Directors

In 2023, as a financial asset management company, CITIC Financial AMC fully implementing the spirit of the 20th National Congress of the Communist Party of China and the spirit of the Central Financial Work Conference and unswervingly advancing the "One-Three-Five" development strategy. We strictly implement the ESG policy requirements, and improve the Company's high-quality transformation and development to serve the overall economic and social development. The Company strictly abides by the ESG guidelines of the Hong Kong Stock Exchange, implements ESG policy requirements, continuously improves ESG work performance, and actively undertakes and practices corporate social responsibilities.

In an explicit manner, the Company specifies that the Board of Directors is responsible for formulating ESG strategies and reports; the management for coordinating and implementing specific ESG work, and has created a social responsibility performance and management mechanism where multiple functional departments coordinate for the sake of synergy; and various functional departments and branches for establishing their respective designated contact systems.

As the highest decision-making body, the Board of Directors adheres to the requirements of the ESG Reporting Guide of the Hong Kong Stock Exchange and responsible for finalizing ESG guidelines, strategies, and goals, as well as for assessing the Company's ESG risks and reviewing ESG related issues. Specifically, based on the Company's internal control mechanisms, the Board of Directors is mandated to identify key risk control matters relating to ESG, check on a regular basis ESG affairs that may bear on the Company's business or operation, Shareholders, or other stakeholders, evaluate and supervise the Company's operation in ESG. Besides, the Board of Directors will take into consideration key issues identified through consultations with stakeholders and deliberate the ESG annual reports on the Company's progress in ESG management and practice in strict accordance with governance procedures, to ensure that the Board of Directors participates in the entire ESG process as well as relevant information disclosure.

In 2023, the Board of Directors reviewed and supervised the Company's policies and measures concerning such ESG issues as complying with laws and regulations, serving national development strategies, addressing climate change, performing social responsibility, etc. This report makes full disclosure of the Company's progress and accomplishments in respect of the foregoing work and other ESG issues in 2023. It has been deliberated and adopted by the Board of Directors on March 28, 2024.

16.2 Strategy and Governance

We strictly abide by the laws and regulations, such as the Company Law of the PRC, Securities Law of the PRC, and Listing Rules. Based on the Articles of Association, we continue to strengthen the overall leadership of the Party and constantly improve the corporate governance structure. While improving the corporate risk management system, we make more efforts to strengthen the Party Building, especially to improve conduct and build integrity. Additionally, we also take the initiative to perform corporate social responsibility, advocate compliance and lawful operation, and promote the sustainable and sound development.

16.2.1 Strategy and Corporate Culture

Company mission: implement national strategies, serve the real economy, and defuse financial risks

Company vision: Focus on the main business of non-performing assets, and build a first-class financial asset management company

Corporate culture concept: Being faithful, responsible, pragmatic, and dedicated

16.2.2 The Guidance of Party Building

16.2.2.1 Strengthening the Party's Leadership and Optimizing the Governance System

We have always adhered to and enhanced the leadership of the Party, constantly explored mechanisms and paths for the organic integration of Party leadership and corporate governance, optimized the governance system, improved governance capabilities, and led high-quality development with high-quality Party building.

- We write the Party's leadership into the Company's Articles of Association, and clarify and implement the legal status of the Company's Party Leadership Group in the corporate legal person governance structure.

- We sort out the overall responsibility and decision-making process of the "Three Meetings and One Management", namely, the general meeting of Shareholders, the Board of Directors, the Board of Supervisors, as well as the senior management. Meanwhile, we have also formulated and issued the Implementation Opinions on Promoting the Deep Integration of Company's Party Building with Corporate Operation and Business Management, Rules of Procedure for the Party Committee, Optimization Plan for Company's Decision-Making Approval and Process, to standardize the Company's decision-making process.

- The leadership system of "concurrent Party/administrative posts" is optimized and implemented for the purpose that members of the Company's party committee hold positions in the Board of Directors, the Board of Supervisors, and the senior management to ensure that decision-making on major issues reflect the intentions of the Party Leadership Group of the Company.

- We strictly implement the pre-deliberation procedure of the Party committee to make sure the well-functioning of the pre-deliberation system that members of the Party committee act as the Board of Directors and the senior management to make decisions on major issues.

- We make it clear that the Party committee must play a role in the decision-making process of the Board of Directors and have strict control over its authorized scheme to ensure standardized authorization.

16.2.2.2 Deepening the Theoretical Study of the Party, and Achieving Remarkable Results in Thematic Education

We must thoroughly study and implement General Secretary Xi Jinping's important thoughts on Party building, and do well in Party's organization work in the new era with high quality. We will promote the theme education in an orderly manner, anchor the goal requirements, focus on the fundamental tasks, and formulate the Company Party Committee Thematic Education Key Work List, subdivide the thematic education work into 39 key tasks, clarify the work requirements, leading departments, completion time limits, etc. The Company will supervise Party organizations at all levels to advance key tasks according to the schedule and ensure that the requirements for thematic education work are implemented in place. We have issued the 2023 Study Plan of the Party Committee Theoretical Study Center Group, and the Company Party Committee's Implementation Plan for Studying and Implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era Thematic Education Theoretical Study by continuing to deepen the study of the Party Committee's Theoretical Study Center Group, and combining it with thematic education. We have established a special study and discussion mechanism for General Secretary Xi Jinping's important speeches.

16.2.2.3 Giving Full Play to the Stronghold Role of the Party Organization and Advancing the Construction of Corporate Culture

We have issued the Notice on Giving Full Play to the Stronghold Role of Grassroots Party Organizations and the Pioneer and Exemplary Role of Party Members to further Promote the Mutual Integration of Party Building and Business Management to advance the mutual integration of Party building and business management. We have built platforms and mechanisms. We guide Party members and cadres in Party organizations at all levels of the Group who have the courage to take on responsibilities and overcome difficulties to stand up for their responsibilities and make more contributions by establishing a Party member commando team and setting up Party member pioneer posts. Currently, the Group has established 305 Party member commando teams and set up 794 Party member pioneer posts.

16. Social Responsibility Report

We have issued the 2023 Corporate Culture Publicity and Education Work Plan to clarify the corporate culture publicity and education work ideas and 10 specific measures. We establish a corporate culture work organization system and a corporate culture coordination working group, and improve the corporate culture work team covering all units of the Company. We select Beijing, Jiangsu, Hunan, and Jilin branches as pilot units to carry out activities to create model units for corporate culture construction. We improve the corporate culture work communication system, standardize the content of corporate culture promotion display boards, and build cultural walls and promotional slogans, etc. We carry out the theme activity of "Starting a New Journey and Talking about the New Future", and organize employees to use the "CITIC Red•Cloud Heritage" metaverse space to learn about CITIC culture. We organize and study the video of the advanced deeds report meeting of the group's model worker craftsmen and outstanding Communist Party members, strengthen positive publicity and guidance, and give full play to the exemplary and leading role of Communist Party members.

16.2.3 Strategic Planning

The Company's "14th Five-Year Plan" development plan is closely integrated with the national development strategy and ESG requirements. The Company's strategic goals, strategic measures and implementation paths are clear. In terms of guiding ideology, it is proposed to fully implement the new development concept, actively integrate into and serve the new development pattern, thoroughly implement the three major tasks of resolving financial risks, serving the real economy and deepening financial reform, and implementing the national "14th Five-Year Plan" and the long-term goals and outlines for 2035. In terms of development mission, it is proposed to "implement national strategies, serve the real economy, and resolve financial risks." In terms of business planning, it is proposed to focus on emerging industries such as new energy, new infrastructure, advanced materials, advanced manufacturing, medical health, production logistics, and digital economy and develop related businesses in green industries, based on the country's "14th Five-Year Plan" development plan and CITIC Group's "553" development strategy. At the same time, the Company has increased support for the strategic reorganization and integration and industrial transformation and upgrading of traditional industries such as coal, steel, building materials, and nonferrous metals.

16.2.4 Governance Structure of "Three Meetings and One Management"

The Company constantly improves the modern corporate governance structure, continuously improves the internal management level, effectively safeguards the interests of all Shareholders, so as to achieve a healthy and stable development. The Company has formed a corporate governance structure featuring "Three Meetings and One Management", composed of the general meeting of Shareholders, the Board of Directors, the Board of Supervisors, and the senior management, which perform their respective duties, and coordinate with and check one other. The details are set out in "11. Corporate Governance Report", "13. Report of the Board of Directors" and "14. Report of the Board of Supervisors".

In order to improve corporate governance, the Company has formulated the Policy on Diversity of the Board of Directors. When selecting candidates, the Nomination and Remuneration Committee takes diversification into account, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, and tenure of office, in an effort to ensure that the Board members possess appropriate talents, experience and diverse perspectives. By the end of 2023, more than one-third of the Board seats are held by independent non-executive Directors. At least one independent non-executive Director has the professional qualifications that meet regulatory requirements. At least one of the Board members is a woman. In order to further enhance the professional knowledge of directors and improve the level of corporate governance, the Company actively organizes directors to participate in training activities such as the *Advanced Training Course on Corporate Governance for Chinese Overseas Listed Companies* organized by the Hong Kong Corporate Governance Association. The learning content includes directors' governance responsibilities, corporate ESG practices, etc.

16.2.5 Internal Control Management

To ensure effective operation, reliable reporting and business compliance, the Group has continued to improve the internal control management system and strengthen internal control measures. We have strengthened the internal control management on the Company's Board of Directors, Board of Supervisors, senior management, headquarters departments, branches, subsidiaries, and other organizations at all levels. At the same time, the three internal control lines of defense composed of the operation management department, internal control management department and internal audit department have also been consolidated for the purpose of enabling each of them to perform its duties, complete and reinforce each other. By doing this, the entire Company jointly serves the business development and risk prevention and control.

In 2023, in terms of the construction of the internal control management system, the Group revised and issued the *Internal Control Process Framework, Internal Control Manual* and *Risk Control Matrix* on the basis of self-assessment of the internal control system to further consolidate internal control management from the basic system level. In terms of internal audit supervision, the Group uses economic responsibility audits, special audits, and project audits as carriers to keep a close eye on leading cadres, important areas, and key links to promote risk prevention and control. With the starting point of improving the quality and efficiency of rectification of problems found in audits, the Group comprehensively benchmarked the CITIC Group's rectification management methods and relevant key points for evaluation of problems found in the internal audit, consolidate the rectification responsibilities of all parties, improve the comprehensive effect of audit supervision, and form a closed loop of supervision. The Company has deepened the application of audit results, formed a positive interaction with the first and second lines of defense, and continued to implement the requirements of supervisory synergy to promote the optimization of the risk and internal control system. Additional details regarding the Group's internal controls are set out in "12. Internal Control".

16.2.6 Comprehensive Risk Management

The Group has established a standardized risk governance system, which clarifies the risk management responsibilities of the Board of Directors, the Board of Supervisors, senior management, various functional departments and operating units. The Board of Directors is the highest decision-making body for the Company's risk management, and the Board of Supervisors assumes the supervisory responsibility for comprehensive risk management. The Company's senior management is responsible for implementing the risk management strategies and risk preferences formulated by the Board of Directors, and assuming the responsibility for the implementation of comprehensive risk management. The Group has improved the "three lines of defense" for risk management consisting of business departments, risk management functional departments and audit departments, and strengthened the role positioning of the risk management department's leading comprehensive risk management. The group establishes a risk director system, and the headquarters implements vertical management of risk directors of branches and subsidiaries to consolidate the primary responsibility for local risk management.

The Group regularly conducts various types of risk monitoring and continues to conduct risk inspections in key areas. For example, it actively cooperates with regulatory authorities and CITIC Group's requirements to carry out risk inspections for existing government financing platform projects, special inspections for SPVs, etc. In addition, the Group also conducted investigations and risk alerts in response to risk events such as the bankruptcies of Silicon Valley Bank, Credit Suisse and First Republic Bank, as well as the sudden negative public opinions of some of its real estate clients, so as to move forward the risk management and control. In 2023, the Group revised 6 new risk management systems and issued 10 policy notices, further enriching and improving the comprehensive risk management system. 17 special risk management training sessions were carried out throughout the year. The training content included the construction of a comprehensive risk management system, credit risk and impairment of assets evaluation, business authorization policies, quota management, internal ratings, etc. Additional details on the Group's risk management are set out in "8.4 Risk Management".

16.2.7 Supply Chain Management

In strict accordance with the relevant laws and regulations such as the Tendering and Bidding Law of the PRC, Interim Provisions on Centralized Procurement Management of State-owned Financial Enterprises, the Group continuously improves the supplier management system and strengthens supplier management. We have formulated the Measures for the Management of Centralized Procurement and Implementation Rules of Centralized Procurement Management Committee to comprehensively build the Company's centralized procurement management system. By doing so, we standardize the procurement operation process and improve the efficiency of procurement funds, enabling us to conduct overall management and supervision of the procurement of bulk goods, services or engineering construction. We make it clear that the Company's procurement should follow the principle of "openness, fairness, justice, honesty and efficiency". Additionally, we actively practice the principle of green procurement by advocating the concept of energy conservation, environmental protection, and green conception that products of energy-saving and environmental protection are given a higher priority in our procurement under the same conditions. As of the end of 2023, the Group has reviewed all suppliers in the supplier admission process, and the review rate is 100%.

The Group pays attention to and identifies environmental and social risks in the supply chain, and is committed to strengthening the inspection and research on the supply market and suppliers for the purpose of expanding the source supply channels and preventing supplier risks comprehensively. Suppliers are required to provide good records on the "National Enterprise Credit Information Publicity System" in the bidding process, and in case of any violation of the law, they will be prohibited from participating in the bidding and procurement activities organized by the Company. Besides, the follow-up monitoring and management of cooperative suppliers are also being conducted continuously and effectively.

In response to possible corruption problems in the procurement process, the Company stipulates in the Measures for the Management of Centralized Procurement that the relevant departments should conduct supervision and inspection on centralized procurement activities, and disclose anti-corruption related supervision and reporting channels that reports can be made through various channels such as telephone, email, and online by employees, cooperative partners, and people from all sectors of society. Any unfair competition, embezzlement and corruption incidents should be completely eradicated.

In 2023, the Group had a total of 239 suppliers with a single purchase amount of more than RMB500,000, including 139 suppliers in the North China, 23 in the Northeast China, 42 in the East China, 1 in the Central China, 18 in the South China, 15 in the Southwest China, and 1 in the Northwest China.

16.2.8 Anti-Corruption and Building Integrity

The Group continuously strengthens the Party Building by improving conducts and building integrity, deepens the practice of rectifying the discipline and anti-corruption, in an effort to ensure the full and rigorous Party self-governance over the entire Company. Using cases as a mirror and as a means to promote rectification, governance, and Party Building, we are committed to create a clean and upright political ecology and a good business and development environment that will help the Group's high-quality development.

The Group resolutely implements the requirements of the central government, improves the disciplinary inspection system, and carries out joint accountability inspections and relevant project consultations. In strict compliance of the anti-corruption related regulatory policies and requirements, while investigating and handling disciplinary and illegal issues in accordance with laws and regulations, we will also focus on repairing the political ecology and assisting the Company's business development.

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The Group attaches great importance to the corporate culture construction and anti-corruption training and is committed to creating a clean cultural atmosphere. We actively encourage and organize our Directors and Supervisors to participate in anti-corruption related training. In the routine work, all members of the Board of Directors and the Board of Supervisors of the Company are required to continue to learn anti-corruption related regulatory information and requirements, including the Practical Guidelines for Listed Companies Anti-Corruption System, Summary of Anti-Corruption and Anti-Bribery Regulations, Hong Kong Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), Combating Money Laundering and Terrorist Fund Raising (Chapter 615 of the Laws of Hong Kong), and other laws and regulations.

The Group attaches great importance to anti-fraud work, clarified that the Company has established and improved anti-fraud mechanisms and whistleblower protection mechanisms, pointed out the key areas of anti-fraud work, and regarded petition work as an important way to obtain information. In 2023, the Group, in conjunction with practitioners' behavior management and case risk investigation, did a good job in daily monitoring and regular investigation, timely checking and mending of management loopholes, and timely detection and prevention of fraud risks. The Group did a good job in accepting, investigating, handling and reporting whistleblowing complaints in accordance with procedures. We vigorously carry forward the culture of responsibility and compliance and enhance the anti-fraud awareness of all employees through the implementation of the Year of Deepening Compliance Culture, the "4.17" thematic warning education week, notification of typical cases of violation and accountability cases, case prevention and management special training, the "Rule of Law Compliance Culture Publicity Month" and other ways.

16.2.9 Anti-Money Laundering and Anti-Terrorist Financing

In strict conformity with laws and regulations on anti-money laundering and anti-terrorist financing, the Group earnestly implements regulatory requirements, and formulates such corporate rules as *Internal Control Regulations on Anti-Money Laundering and Anti-Terrorist Financing*, *Measures on Money Laundering Risk Assessment and Customer Classification Management*, *Measures for the Management of Self-Assessment of Money Laundering and Terrorist Financing Risks*, to consolidate the foundation of money laundering risk management and fulfill anti-money laundering obligations.

In 2023, the Group continued to optimize the anti-money laundering system. Based on the results of the self-assessment of money laundering risks last year, it has set out more than ten optimization requirements, completed the official launch of the first version of the customer type list embedded in the project system, and carried out anti-money laundering self-inspection and rectification activities. We continue to carry out anti-money laundering training, with participants covering management leaders, business lines, anti-money laundering management lines and other personnel. During the Reporting Period, the Company's units at all levels were not subject to anti-money laundering regulatory penalties, and no major money laundering risk incidents occurred.

16.2.10 Social Responsibility Management

16.2.10.1 Concept of Social Responsibility

The Company, positioning itself as a financial asset management company, is committed to serving the real economy, safeguarding against financial risks, and deepening financial reform. While building a company of high quality, we earnestly serve the national development strategy by actively participating in rural revitalization, environmental protection, and social welfare, and continuously improve the Company's ability to promote coordinated economic and social development to create value for the country, customers, Shareholders, investors, employees, and society.

- For the country: Focusing on the main responsibility and the core business, serving the real economy, and diffusing financial risks to safeguard the country's economic stability and financial security.

- For customers: Offering high-quality financial services to help customers achieve value enhancement and corporate reengineering.

- For Shareholders and investors: Engaging in steady and compliant operations and continuously enhancing the Company's value to achieve good returns to Shareholders, investors, and the market.

- For employees: Building a career platform, caring for employee growth, and enhancing employees' cohesiveness and sense of gain to realize the common development of personal value and corporate value.

- For the society: Caring for social development, improving social well-being, actively responding to the national strategy of rural revitalization, and actively carrying out social welfare activities such as targeted assistance and charitable donation.

16.2.10.2 Materiality Issues Analysis

Following the ESG Reporting Guide of the Hong Kong Stock Exchange, ESG rating indicators of leading rating agencies, and relevant regulatory policies, the Company conducted a lot of preliminary researches and analyses to create a list of material issues for the 2023 social responsibility report by way of industry benchmarking, stakeholder questionnaire surveys, etc. Based on a thorough assessment of the impact of various issues on external stakeholders and the Company, 21 substantive issues highly pertinent to the Company were identified and used as important reference for the formulation of ESG strategies, the setting of goals and the sustained disclosure of information. The identification of material issues was carried out by independent third-party consultants hired by the Company.

In 2023, the Company adopted the following processes to identify social responsibility issues of major significance:

1 Identify related issues: the Company assessed and collected a total of 21 CSR issues by extensively benchmarking the Company's performance against the ESG Reporting Guide and ESG rating indicators, and analyzing macro-economic hotspots.

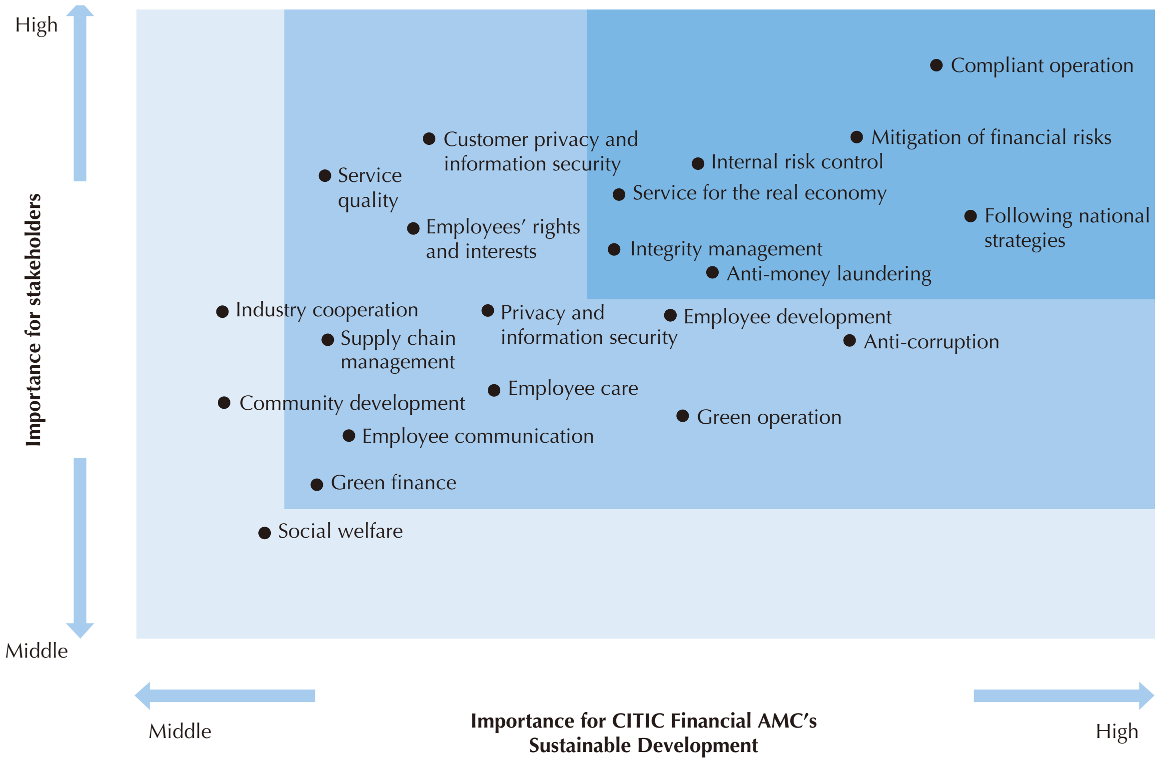
2 Survey the extent of attention: A total of 503 valid questionnaires were collected by issuing questionnaires to the external and internal stakeholders.

3 Analyze the degree of influence: Through the questionnaire, the Company identified material issues by thoroughly evaluating the impact of various issues on stakeholders in light of its operation and management priorities.

4 Rank the material issues: Based on identication and analysis, the issues were ranked in order of their signicance and a materiality matrix was developed, which served as one of the important references for preparing the Report.

In 2023, the Company's CSR (Corporate Social Responsibility) materiality concerns were determined as follows:

CSR Materiality Matrix in 2023



16.2.10.3 Stakeholder Engagement

The Company consistently engages in multi-channel communications with stakeholders. It created regular communication mechanisms with 7 key stakeholders, including regulatory authority, local governments, Shareholders and investors, customers, communities, employees, and suppliers. Furthermore, it incorporated the appeals of various stakeholders into its operating and decision-making processes with a view to taking timely, effective measures to meet the reasonable expectations and needs of its stakeholders. This report, which serves as a focal display of the corporate social responsibility (CSR) work, actively conveys the Company's social responsibility concept to various stakeholders, demonstrates the effectiveness of the Company's practice in this area, and further enriches the Company's communications and interactions with its stakeholders.

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Stakeholders' Key Issues of Concern and Communication Channels Chart

Types of Stakeholders	Key Issues of Concern	Key Communication Approaches	Key Measures to Respond
Regulatory Authority	• Steady business operation • A well-developed internal control system and risk management and control system • Actively fulfilling social responsibility of financial enterprise	• Regular report • Participation into industry meeting • Official website • Wechat official account	• Establishing a comprehensive corporate internal control system, improving corporate governance, and taking active action to relieve financial risks • Improving business operation efficiency
Local Governments	• Promoting local and peripheral industrial development • Compliant operation • Tax payment in accordance with laws	• Government meeting • Irregular visits • Public servants' supervision and inspection • Official website • Wechat official account	• Providing employment opportunity and contributing to tax revenue • Cooperation with government's supervision and inspection work, and improvement of the internal compliance supervision and inspection system • Compliance with laws and regulations

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Types of Stakeholders	Key Issues of Concern	Key Communication Approaches	Key Measures to Respond
Shareholders & Investors	• Sustained and stable return on investment • Timely information disclosure • Compliance business operations	• General meeting of Shareholders • Regular report and Company announcements • Investor meetings, results announcements, roadshow and other information distribution channels • Investor Relations telephone and email • Official website • Wechat official account	• Enhancing diversified business, and consolidating the leading role in the industry • Receiving investors and their calls and letters, strengthening effective communication and information disclosure • Improving internal compliance system
Customers	• Products and services with high quality • Timely response to customer demands • Providing integrated solutions	• Customer revisits • Regular visits • Customer satisfaction survey • Official website • Wechat official account	• Establishing a comprehensive service response system • Improving customer complaint handling process • Developing guidelines for service standardization

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Types of Stakeholders	Key Issues of Concern	Key Communication Approaches	Key Measures to Respond
Communities	• Supporting community development • Respecting community culture and participating in community activities	• Community delegates survey • Routine visits • Official website • Wechat official account	• Supporting community development activities • Carrying out charity service activities in communities • Maintaining good communication
Employees	• Good career development and growth opportunities • Great pay and benefits • Protection of health and safety	• Internal website • Internal journal • Employee Congress • Official website • Wechat official account	• Improving staff recruitment, promotion and other internal management regulations and systems • Enriching employees' spare time • Providing a variety of working and living security for employees
Suppliers	• Fair and open procurement process • Fulfilling the contract on time • Helping the growth of suppliers to achieve a win-win situation	• Irregular meeting of quality communication • Official website • Wechat official account	• Ensuring the transparency of the procurement process, and accepting internal and external supervision and inspection • Reasonable control of corporate cash and ensuring timely payment • Promoting communication with suppliers

16.3 Financial Responsibility

Focusing on the main responsibility positioning, the Group gives full play to its unique advantage of financial assistance service. In respond to national development strategy, the Group actively and steadily develops its main business of non-performing asset management with the focus on ensuring people's livelihood, serving the real economy, mitigating financial risks, deepening reforms and transformation, and actively striving to create a new situation for the high-quality development of CITIC Financial AMC.

16.3.1 Serving National Strategies

The Group, as a financial asset management company, actively undertakes the responsibilities and missions entrusted by the state. The Group gives full play to CITIC Group's advantage in "industry and finance", working deep into the field of non-performing assets and continuously broadening the depth and width of the product system. Focusing on key industries such as new energy, new materials, advanced manufacturing (smart manufacturing, high-end assembly), information technology, security and national defense industry, biotechnology and medical care, and national strategic basic industries, etc., in the "Stronger Manufacturing, Higher Quality, Stronger Aerospace, Stronger Transportation, Stronger Internet, and Digital China", the Company has been actively laying out its business in regions such as Beijing-Tianjin-Hebei, the Yangtze River Delta, the Pearl River Delta, and the Chengdu-Chongqing Economic Circle, so as to closely follow the national regional development strategy and to fully serve the country's national strategy.

16. Social Responsibility Report

Case: Efforts to explore "new paths" for coordinated development and support the reform of state-owned enterprises and the bailout of private enterprises

The Company actively expands the synergetic mode, gives full play to the function of bailout finance in coordination, expands the breadth and depth of services, and supports the deepening reform of central state-owned enterprises and the development of private enterprises' bailout.

- **Headquarters of the Company:** The Company seizes market opportunities, makes full use of the coordination advantages within the Group, and adds RMB299 million in high-quality special opportunity equity investment in a company through the transfer of underlying assets of the S Fund. While resolving the risk of being unable to liquidate and exit the central-local fusion fund upon expiration of the agreed duration, it also helps such company achieve the goal of the "Double Hundred Action" in the reform of state-owned enterprises and completely resolves the historical issues of employee stock equity that have not been resolved for more than ten years, which is conducive to such company's long-term development.

- **Tianjin Branch:** Tianjin Branch has implemented the concept of collaboration. In accordance with the strategic cooperation agreement signed between CITIC Group and Tianjin, focusing on key areas and key enterprises in Tianjin, it collaborates with Group member units to provide professional financial services, formulates customized revitalization plans, and successfully carries out a certain substantive restructuring project and effectively helps state-owned enterprises reduce their debts and burdens, thereby contributing to the revitalization of inefficient assets and substantive restructuring in the Beijing-Tianjin-Hebei region.

- **Hebei Branch:** Hebei Branch has collaborated with CITIC Trust, China CITIC Bank and other units to successfully carry out an inefficient asset revitalization and restructuring project, giving full play to the advantages of professional services and carrying out "non-performing asset" special opportunity investments, which helps state-owned enterprises to release new development momentum, and promotes corporate transformation, upgrading and high-quality development. This has turned the project into a vivid practice for implementing the national "double carbon" policy and promoting the coordinated development of Beijing, Tianjin and Hebei.

- **Jiangsu Branch:** Jiangsu Branch has deeply explored the value of corporate assets and exerted synergy effects by working together with the member units of the Group to provide comprehensive financial services for a large private enterprise group, invest bailout funds, effectively support the resumption of work and production, improve the quality and efficiency of project operations. It has reproduced the good situation of stable operation of the core main business, maintained the employment of tens of thousands of employees, and safeguarded the production and operation of thousands of suppliers upstream and downstream of the industry.

Case: Actively responding to the national "Belt and Road" initiative

- **Financial Leasing:** The Financial Leasing adheres to the concept of openness and cooperation, actively responding to the "Belt and Road" initiative and deepening economic cooperation with the countries along the route. The company has completed a number of financing cooperation projects by working together with Greek shipowners such as Prodigy Inc., Top ships and United Maritime. They invested a total of hundreds of millions of U.S. dollars. to help the national high-end ship manufacturing industry go global, and strongly promote the company's business expansion and brand influence in the field of international shipping.

- **International Company:** The International Company actively served the national "Belt and Road" initiative and attended the "Synergy + International Cooperation – Entering CITIC Construction" event, where it delivered keynote speeches to the ambassadors of the United Arab Emirates, Argentina, Brazil, Kazakhstan, Saudi Arabia and Uzbekistan and representatives of the relevant companies to publicize the business operation of the Company and the International Company and to expand opportunities for future business cooperation.

Case: Helping overcome the "stuck neck" project of integrated circuits

Investment banking thinking was used to help large state-owned enterprises in Shanghai revitalize existing assets. A high-quality special opportunity equity investment of RMB1.5 billion was completed in the form of S share transfer. In addition, it helped overcome the "stuck neck" project of integrated circuits, and allocate a package of special opportunities to leading enterprises in advanced manufacturing of integrated circuit. These special opportunities demonstrated "do whatever we can do for the country", boosting the Company's market image and brand influence.

16.3.2 Focusing on People's Livelihood

As the main force in the non-performing asset industry, the Group gives play to its functions of financial assistance and counter-cyclical tools to provide aids to fund key livelihood projects, including "ensuring timely deliveries of presold homes", revitalizing unfinished buildings, and mergers and acquisitions of problematic assets. To defuse risks in the real estate sector and clean up the troubled real estate enterprises, we actively signed bailout and reorganization framework agreements with relevant enterprises, and carried out cooperation around "ensuring timely deliveries of presold homes, people's livelihood, and stability". Additionally, by participating in industrial upgrading, we helped maintain economic and social stability.

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Case: Giving full play to the financial rescue function to help enterprises bail out and ensure timely deliveries of presold homes

The Group makes full use of its professionalism and synergy effects and the financial toolbox such as "debt + equity" and "finance + industry" to actively support troubled real estate enterprises. By means of risk isolation, restructuring and bailout, resource integration, and merger and liquidation, we successfully implemented a number of projects to ensure timely deliveries of presold homes and people's livelihood, and created a replicable and promotable model of bailout and risk mitigation, on which major projects of the key real estate enterprises are used as breakthrough points.

- **Headquarters of the Company and Shanghai Free Trade Zone Branch:** The Company has implemented 16 financial support measures and focused on "do whatever we can do for the country". It has given full play to synergetic advantages, and comprehensively used the "finance + industry" characteristic toolbox to provide support for a project by formulating a precise bailout plan with a project scale of RMB4.15 billion, which will strongly support local governments to "ensure timely deliveries of presold homes", existing financial creditors to "defuse risks", and troubled real estate companies to "protect the main body", contributing to maintaining the health and stability of the real estate industry and serving the real economy.

- **Fujian Branch:** Fujian Branch gives full play to its professional advantages in the disposal of non-performing assets, supports local governments in carrying out project risk resolution for troubled housing enterprises, carries out in-depth project due diligence, taps the value of project restructuring, accurately grasps favorable time windows, gives full play to its professional advantages in rescue finance, and strengthens interplay with "government, trust company, and reorganizer" to guide the project reorganization with investment banking thinking. Besides, it actively promoted the resumption of work and production of two real estate projects, safeguarded the rights and interests of more than 2,100 home buyers, and resolutely implemented the policy of "ensuring timely deliveries of presold homes, people's livelihood, and stability", thereby contributing to local economic and social development.

- **Gansu Branch:** Gansu Branch focused on its main responsibility positioning and implemented 3 "ensuring timely deliveries of presold homes" projects. Since the original developers have had systemic risks, there is a risk of unfinished development projects. By investing RMB265 million in bailout funds and introducing industrial companies to manage project construction, the branch successfully promoted and smoothly implemented the construction of projects ensuring timely deliveries of presold homes involving people's livelihood issues.

- **Ningxia Branch:** Ningxia Branch actively followed up on the "unfinished building" projects in Yinchuan City, actively explored the value of restructuring, and successfully completed the Ningxia Long'an Real Estate Bankruptcy Reorganization and Unfinished Building Revitalization Project with an additional investment of RMB200 million, and did well in ensuring timely deliveries of presold homes and people's livelihood.

- **Rongde Assets:** The "ensuring timely deliveries of presold homes" project of a real estate company invested in the common benefits debt project has been successfully implemented, solving a total of 2,044 property delivery problems. The project team overcame the difficulties of involving a wide range of interests, numerous stakeholders, and different demands, and introduced members of CITIC Group to participate in construction and management through a market-oriented approach, and led the successful redevelopment of such real estate company with the "Common benefits debt project + Agency Construction and Management" plan. In this way, we achieved the defusing of existing risks and the improvement of economic and social benefits.

- **Industrial Company:** A Wuhan project is a key project being implemented by the Industrial Company. It is related to the relocation of more than 600 residents who have been resettled on-site. It is a key local project to "ensuring timely deliveries of presold homes, people's livelihood, and stability". Industrial Company has overcome difficulties, increased innovation, actively introduced advanced technologies such as real-life 3D modeling, and solved design and construction problems. It has strongly supported local urban construction, contributed to local governments' ensuring people's livelihood and stability, and has been recognized by local governments.

Case: Playing the role of financial "stabilizer" to ensure people's livelihood and employment

- **Guangxi Branch:** Through the implementation of debt-for-equity swap and the common benefits debt investment project for a project, we have completely solved the problems of the opening of such project, optimized the business environment, stimulated surrounding employment, solved the wages of migrant workers, and effectively protected people's livelihood. It is expected to solve the employment problem of about 2,000 people and solve the livelihood problems of the long-term lack of comprehensive commercial complex around such project.

- **Jiangsu Branch:** Through the "common benefit debt + restructuring investment" method, it participated in the bankruptcy reorganization of a large food enterprise group, promoted the successful reorganization of the enterprise, and helped it get out of the red and develop, safeguarding the employment of more than 30,000 employees, and ensuring the production and operation of the upstream and downstream farmers in the industry, thereby achieving a positive role in "stabilizing growth" and "ensuring people's livelihood".

- **Financial Leasing:** Financial Leasing successfully launched a direct leasing project cooperation with a new energy company in Zhejiang, using the photovoltaic components and related supporting auxiliary materials of the household photovoltaic power station built by the lessee as the leased property. Through the installation and development of the household photovoltaic power station, we signed development contracts with farmers and adopted the "full grid" power generation model to ensure that farmers receive stable monthly income, effectively promote the growth of rural economy and increase farmers' income, and achieve "county-wide promotion" of household photovoltaic power station and "common prosperity" and related national policies.

16.3.3 Serving the Real Economy

Finance is the blood of the real economy, and the development of the real economy is the top priority for high-quality development. The Company gives full play to the advantages of its counter-cyclical tools and services of financial assistance to help local key enterprises defuse risks. Combining the corporate financial service needs, the Company innovates business models and provides strong support for the development of entity enterprises, maintain the stable development of local economy and society, and serves the real economy with high-quality development.

Case: Tianjin Branch focuses on main business to help enterprises bail out

Tianjin Branch: Focusing on the key areas and enterprises put forward by the State Council's Circular No. 19, Tianjin Branch actively participated in the asset consolidation and debt risk resolution of important government platforms and state-owned enterprises, relying on the list of mixing and reforming, and comprehensively utilized a variety of business means to help state-owned enterprises reduce debts and burdens, and made tailor-made financial solutions to accelerate the liquidation of non-advantageous businesses and inefficient and ineffective assets of state-owned enterprises in Tianjin, reduce the indebtedness ratio, and securitization of assets, etc., and jointly invested RMB2 billion with the Beijing Branch in revitalization of the stock of assets of a group in Tianjin. It actively participated in the risk defusing of regional legal person banks, explored ways to participate in the risk defusing of small and medium-sized financial institutions by cooperating with relevant entities to establish special funds, transfer installments in the secondary market, etc. It cooperated with local state-owned enterprises to jointly resolve the non-performing assets of Tianjin Rural Commercial Bank of RMB1.115 billion, exploring a feasible model for resolving the risks of small and medium-sized financial institutions. Focusing on emerging industries such as advanced manufacturing, new energy, and new infrastructure, it explored and tapped business opportunities such as bailout of major shareholders of listed companies, carried out special opportunity investments through S fund acquisitions, equity asset acquisitions, etc. The project of RMB500 million smart travel fund share acquired in cooperation with Beichen District realized full withdrawal, which concluded the company's first S fund business successfully.

Case: Shandong Branch insists on returning to its main business and promotes local economic development

Shandong Branch: Shandong Branch gives full play to its unique advantages and makes unremitting efforts to stabilize the provincial economy, stabilize growth, defuse risks, and maintain existing stocks. It insists on returning to its main business and continues to expand and strengthen its main business of non-performing assets. In terms of restructuring, it comprehensively promoted business transformation and launched three businesses throughout the year, involving substantive restructuring. In terms of acquisitions, it continued to expand the scope of acquisitions and enriched our business methods to expand the acquisition of non-bank financial institutions' non-performing assets, the acquisition of single-family non-performing assets, intended acquisition and customized acquisitions. In terms of disposals, through bundled disposals, fund-based disposals, and a variety of methods such as bringing in new ones to bring in old ones, and bringing in good ones to bring out inferior ones, we have accelerated the disposal, comprehensively promoted the acquisition and disposal of large non-performing assets, and created and consolidated the main business advantages of the branch's non-performing asset package.

Case: Guangxi Branch innovates business solutions to support the development of small and medium-sized enterprises

Guangxi Branch: Guangxi Branch creates a plan of "acquisition of non-performing assets + property rights restructuring + debt risk resolution", and solves the problem of insufficient risk provisions of a guarantee company by acquiring non-performing asset packages, to continuously support the development of industrial small and medium-sized enterprises. It classifies debt assets and enterprises, and uses state-owned asset platform companies to fund the acquisition of debt enterprises, realize property rights reorganization, and bail out enterprises. It achieves debt risk resolution by stripping and disposal of mortgaged assets, partial cash repayment of debts, debt leveling, debt transfer and restructuring, debt reduction and other ways, which solved the problem of the guarantee company's lack of experience in resolving non-performing assets and supporting difficult industrial enterprises to achieve secondary development.

Case: Financial Leasing builds an information platform for small and micro leasing business

Financial Leasing: Taking the leasing business of small and micro enterprises in subdivided fields such as construction machinery, medical health, and distributed photovoltaics as the entry point, it has built a small and micro leasing business information platform that integrates a business scenario operation, online precision marketing, intelligent user identification, big data risk control decision-making, and full-process automation approval, online fund payment and settlement, electronic invoice issuance and intelligent post-rental management, which improves the response speed and approval efficiency of leasing business needs of small and micro enterprises, and can complete a transaction in 20 minutes at the fastest. It can achieve "never run out of business" for small and micro businesses, improve the quality and efficiency of small and micro enterprise services, and invest nearly RMB5 billion in private small and micro enterprises throughout the year.

16.3.4 Mitigating Financial Risks

The Group conscientiously implements the regulatory requirements and takes participation in the risk defuse of small and medium-sized financial institutions as a major special task of the Company. Through coordinated efforts, we actively assist in the bankruptcy restructuring of small and medium-sized financial institutions and the optimization of the asset structure of the regional banks to provide strong support to resolve local financial risks and to ensure the stable operation of the economy.

Case: Fujian Branch assists small and medium-sized financial institutions in reforming and reducing risks

Fujian Branch: Fujian Branch has been deeply cultivating its main business. It has actively acquired non-performing asset packages from local small and medium-sized financial institutions, innovated asset disposal concepts with more disposal efforts, increased promotion and marketing efforts through new media, and simultaneously promoted high-quality assets on multiple platforms such as Alibaba Assets and 360pai, giving full play to synergy advantages. It has strengthened communication and exchanges with CITIC Group member units on asset disposal and management, sped up the disposal of existing asset packages through methods such as bringing in old with new, sub-regional grouping, targeted grouping, etc., to help local small and medium-sized financial institutions resolve risks and contribute to the high-quality economic development of Fujian.

Case: Gansu Branch actively participated in the reform and risk resolution work of local small and medium-sized financial institutions

Gansu Branch: In response to the regulatory work arrangements in Gansu, Gansu Branch established a special working group for risk resolution of small and medium-sized financial institutions, signed a *Strategic Cooperation Framework Agreement* with the Gansu Rural Credit Cooperatives, and focused on contacting rural credit cooperatives and rural commercial banks in the designated areas (Zhangye, Qingyang and other areas). They deeply explored the existing assets of each institution, cooperated with each institution, and jointly discussed opportunities and cooperative modes in various business aspects such as individual loan packages, customized packages, debt-repaid assets, and anti-entrustment.

Case: Heilongjiang Branch took multiple measures to resolve risks and improve disposal efficiency

Heilongjiang Branch: Heilongjiang Branch adheres to the risk resolution project as the top priority of the business operation. It has built the team member package mechanism and coordination mechanism, concentrated on promoting the key risk project resolution and broken down the risk resolution target. To set the improvement of disposal efficiency as the goal and minimizing impairment of assets and stopping loss as the prerequisite, it promotes the risk resolution work at different levels, formulates the disposal plan of a multi-criteria, scientifically researches and evaluates the disposal path, enhances the liquidation ability of cash, and facilitates the reduction of exposure to risks.

Case: Henan Branch exerts financial rescue function to help state-owned enterprises become bigger and better

Henan Branch: Henan Branch gives full play to its financial services to the real economy and financial rescue functions. It successfully invested RMB3 billion through substantive restructuring to help a large state-owned energy group in Henan Province pay a default bond in advance and successfully resolve debt risks, to promote energy groups to further repair credit in the bond market, optimize the asset-liability and property rights structure, reduce the overall debt ratio, and help state-owned enterprises become bigger and better.

16.4 Environmental Responsibility

The Group, as a practitioner of green finance, actively responds to the challenge of climate change and responds to the major strategic deployment of the Party Central Committee and the State Council on "carbon peaking and carbon neutrality". In conformity with the national trend of low-carbon transformation and development, we implement the concept of green and low-carbon development in the entire process of business operation and development. At the same time, we continue to innovate and expand green financial services to help enterprises with low-carbon transformation and development and contribute to "Beautiful China".

16.4.1 Responding to Climate Change

The Group actively responds to the challenges and opportunities brought about by climate change, actively expands green financial business, further promotes green operations, and takes effective measures to support the green development of enterprises, thereby helping achieve the national goal of "carbon peaking and carbon neutrality".

Governance. We have established a complete governance system. The Company's decision-making levels review risks related to climate change, discuss and review specific climate change issues, and make climate change mitigation and adaptation one of the priorities of relevant business departments.

Strategy. We assess the potential operational and financial impact of climate change on the Company, actively participate in climate governance, and carry out insurance protection business and service innovation in climate change and other fields. We have developed relevant risk management methods, technologies and tools, and tried to use big data, stress testing, etc. to quantitatively assess the impact of climate risks on investment portfolio samples and explore climate investment opportunities.

Risk Management. The Company incorporates environmental impact and climate risk into project risk considerations and assessments, identify physical risks, transformation risks, etc., and consider the possibility of risk occurrence and related impact on the Company. The Company has strengthened risk identification, including putting forward requirements for the environmental protection of underlying asset projects, and prohibiting the development of restricted and eliminated projects in the Industrial Structural Adjustment Guidance Catalog, the negative list of industrial restructuring issued by local governments and other policies that are clearly restricted or eliminated, underlying assets involving energy consumption and environmental protection standards that do not meet national, local and industry requirements, or backward production capacity that does not meet safety production standards and has not been rectified, the project that had a serious impact on the normal operation of the enterprise, and underlying assets that are unable to meet the bottom-line standards of national industry policies and that seriously affect the normal operation of the business.

Indicators and Targets. The Company belongs to the financial industry. The energy consumption and carbon emissions during the operation process mainly come from daily office work. The energy types involved are electricity, natural gas, gasoline used by its own vehicles, diesel consumed by diesel generators, etc. We reduce energy consumption and carbon emissions by adopting sustainable energy sources, promoting recycling, reducing paper consumption, encouraging green and low-carbon travel, and other energy saving and emission reduction initiatives. We have actively advanced the setting of carbon emission and energy management goals, and tracked and reported on the progress of the goals.

16.4.2 Innovating on Green Finance

The Group deepens the connotation of financial services, serves the green transformation of the national economy, continuously enriches green financial products and assists enterprises in low-carbon transformation to gather financial energy for green development, and make new contributions to support the construction of ecological civilization.

16. Social Responsibility Report

In 2023, according to the "14th Five-Year Plan" development plan, the Company focused on the "green finance" concept and conducted research on the opportunities and challenges facing the new energy industry to provide reference for the Company to improve the effectiveness of new energy industry services. Our business development closely focuses on high-end manufacturing, new energy, clean energy, "double carbon" and other industries and the layout of leading enterprises, giving full play to the role of "financial doctor", actively deploying industries and core assets that are supported by national policies and have development potential, and fully consider environmental and social impacts of the project, and avoid investing in highly polluting industries.

Case: Financial Leasing practices the concept of green development and actively develops green leasing business

Financial Leasing: Financial Leasing deeply carries out the national strategic goal of "peak carbon dioxide emissions and achieve carbon neutrality", continues to increase its investment in green leasing, innovates and introduces green financial products and services, and has achieved significant results, thereby achieving remarkable results, and winning the well-known industry award — 2023 "Polaris Cup" Influential Low-Carbon Action Brand. In our corporate "14th Five-Year Plan" development plan, we have clarified the business orientation and development goals of green energy, environmental engineering and other sectors, assessed green development in the annual strategic implementation evaluation, and promoted the realization of green goals. We have established green leasing business marketing management mechanisms, like the Green Leasing Project Investment Guidelines, etc. Based on the characteristics of the green industry, differentiated due diligence templates for industrial and commercial distributed photovoltaics, solid waste, and shipping are added, and the green leasing business is actively explored in the fields of water treatment, solid waste treatment, clean energy, etc. A total of nearly RMB3 billion has been invested in green leasing projects throughout the year such as resource recycling, renewable energy and clean energy, garbage disposal and pollution prevention.

Case: Embracing low-carbon concepts and supporting the development of green and low-carbon industries

- **Headquarters of the Company:** It actively implements the requirements of financial services for the real economy and effectively respond to the national "double carbon" strategic policy. It has successfully invested RMB500 million in the electrolytic aluminum industry leader through market-oriented debt-for-equity swaps to help enterprises optimize their asset-liability structure and strongly support the transformation and development of sustainable and green aluminum enterprises across regions.

- **Henan Branch:** Henan Branch gives full play to the functional advantages and business characteristics of the asset management company. By using professional technologies and tools, on the basis of supporting the listed company Zhongfu Industrial to optimize the production capacity structure in the first half of the year, it once again implemented a substantial restruction for a listed company by way of trust plan, successfully assisting it in merging and acquiring high-quality equity, further improving its overall profitability and "green hydropower aluminum" equity production capacity, and supporting the green, healthy and sustainable development of real enterprises.

- **Guangdong Branch:** Focusing on achieving the "double carbon" goal, it supports green and low-carbon industries. Guangdong Branch successfully acquired the non-performing debts of Shanghai Pudong Development Bank Guangzhou Branch and Kunming Branch through open bidding separately, helping to realize the rebirth of the "West-to-East Power Transmission" strategic backbone power station in the middle reaches of the Jinsha River, and providing financial support for the regional economy, people's livelihood, and green energy supply.

16.4.3 Building a Low-Carbon Culture

In strict accordance with relevant provisions of the Environmental Protection Law of the PRC and the Energy Conservation Law of the PRC, the Group constantly and deeply carries out the concept of green development, actively promotes green offices, advocates green travel, and strives to reduce the consumption of energy and the emission of waste, with a view to growing into a green enterprise.

In 2023, the Group adhered to the concept of green and low-carbon development. By taking a series of effective measures, the Group's total energy and resource consumption and total waste generation decreased somewhat compared with 2022, the promotion and implementation of "energy saving and consumption reduction" policies and measures have been effective.

16.4.3.1 Adhering to Green Operations

- When purchasing office filing cabinets, lockers, workstations and other main materials, the Company uses green materials with good environmental compatibility. When purchasing electrical equipment, while considering price factors, we give priority to power-saving and energy-saving products to control them from the source and improve energy conservation and emission reduction of office space fixed assets and physical assets.

- We actively promote electronic, paperless and online office management services, advocate online meetings, reduce the use of meeting resources, reduce the expenditure on paper materials in office processes, and improve efficiency.

- In the process of office space adjustment, new purchased work desks were reduced and vacant spaces were adjusted through utilization between floors, etc., which not only met the needs of employees, but also saved acquisition costs.

- Through meetings, publicity platforms, etc., we vigorously advocate green office, promote low-carbon knowledge and enhance employees' awareness of energy conservation. We urge cadres and employees to turn off some lights during lunch breaks and overtime work, and turn off computers not in use in time, or set them to save energy status. We urge employees to turn off all lights, computers and other electrical appliances when leaving office and set up air conditioners at reasonably temperature at work. We advocate saving energy starting from me and bit by bit, and cherishing every kilowatt-hour of electricity, every drop of water, and every piece of paper. In 2023, 3,986 packages of copy paper were used, a year-on-year decrease of 617 packages, reducing the paper usage by 13.4%. 3,680 batteries were used, a year-on-year decrease of 412, reducing the battery usage by 10.06%.

- The Company strictly follows government guidance, implements general/hazardous waste recycling and disposal policies, signs toxic waste recycling and collection agreements with professional departments, strengthens publicity and education, and rationally allocates classified trash cans in office areas, making significant progress compared with 2022.

- We updated energy-saving lighting equipment and refined the light source management of office buildings. We minimized power consumption by reasonably coordinating the lighting time of light sources in each area. We strengthened the daily inspection of office building equipment, reasonably arranged seasonal changes to ensure equipment shutdown, inspection and maintenance, and continuously improved equipment operation efficiency and energy-saving effects.

- We optimized and adjusted the operating modes of public facilities such as heating and air conditioning systems, drinking water service systems, and elevator operation systems to minimize energy consumption and optimize energy conservation and emission reduction effects without reducing the quality of logistics services. The direct drinking water equipment was adjusted to run from 7:00 am to 22:00 pm. So far, the number in the cumulative reduction in the use of white plastic bottles has reached 31,087,026 bottles, effectively alleviating the burden of ecological degradation.

16.4.3.2 Performance

Indicators	Indicators' unit	2023
Electricity consumption	kWh	15,667,734.72
Gasoline consumption	Liters	460,170.25
Natural gas consumption	Cubic meter	402,786.23
Outsourced heat	MKJ	751,963.04
LPG consumption	Cubic meters	4,474.66
Total energy consumption[10]	Tons of coal equivalent	3,049.39
Energy consumption intensity	Tons of coal equivalent per capita	0.60
CHG emissions in Scope 1 and Scope 2[11]	Tons of carbon dioxide equivalent	10,425.62
CHG emissions per capita	Tons of carbon dioxide equivalent per capita	2.05
Water consumption	Tons	151,336.27
Water consumption per capita	Tons per capita	29.79

10 During the Reporting Period, the CITIC Financial AMC conducted statistical calculations for various types of energy and resources consumed by the Company's headquarters, branches, and headquarters of subsidiaries, as the scope of disclosure in 2023. The energy consumed by the CITIC Financial AMC during its operations mainly includes office electricity, gasoline for office vehicles, and natural gas for office heating. The resources consumed are mainly office water and paper.

11 Scope 1 refers to the emission of greenhouse gases from gasoline, natural gas and other direct energy consumption, and Scope 2 refers to indirect greenhouse gas emissions from outsourced heat, electricity or steam. Scope 1 GHG emissions are calculated based on the HKEX Reporting Guidelines for ESG Environmental Performance Indicators and are derived from the conversion of direct energy use such as gasoline, diesel and LPG. Scope 2 GHG emissions are calculated according to the "Notice on Doing a Good Job in the Management of Greenhouse Gas Emission Reporting and Management of Enterprises in the Power Generation Industry from 2023 to 2025" issued by Ministry of Ecology and Environment.

Indicators	Indicators' unit	2023
Office paper consumption	Tons	66.50
Office paper consumption per capita	Tons per capita	0.01
Waste toner cartridges	Piece	3,216
Waste ink cartridges	Piece	320
Waste lamps	Piece	4,275
Electronic waste[12]	Tons	6.25
Domestic garbage	Tons	495.65
Kitchen waste	Tons	283.45
Total amount of harmless waste[13]	Tons	785.35
Per capita harmless waste	Tons per capita	0.15

16.5 Employees' Responsibilities

The Group focused on strengthening the construction of a high-quality professional talent team, by enhancing the overall plan of team building and employees training. While constantly optimizing the organizational and personnel mechanism, improving an open, transparent, scientific, and reasonable positive incentive and restraint mechanism, we continued to improve team building to ensure the reserve of solid talent support in achieving the objectives of "One-Three-Five" strategy.

16.5.1 Protect the Employees' Rights and Interests and Fulfill the People-oriented Concept

The Group has established a sound, equal, and democratic internal employee management system in accordance with the laws and regulations such as the Labor Law of the PRC, the Labor Contract Law of the PRC, and the Social Insurance Law of the PRC, to protect the rights and interests of employees and to safeguard their benefits, with the aim of building a harmonious and stable labor relationship. It has built a diverse, inclusive, equal and fair working atmosphere. In addition, the Group implements people-oriented management, and practices of labor disputes like forced labor and child labor are strictly prohibited. In 2023, the employee labor contract signing rate reached 100%. We have established annual leave, family leave,

12 During the Reporting Period, CITIC Financial AMC conducted statistical calculations for various types of wastes produced by the Company's headquarters, branches, and headquarters of subsidiaries, as the scope of disclosure in 2023.

13 Harmless waste includes domestic waste, kitchen waste and electronic waste. For the calculation method for the total amounts of office and domestic waste, please refer to the Handbook for the Waste Discharge Coefficient of Urban Domestic Sources in the First National Pollution Source Survey issued by the State Council.

14 In 2023, CITIC Financial AMC adhered to its main business and sold some of its subsidiaries, resulting in a smaller scope of statistics. So, some indicators declined significantly from 2022.

marriage leave, bereavement leave, sick leave, maternity leave, work injury leave and other types of leave, optimized and adjusted the extended maternity leave, childcare leave and other leave policies to fully protect employees' rights to rest and take leave. Additional details on employee rights are set out in "8.3.7. Human Resources Management".

The Group attaches great importance to the legitimate rights and interests of employees, providing them with equal and diversified career development paths and eliminating all forms of discrimination. The recruitment, selection and appointment of employees is strictly implemented in accordance with the regulations. Adhering to the principle of fairness and justice, the Group clarifies and standardizes the procedures of talent selection and appointment, and strengthens supervision, discipline implementation and accountability, thereby forming a scientific, standardized, and effective talent selection and appointment mechanism to promote the employees' career development and growth progress and enhance team building.

The Group has established supplementary medical insurance on the basis of local basic medical insurance in accordance with regulations. By regularly improving the model of commercial medical insurance plans, the Group optimizes the level of employee medical security, gradually improves the level of employee medical security, and solves the worries of sick employees.

In order to ensure the occupational safety and health of employees, the Group makes it clear in the Measures on Trade Union Financial Management that labor protection funds should be used to carry out safety production, occupational disease prevention and control, construction of teams on employee safety supervision and management, and employee mental health maintenance, etc. By providing cadres and workers with health lectures, psychological counseling, online health services, etc., the Group meets the diversified needs of cadres and workers for medical services and healthy living.

In 2023, in order to further improve the safety work governance system and system construction, the Group revised and improved the General Contingency Plan Guidelines for Public Emergencies, organized and carried out major inspections of the Company's safety production. It strengthened the construction of the Company's safety production system, and prevented and reduced safety production accidents by formulating the Production Safety Management Measures. For the summer flood season, we conducted in-depth investigations and rectification of hidden dangers in all aspects such as the safety of self-built houses, high-rise buildings, key buildings and overseas personnel of each unit. We carried out epidemic prevention, fire prevention, and major accident prevention as the focus and a comprehensive safety inspection for "full coverage and no blind spots" inspection and rectification of hidden dangers. At key nodes, prompts on production safety were issued, and fire training and drills with the theme of "popularizing fire protection knowledge and mastering escape skills" were carried out.

16. Social Responsibility Report

Indicator	Unit	2023
Total number of employees	persons	5,080
Labor contract signing rate	%	100
Social security coverage rate	%	100
Number of employees by gender		
Ratio of male employees	%	55.14
Ratio of female employees	%	44.86
Employee turnover rate by gender[15]		
Turnover rate of male employees	%	4.46
Turnover rate of female employee	%	4.85
Employee turnover rate by region		
Turnover rate of domestic employees	%	3.47
Turnover rate of overseas employees[16]	%	41.11
Employee turnover rate by age		
Turnover rate of employees with age under 35	%	6.12
Turnover rate of employees with age between 36 and 45	%	4.89
Turnover rate of employees with age between 46 and 55	%	2.21
Turnover rate of employees with age above 56	%	0.74

Indicator	Unit	2023	2022	2021
Number of work-related deaths	persons	0	0	2
Proportion of work-related deaths	%	0	0	0.02
Work days lost due to injury	days	242	53	261

16.5.2 Stimulate the Talents Vitality and Promote the Employee Growth

Adhering to the "people-oriented" business concept, the Group provides employees with equal and diversified career paths. Meanwhile, focusing on the needs of business development and employee growth, we continuously optimize the salary system and internal training system, and strive to build a high-quality professional talent team.

15 Employee turnover rate = number of resigned employees in the category in 2023/(total number of employees in the category at the end of 2023 + total number of employees in the category at the end of 2022)/2

16 The number of overseas employees has significantly decreased in 2023, mainly due to changes in the career development environment and more frequent personnel turnover in the context of institutional integration and business return to the main business. At the same time, based on work needs and job matching considerations, optimize the employee team and actively try to connect them with suitable employment opportunities to fully fulfill their social responsibilities.

16.5.2.1 Career Development

In accordance with the spirit of the Central Working Conference on talents, the Group actively incorporates itself into the CITIC Group's "big talent" program, strengthens forward-looking thinking and overall planning of talent work, builds a scientific and standardized mechanism for selecting and employing talents, to facilitate career development channels for employees.

In 2023, the Group combined special work and continued to strengthen employee training and training based on job practice through various methods such as on-the-job exchanges and on-the-job training.

16.5.2.2 Employee Incentives

The Group attaches great importance to the construction of the assessment system, always emphasizes adhering to market orientation, and establishes a clear orientation of "strengthen the assessment of employees' performance to link with their salaries, appreciate hard work, and rewards those with higher performance".

- The Annual Assessment Management Measures (2023 Edition) was issued. The assessment further highlights the contribution and value of the position, strengthens the quantitative assessment and refined assessment, implements the "one person, one table" work idea, refines the assessment levels, strengthens the application of results, and emphasize the linkage of assessment results with the use of cadres, employee promotion, performance distribution, training, and award-based evaluation of excellence, which truly reflect that "performance matters" and further increase the role of performance incentives as a baton.

- The supporting incentive and restraint mechanism was studied and formulated, and the Salary Management Standards for Middle-level Management (2023 Edition) was revised and issued to further standardize the salary management of the Company's middle-level management, and optimize and adjust the annual salary accounting method for them.

- The Headquarters of Company Salary Management Standards (2023 Edition) was issued. By clarifying the requirements for mandatory distribution of appraisal grades, increasing the gap of appraisal coefficients, and highlighting the value of the position of the head of the division, we have further widened the gap in the distribution of the remuneration of headquarters employees and optimized the mechanism for the distribution of the remuneration of headquarters employees.

- In order to further improve the Company's performance salary incentive and restraint mechanism, the Performance Salary Deferral, Stop Payment, Recourse and Kickback Management Regulations (2023 Edition) was revised and issued to clarify the scope of performance pay deferral and the conditions for stop payment, and strictly implement the performance pay recovery and kickback system.

16.5.2.3 Employee Training

The Group's training work focuses on CITIC Group's cadre education and training plan and the "14th Five-Year" talent development plan, implements the Company's "14th Five-Year" talent development plan, highlights work priorities and strengthens resource coordination. Closely integrating the Company's central development tasks, we consolidate the overall business process practical skills, effectively integrate training work into the Company's overall business development, and provide strong learning support and training guarantee for employees to improve their business development capabilities.

In 2023, the Group coordinated the professional capacity training of various business line management departments, and held a series of training activities such as customer marketing "One Hundred Vanguards" and "Eight Does" business models and case sharing, state-owned enterprise reform business training, etc., to strengthen core business knowledge and practical skills, and make case analysis and experience summary. It carried out various types of training including financial "cornerstone" backbones, risk directors, business review, policy and system interpretation of all auditing lines, professional knowledge, etc., and increase training efforts of business lines.

During the Reporting Period, a total of 119 courses were released online, covering all employees, with a total of 80,000 teaching hours.

Indicators	Unit	2023
Employee training coverage	%	100
Employee training expenses	RMB10,000	524.1
Training hours per senior management cadre	hours	202.3
Training hours per middle-level management cadre	hours	235.3
Training hours per staff	hours	126.5
Training hours per male employee	hours	138.1
Training hours per female employee	hours	138.1
Ratio of senior management training[17]	%	0.30
Ratio of middle-level management training	%	17.24
Ratio of staff training	%	82.46
Ratio of male employee training	%	55.14
Ratio of female employee training	%	44.86

17 To ensure comparability of previous annual data, the calculation method for training in 2023 is as follows: number of management personnel at each level * training hours/(number of senior management personnel * training hours + number of intermediate management personnel * training hours + number of grassroots personnel * training hours). The proportion of senior management training + proportion of intermediate management training + proportion of grassroots employee training = 100%

16.5.3 Focus on Development and Care for Employees' Health

Adhering to the "people-oriented" principle, the Group always serves employees wholeheartedly and pays attention to the physical and mental development of employees. We also earnestly seek benefits and offers practical services for our employees, so as to strengthen their sense of belonging and recognition of the Company, and continuously boost the team's cohesiveness and synergy.

We offer practical services for our employees in terms of medical insurance, online training, retirement protection, mental health, and working environment, etc. Through the employees' representative conferences, intranet, forums, other methods, the Company listens to the opinions of employees in a timely manner, and smooth the internal communication channels. A total of 4 employee representative conferences were held in 2023, and a total of 13 major matters and important systems involving the Company's development and employees' vital interests were reviewed.

The trade union conducts employee satisfaction surveys every year, summarizing employees' opinions and suggestions on various aspects related to the union from multiple aspects, conducting in-depth research on the dissatisfied parts, and following up and solving urgent and difficult issues raised by employees.

Promoting the construction of "workers' home"	• The gym and staff reading room were upgraded and renovated, adding new fitness equipment, and increasing the space by more than three times, making employees more willing to exercise. • The selection of "Model Worker Homes" and "Excellent Trade Union Cadres" for each grassroots trade union in 2021–2022 was carried out, and 13 "Model Worker Homes" and 16 "Excellent Trade Union Cadres" were selected and rewarded.
Program of "sending support to people who are in need" becomes normal	• In the New Year's Day and Spring Festival of 2023, the Company invested RMB236,000 in the program of sending warms to 88 people who are in need. Among them, the Company's trade unions sent condolences to 48 people, with a cumulative amount of RMB160,000.
Employee assistance	• Heavy rain and flood subsidies of RMB264,500 were provided to Heilongjiang and Hebei branches, Rongde Asset, Industrial Company, headquarters, etc; the Love Relief Fund assisted and rescued 2 people and allocated RMB 60,000.

Strengthening the protection level of female employees	• The Collective Contract for the Special Protection of Female Employees was renewed, and special physical examinations for female employees were purchased for female employees at the headquarters, involving 237 people and amounting to RMB295,800. • Special physical examination and "two cancers" screening services were provided for female employees throughout the Company, including subsidiaries, with a total investment of more than RMB1.3 million, benefiting more than 1,300 female employees.
Offer practical care services to employees	• We have organized a number of unique cultural and sports activities, including the collection of calligraphy, art and photography works of female employees under the theme of "Women's Grace and Blooming in a New Journey", parent-child open day activities, fun sports games with the theme of "Strive forward on a new journey and build a new era of meritorious service", and the vigorous walking of employees themed "Striving to be the First", to guide employees to keep fit, and establish a healthy and progressive work and life philosophy.

16.6 Consumer Responsibility

16.6.1 Improving the Quality and Effectiveness of Services to Optimize Customer Experience

The Group constantly deepens the practice of customer management. In order to fully understand customer demands, better establish and maintain customer relationships, and improve the customer service. At the meantime, we carry out satisfaction surveys for existing customers and potential customers on a regular basis. In addition, we coordinate with various operating units to improve service quality and efficiency and optimize customer experience, so as to improve the customer satisfaction. The Group has formulated and implemented the Customer Return Visits and Complaints Management Measures. It has set up a complaint hotline on the Company's external network, established a first inquiry responsibility system within the Company and clarified the principle of customer service first. It has established time-limited handling and information confidentiality mechanisms, and continued to optimize the customer complaint handling process, to actively listen to customer feedback and improve customer complaint management.

The Group has established a customer marketing follow-up mechanism, segmented customers, and established targeted and distinctive special marketing mechanisms based on customers of different business categories. In 2023, we coordinated and strengthened the top-level design of customer marketing, and issued the 2023 Customer Marketing Work Plan to clarify the marketing goals for the year. We issued the Customer

Marketing System Construction Plan to systematically plan the Company's customer marketing work and clarify the focus and direction of future work. We revised the Customer Marketing Service Manual and updated it in a timely manner according to business changes to further improve customer service capabilities.

In 2023, the Group focused on customer needs of target customers, increased marketing and market development efforts, and actively marketed nearly 190 customers throughout the year. Inside China, we visited institutions such as Aluminum Corporation of China, Aviation Industry Corporation of China, China Aerospace Science and Industry Corporation, Baogang Group, China Hualu Group, etc. to maintain customer relationships and explore business opportunities. Outside China, we adopted the "Going out" marketing strategy, by visiting CHN Energy Investment Group, CNNC New Energy, China Forestry Group, State Power Investment Corporation Limited, China Power International Development, Huadian Coal Industry Group, Shanghai STVC Group, etc.

16.6.2 Promote Information Construction and Strengthen Financial Technology

The Group implements CITIC Group's "14th Five-Year" Plan for Digital Development, integrates CITIC Group's "Four-One Projects", supports the "One-Three-Five" strategy, and formulates the Information Technology Digitalization Action Plan to clarify there are 41 detailed tasks that should be completed between 2024 and 2025, defining multi-faceted work goals and roadmaps for the future, and setting the direction for the Company's digital construction work.

In 2023, the Group improved the information technology system, continuously improved the information security system defense mechanism, promoted digital transformation, which effectively enhanced the basic service capabilities of information technology, and fully demonstrated the role of science and technology empowerment. In terms of developing financial technology and promoting digitalization, the Group accurately grasps the opportunities for digital transformation and financial technology development and actively promotes related work.

It continues to use technological means to strengthen internal management. It actively integrates into CITIC Group, comprehensively promotes "management on the cloud", completes the construction of a comprehensive budget management system, and realizes online submission of budgets to CITIC Group. It refines the report filling requirements, strictly controls the quality of cloud data, and implements the promotion of "Pioneer Online". It promotes the continuous improvement of the information system, and completes the launch of the systems and functions of the new Expense Reimbursement System Phase II, the Business Travel Platform, the Related Party Transaction System Phase IV, and the new Legal Audit System for Law Firm Selection and Engagement, which effectively supports the management of related party transactions and data control, and improves the system support for front-line business.

It continued to improve the information technology system. In terms of information systems, 16 systems in 5 major areas have been completed, which has beneficially supported the development of the Group's scientific and technological work. The main measures formulated by the Group to maintain information security include the Rules for Managing Information Technology Risks and Information Security, Measures for Managing Information System Emergencies, Measures for Managing Information System Emergencies, etc., to regulate the control requirements and workflow of information security and risk management in various management fields of information technology.

Having improved network protection capabilities and network security emergency response capabilities through red-blue exercises and actual combat drills

Having completed the rectification of special assessment issues by regulatory agencies, formulate a rectification plan, form a closed-loop management model of execution, supervision,inspection and review, and report to the regulator

Having established a network security operation system, carried out the construction of network security operation system, launched network security operation management platform (SOC), and carried out network security operations

Having promoted full coverage of network security level protection, completed the retest of the Company's level 3 information system, completed public security filings of level 2 information system, and organized branches and subsidiaries to carry out level protection assessments

Main information security tasks in 2023

Keeping the bottom line of information security. In terms of information security system, the availability rate of the Company's information system has reached 99.9%, and no network security incidents have occurred. In order to further ensure the information security management system, the Company regularly conducts audits on information security management and information systems, including special technology audits by the audit department, annual audits on information technology by entrusting third-party agencies, and internal control compliance audits conducted by the technology department themselves, etc. The Company has passed ISO27001 (information security system) and ISO20000 (IT service management system) certification.

16.6.3 Protecting Customer Privacy to Ensure Data Security

The Group attaches great importance to privacy and data security. The Data Governance and Information Technology Management Committee of the Company is the highest decision-making organization for the protection of personal information and the Board of Directors is authorized to consider information security and technology risk matters. In 2023, the Company passed the ISO20000/27001 management system certification carried out by the China Cybersecurity Review Technology and Certification Center and received the annual certification.

The Company's business is mainly corporate business and rarely involves the collection of personal information. Most personal information is mainly collected directly from users during due diligence in the early stages of the business. Currently, only the "Rongyitao" mini program involves the automatic collection of user information. This mini program clearly states the user privacy policy when the user logs in for the first time, and the privacy policy clarifies how users can correct and delete information. In 2023, the *Notice on Implementing the Signing of Informed Consent Forms for the Personal Information Processing of the Company's Business Participants* was issued to further strengthen the protection and management of personal information in the Company's business field.

The Company carried out the 2023 "Financial Consumer Rights Protection Education and Publicity Month" activity to improve consumers' financial literacy, enhance financial security awareness, and promote a fair and orderly market. The Company organized and carried out information security awareness training and network security knowledge and skills training, focusing on information security laws and regulations, network security protection knowledge, phishing and social engineering attacks and prevention, etc. The total number of people trained has reached 5,445 people, improving the information security awareness and capabilities of employees.

The Company carried out data security awareness and know-how training. The training personnel covered the compliance liaison officers of various departments and offices of the company headquarters, personal information protection liaison officers, branch company compliance specialists, personal information protection liaison officers, and focused on data security laws and regulations, personal privacy protection and other aspects of training, with a total cumulative training of 60 people.

16.7 Industry Responsibility

Actively fulfilling its industry responsibilities, the Group has signed strategic cooperation agreements with a number of central and state-owned enterprise customers and local governments to cultivate its long-term and stable business customer circle, ecological circle, and circle of friends in the field of ″major non-performing“ asset. We visited and met with enterprises, investment banks and other cooperation organizations, and conducted in-depth exchanges and interactions on business development with them, so as to give full play to their respective advantages and to achieve resource sharing and common development.

16.7.1 Deepen Industry Cooperation to Achieve Mutual Benefits

To expand and cultivate the main business of non-performing assets, the Company hosted several seminars, where in-depth discussions on business development were conducted to set out the development plan for the next stage scientifically and to expand the main business ecosystem of non-performing assets. In 2023, the Company conducted head-to-head marketing visits to more than 30 customers, including financial institutions, central state-owned enterprise customers, and key real estate companies, and has signed strategic cooperation agreements with many institutions such as China Everbright Bank, China Guangfa Bank, China Railway Construction, Power Construction Corporation of China, and Ali Assets. The amount of new investment involving central state-owned enterprise customers was RMB36.376 billion, accounting for 57.74% of the new investment.

Case: International company lands its first order of “double-cross model” innovative transaction model

International Company: The International Company signed a strategic cooperation agreement with Guangdong Financial Assets Trading Center Co., Ltd., clearly stipulating that it will be based on the pilot business of cross-border transfer of non-performing assets of banks, and they will integrate and leverage their respective advantages, and strengthen cooperation in cross-border business and unlisted state-owned property rights business of financial enterprises, to jointly explore financial service innovation. After the successful implementation of the first “dual-cross model” (cross-border assets + cross-border funds) non-performing asset package project, the company successfully delisted and delivered an asset package transfer project involving US$40 million, further innovating the transaction model for domestic and overseas linkage.

16.7.2 Strengthening Innovation Capability to Promote Industry Development

The Company continues to explore business practice, and actively participates in industry policy research and industry hotspot research around the ″major non-performing“ assets industry. We strengthen research empowerment, with the aim of driving innovation through research. At the meantime, we participate extensively in industry and cross-sector cooperation, in order to contribute the wisdom and strengths of the Company to the development of the ″major non-performing“ industry.

In 2023, the Group made full use of internal and external resources and actively carried out collaborative innovation, playing an important role in strengthening industry cooperation and win-win results. We have carried out research on the reform and risk resolution of small and medium-sized financial institutions and laid a solid early-stage foundation for future participation in local small and medium-sized bank risk resolution and carrying out light capital business transformation. We have provided support to the research on key topics of the China Society for Finance and Banking, and carried out new energy industry development opportunities and challenges, local government debt resolution, conducted research on the construction of digital risk control systems for financial leasing, real estate industry transformation and other fields, and formed relevant research results. We have actively participated in the work of professional associations such as the China Society for Finance and Banking and the China Banking Association Industry Development Research Committee, and continued to strengthen exchanges and cooperation in the industry.

The Company continues to improve the postdoctoral scientific research workstation training system and strives to improve management level and service quality to create a good scientific research atmosphere, and cultivate scientific research management talents for industry development. We have comprehensively revised the postdoctoral management system and issued the *Postdoctoral Management Work Rules* (2023 version) to further standardize the management process, clarify the management requirements for “two-way selection and independent career selection” after postdoctoral graduates. We have started the early stage of recruiting the 19th batch of postdoctoral fellows work, and strengthened postdoctoral project topic selection management, so that postdoctoral research work can better serve the development needs of the main business of non-performing assets.

16.7.3 Actively Expanding Channels and Building a Non-performing Asset Promotion Brand

In recent years, relying on Internet technology, the Company has taken normal means to promote non-performing assets through online platforms such as its official website and official WeChat account “China CITIC Financial AMC” and WeChat mini program “Rongyitao”, and has continuously expanded its cooperation strength and breadth of cooperation with leading Internet auction platforms such as JD.com and Alibaba to increase market activity and the transparency of asset disposal information, which helped promote non-performing asset transactions, shortened the disposal cycle, and also established the Company’s asset promotion brand.

In 2023, the Company carried out more than 20 promotion sessions, launching nearly 2,000 assets with a total amount of more than RMB200 billion. The Company’s WeChat official account innovatively launched the “Weekly Selection” topic, and released a total of 41 asset promotions, involving high-quality assets with non-performing assets of nearly RMB40 billion.

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Case: Adhere to regular promotion and continue to increase asset promotion efforts

- **Beijing Branch:** It has successively held asset promotion conferences such as "Gold Rushing with a Smart Eye to Bloom in Beijing" and "Gold Rushing with a Smart Eye to Promote Autumn in Beijing", and invited more than 300 investors from nearly 100 asset management, investment banks, intermediary platforms and other institutions to participate on-site. The meeting analyzed the current status and asset conditions of the non-performing asset market and discussed cooperation, focusing on the promotion of more than 70 selected assets. The underlying assets include residences, hotels, commercial real estate in the core areas of Beijing, and high-quality commercial and residential projects in the Beijing-Tianjin-Hebei and surrounding Beijing areas.

- **Jiangsu Branch:** Together with its Yunnan, Jiangxi, Liaoning, and Henan branches, it successfully held the "Jiangsu-Yunnan-Jiangxi-Liaoning-Henan joint development" regional non-performing asset offline promotion conference, attracting nearly 100 social investors, financial institutions, auction houses, etc. from all over the country to participate in this promotion conference. In recent years, Jiangsu Branch has actively expanded its channels and carried out in-depth asset promotion both "online + offline". It has promoted nearly 300 assets and the amount of debt exceeds RMB30 billion. In addition, the branch continues to publish asset investment announcements online through its WeChat public account, introducing asset details to investors on a regular basis, further smoothing information interaction and enriching channel supply. In the past two years, more than 180 investment announcements have been issued, involving assets exceeding RMB2 billion.

- **Chongqing Branch:** In collaboration with the Sichuan and Zhejiang branches, Chongqing Branch successfully held the "Riding the Wind and Waves to March Together in Sichuan, Chongqing, Hubei and Qinghai" regional offline debt asset promotion conference in Chongqing. Taking advantage of the customer base in Jiangsu and Zhejiang to promote more than 30 selected high-quality assets across regions in Sichuan, Chongqing, Hubei and Qinghai, as well as 61 debt preferred assets with creditor's rights in Hunan, Guangxi, Tianjin, Dalian and other places, with debt assets of RMB9.865 billion. There are various types of collateral assets, including industrial real estate, commercial complexes, tourism, minerals, health and wellness, etc., all of which have great potential for investment appreciation.

- **Shandong Branch:** In conjunction with Shandong Financial Assets Trading Center, Shandong Branch successfully held a special promotion conference for special assets. The introduction meeting selected more than 150 assets with debt assets of nearly RMB10 billion based on the needs and concerns of investors through the method of "precise invitation" + "targeted promotion", achieving a two-way match between customer needs and recommended assets, and continuously improving the success rate of asset promotion.

16.7.4 Protecting Intellectual Property Rights and Preventing Infringing Behaviors

The Group attached great importance to the maintenance and protection of intellectual property, and accordingly, it complied with related laws and regulations, to regulate the management of intellectual property rights, to prevent infringement of the Company's intellectual property rights, and to protect its own research and innovation achievements. The Group respected the research results of its employees and post-doctoral researchers, formulated the *Postdoctoral Management Work Regulations*, and determined the attribution of rights and interests in a fair and reasonable manner. In 2023, the Group further strengthened the management of the scientific research exchange platform to better serve the development needs of the Company's professional subsidiaries.

16.8 Community Responsibility

The Group actively assumes its mission and tasks as a state-owned financial enterprise to respond to the country's policy of rural revitalization. We provide targeted assistance to the paired areas, by carrying out multi-level, wide-ranging, and all-round assistance activities. By doing so, we help consolidate and expand the achievements of poverty alleviation, and forge ahead and continue to write a new chapter in rural revitalization. At the same time, we actively participate in public welfare undertakings, support the prosperity and development of communities, and promote social harmony and progress.

16.8.1 Deepen Targeted Assistance to Help Rural Revitalization

The Group actively participated in consolidating and expanding the achievements of poverty alleviation to effectively link up with rural revitalization. While helping paired areas keep the bottom line of preventing large-scale relapse into poverty, we made new breakthroughs and achieved new results in rural revitalization.

16.8.1.1 Poverty Alleviation by Party Building

The Group combined the implementation of the guiding principles of the 20th CPC National Congress with the task of targeted assistance. It went deep into the poverty-stricken villages to carry out joint construction of grass-root party organization, strengthened the construction of grass-root party organization and promoted the mutual benefit between party building and poverty alleviation, and achieved virtuous circle in both party building and assistance work.

In 2023, 16 new branch companies participated in the paired party building of difficult villages (communities) in Xuanhan County. 40 units in the entire system worked with 45 difficult villages (communities) in Xuanhan County, and the participation rate of all branches reached 100%. All units give full play to the party-building advantages and platform effects of central enterprises, strive to transform the party-building advantages into assistance advantages, and transform the party organization's vitality into rural revitalization power. Party members and cadres take the lead in donating money and materials to carry out condolence activities, further promoting rural cultural construction, and realizing mutual improvement and enhancement of party building and assistance support work.

16.8.1.2 Poverty Alleviation by Financial Industries

Developing industries is the fundamental strategy to consolidate the results of poverty alleviation and rural revitalization and development. The Group has strengthened its cooperation and linkage with Xuanhan County and the east and west, and pooled funds to support more than ten agricultural industry projects that utilize local resources and have radiating effects, such as peach blossom rice and cherries. We used market-oriented means to change the approach from generalized broad-brush policies to targeted measures based on specific conditions of the local area. At the same time, we actively leveraged our financial advantages, and gave a combination of financial support measures of "lease + fund + trust + insurance + training".

Focusing on making up for the shortcomings of industrial development, the Group has improved the agricultural-driven mechanism and created a demonstration site for rural revitalization. Aiming at Renyi Village, where the first secretary is stationed, we launched a combination of "industry + finance + party building" assistance, and embarked on the development path of "high-altitude mountainous areas + high-end fruits + high added value". Through six years of continuous development, we have successfully cultivated 6 high-end varieties and created the characteristic brand of "Ba Guo Lao Che" to build the largest cherry planting demonstration base in eastern Sichuan, a leader of the county's cherry industry. In 2023, the collective income of Renyi Village exceeded RMB1 million, becoming the first village of collective economy in Dazhou.

We continue to make full use of the "Xuanhan Rural Revitalization Industrial Development Fund". In 2023, we invested RMB3 million in paid assistance funds to Dazhou Mingyuan Ecological Forestry Co., Ltd. In Xuanhan County to support the company in the construction of standardized pig farms and supporting facilities. All industrial assistance funds are pooled to support Xuanhan County in purchasing small agricultural machinery suitable for small land plots in mountainous and hilly areas in view of the shortage of rural labor and the difficulty of harvesting in dry fields in mountainous and hilly areas.

Case: Rongda Futures launches "insurance + futures" agricultural assistance project to help rural revitalization

Rongda Futures: Rongda Futures has carried out "insurance + futures" agricultural assistance projects in various provinces and regions across China, involving peanuts, eggs, apples, pigs, natural rubber, corn, soybean meal and other varieties, providing price risk protection for hundreds of thousands of tons of agricultural products in total, which effectively guaranteed farmers' income and enthusiasm for planting and breeding, and contributed to the national rural revitalization strategy. In 2023, it won the "Promoting Mengla Rural Revitalization Award" issued by the People's Government of Mengla County, Yunnan Province. Besides, it won important awards such as the Best Rural Revitalization Service and Social Responsibility Public Welfare Award in the 16th China's Best Futures Operating Institution Selection Event.

16.8.1.3 Poverty Alleviation by Consumption

The Group further expanded consumption assistance channels and updated the list of consumption assistance products. It has established cooperation with Gongfu Technology, CITIC Yijia, CITIC Publishing, etc., launched Xuanhan County assistance products on the platform and expanded online sales channels. It has opened up direct channels for the trade union system to purchase Xuanhan County assistance products, and jointly carry out Xuanhan agricultural product live broadcasts. The cadres on secondment and advanced employee representatives sold goods through live video broadcasts. The whole system has introduced banks, supermarkets, and other enterprises to help sales. Efforts were made to promote enterprises to buy the agricultural products directly from the growers. In addition, sales channels were expanded by establishing cooperation with the supply and marketing enterprises as well as and e-commerce platforms.

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"Purchasing by itself": It strengthened publicity and promoted purchases through the Company's intranet columns, proposals, emails, etc.; used assistance products as water for meetings and tea for official use; and put assistance products on employees' tables in conjunction with special trade union activities.

"Assisting in sales": The "online section plus live broadcast marketing", a special promotion activity was carried out by means of livestreaming marketing by the primary secretary of the village to promote the sales of cherries. The whole system has introduced banks, supermarkets, and other enterprises to help sales. Efforts were made to promote enterprises to buy the agricultural products directly from the growers. In addition, sales channels were expanded by establishing cooperation with the supply and marketing enterprises as well as and e-commerce platforms.

16.8.1.4 Poverty Alleviation by Education

The Group carries out assistance work focusing on three elements of "schools, teachers and students". In terms of building schools, in 2023, we coordinated a donation of RMB2 million to support the playground renovation project of Xuanhan County Huangjin Middle School and donated 110 laptops to 11 schools in the county. We built 6 holiday schools for left-behind children to solve the problem of unattended children during holidays in mountainous areas and continue to improve the level of education facilities in township schools. In terms of training teachers, the Most Beautiful Rural Teacher Assistance Project has been launched for the 8th consecutive year. The Xuanhan County Education Bureau takes the lead in selecting 100 outstanding primary and secondary school teachers working in rural areas. Each of them will be given a bonus of RMB5,000 to encourage them to take root in front-line teaching. In terms of student support, we rewarded 60 students who were admitted to college (junior college) and supported 320 rural students with financial difficulties and excellent academic performance. For the ninth consecutive year, we organized Company employees to provide "one-on-one" loving support to 355 Xuanhan primary school students.

16.8.1.5 Assistance in Ensuring People's Livelihood

The Group has focused on projects of ensuring people's livelihood. The Group coordinated the use and introduction of helping funds to help improve the rural habitat environment, living facilities, create a beautiful countryside, and carry out the construction of hardening of access roads and drinking water projects in Renyi Village, covering 353 households and 1,213 people, which has strongly improved the production and living conditions of the masses.

16.8.1.6 Assistance in Ensuring People's Medical Care

The Group continues to provide medical assistance, teaching Chinese medicine epidemic prevention and health care knowledge to medical staff in Xuanhan County, covering 2,590 people in all 37 townships in Xuanhan. In response to the medical shortcomings in townships highlighted by the epidemic, the Company invested RMB600,000 in donations to equip four township health centers with color ultrasound machines, including Chahe, Huajing, Bajiao and Maduguan, benefiting a total of 136,500 people. Using the assistance funds, the Group launched the rural health project through the China Rural Development Foundation and provided eight township health centers in Xuanhan County and people in Renyi Village and Fengcheng Town with medical supplies such as oxygen concentrators, ventilators, oximeters, and medicines. At its suggestion, CITIC Group donated traditional Chinese medicine physiotherapy kits to all village-level health centers in Xuanhan County. Meanwhile, it coordinated the China Charity Federation to donate intelligent auxiliary diagnosis and treatment systems from famous traditional Chinese medicine practitioners to Xuanhan County Traditional Chinese Medicine Hospital. It collaborated with CITIC Medical to carry out free children's cleft lip and palate surgeries, online libraries and other projects for Xuanhan County.

16.8.2 Engaging in Public Welfare and Promoting Social Well-Being

Focusing on national policies, the Group actively integrates into the community, regards giving back to the society and promoting the common prosperity and progress of the community as an important social responsibility. Besides, it organizes various units to carry out a series of volunteer services to show the good demeanor of youth and support the prosperity and development of the community in many aspects. In 2023, the Company's league organizations at all levels participated in a total of 55 volunteer activities, which included 633 participants, providing service to 1,476 people. It raised a total of RMB74,740.22 in donated funds, and donated more than 2,000 pieces of clothes, more than 200 books, and RMB12,000 in teaching tools.

- The Company organized and carried out a donation activity with the theme of "A Piece of Paper to Dedicate Love Action" for the institutions in Beijing, which received strong support and enthusiastic participation from employees. A total of more than 2,215 pieces of books, periodicals, clothing, etc. were donated by more than 150 employees, and more than RMB9,000 was raised and sent to China Charity Federation.

- A total of more than 40 young volunteers organized by the grassroots league in Beijing participated in the "Civilized 100+" civilized intersection to participate in the voluntary service in Xicheng District.

- Each branch company carries out volunteer service activities according to the time and place. For example, Zhiyuan Company participated in the 2023 "Guardian Angel" volunteer service activity of Beijing Children's Hospital and won the honor of "Excellent Volunteer Service Team".

- The Youth League Committee of the Company went to assist CITIC Banpo Hope Primary School in Pingbian County, Yunnan Province. They visited and expressed condolences to the Company's teaching and support team members, and formally donated harmoniums, globes and other learning, cultural and sports supplies to Banpo Primary School on behalf of the Youth League Committee of the Company, totaling about RMB12,000.

16.9 Appendix

16.9.1 Independent Assurance Report of the Social Responsibility Report

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Independent assurance report on the Social Responsibility Report

安永华明（2024）专字第70015868_A03号
China CITIC Financial Asset Management Co., Ltd.

To the Board of Directors of China CITIC Financial Asset Management Co., Ltd.

Scope

We have been engaged by China CITIC Financial Asset Management Co., Ltd. (the "Company" or "CITIC FAMC") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on the selected key data as at 31 December 2023 and for the year then ended in the 2023 Social Responsibility Report of China CITIC Financial Asset Management Co., Ltd. (the "Social Responsibility Report") prepared by the Company.

Selected key data

The selected key data in the Social Responsibility Report of the Company for 2023 that is covered by this report is as follows:

- Total number of employees (persons)
- Natural gas consumption (cubic meters)
- Gasoline consumption (litres)
- Office paper consumption (tons)
- Water consumption (tons)
- Electricity consumption (kWh)

Our assurance was with respect to the selected key data as at 31 December 2023 and for the year then ended only and we have not performed any procedures with respect to earlier periods or any other elements included in the 2023 Social Responsibility Report.

Criteria applied by the Company

The criteria used by the Company to prepare the selected key data in the 2023 Social Responsibility Report are set out in the reporting criteria of the selected key data (the "Basis of Reporting") after the assurance report.

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Independent assurance report on the Social Responsibility Report (Continued)

安永华明（2024）专字第70015868_A03号
China CITIC Financial Asset Management Co., Ltd.

The Board of Directors' responsibilities

The Board of Directors of the Company is responsible for selecting the basis of reporting, and for presenting the selected key data in accordance with the basis of reporting within the 2023 Social Responsibility Report, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the selected key data, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the selected key data as at 31 December 2023 and for the year then ended in the 2023 Social Responsibility Report based on the evidence we have obtained.

We conducted our engagement in accordance with the *International Standard for Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE 3000 (Revised)'). The standard requires that we plan and perform our engagement to express a conclusion on whether we are aware of any material modifications that need to be made to the selected key data in the Social Responsibility Report in order for it to be in accordance with the basis of reporting, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Independent assurance report on the Social Responsibility Report (Continued)

安永华明（2024）专字第70015868_A03号
China CITIC Financial Asset Management Co., Ltd.

Description of Procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the selected key data in the Social Responsibility Report and related information, and applying analytical and other appropriate procedures.

Our work was performed at the head office of CITIC FAMC and its subsidiary Huarong Zhiyuan Investment & Management Co., Ltd., which includes:

1) Conducted interviews with personnel to understand the business and reporting process;
2) Conducted interviews with management and personnel in the departments involved in providing information for inclusion in the Social Responsibility Report in relation to the selected key data to understand the process for collecting, collating and reporting the selected key data during the reporting period;
3) Checked that the calculation criteria have been correctly applied in accordance with the methodologies outlined in the Basis of Reporting;
4) Undertook analytical procedures of the data and made inquiries of management to obtain explanations for any significant differences we identified;
5) Tested, on a sample basis, underlying source information to check the accuracy of the data; and
6) Other procedures deemed necessary.

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Independent assurance report on the Social Responsibility Report (Continued)

安永华明（2024）专字第70015868_A03号
China CITIC Financial Asset Management Co., Ltd.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the selected key data as at 31 December 2023 and for the year then ended in the 2023 Social Responsibility Report, in order for it to be in accordance with the Basis of Reporting.

Restricted use

Our report has been prepared for and only for the board of directors of the Company and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

Ernst & Young Hua Ming LLP

Ernst & Young Hua Ming LLP
15 April 2024
Beijing, China

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16.9.2 ESG Index of Hong Kong Stock Exchange

ESG Indictors Index of Hong Kong Stock Exchange

Aspects, General Disclosures and KPIs	Description	Reporting Location
Mandatory disclosure requirements		
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	Statement of the Board of Directors
Reporting Principles	A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report: Materiality: The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement. Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed. Consistency: The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.	Appendix — About This Report
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.	Appendix — About This Report

16. Social Responsibility Report

Aspects, General Disclosures and KPIs	Description	Reporting Location
"Comply or Explain" provisions		
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental Responsibility
KPI A1.1	The types of emissions and respective emissions data.	Company's normal operations mainly concentrated on the office space, which has little impact on the environment
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environmental Responsibility
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Responsibility
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Environmental Responsibility
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Responsibility

Aspects, General Disclosures and KPIs	Description	Reporting Location
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Environmental Responsibility
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Environmental Responsibility
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Company only provides business services and does not involve packaging materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Responsibility
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Responsibility
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Environmental Responsibility
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Environmental Responsibility
Employment and Labor Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employees' Responsibilities
KPI B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Employees' Responsibilities
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employees' Responsibilities

16. Social Responsibility Report

Aspects, General Disclosures and KPIs	Description	Reporting Location
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Employees' Responsibilities
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Employees' Responsibilities
KPI B2.2	Lost days due to work injury.	Employees' Responsibilities
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employees' Responsibilities
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employees' Responsibilities
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Employees' Responsibilities
KPI B3.2	The average training hours completed per employee by gender and employee category.	Employees' Responsibilities
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employees' Responsibilities
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employees' Responsibilities
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employees' Responsibilities

Aspects, General Disclosures and KPIs	Description	Reporting Location
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Consumer Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Company does not directly provide physical products
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Consumer Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Industry Responsibility
KPI B6.4	Description of quality assurance process and recall procedures.	Company does not directly provide physical products
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Consumer Responsibility

16. Social Responsibility Report

Aspects, General Disclosures and KPIs	Description	Reporting Location
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Money Laundering and Anti-Terrorist Financing
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	No occurrence during the Reporting Period
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Money Laundering and Anti-Terrorist Financing
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Money Laundering and Anti-Terrorist Financing
Community		
Aspect B8: Community Investment		
General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Responsibility
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Responsibility
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Responsibility

16.9.3 About This Report

This report is the eighth publicly disclosed Social Responsibility Report of the Company, complied with the ESG Reporting Guide of the HKEX. This report aims at responding to stakeholders' expectation and demonstrates the CITIC Financial AMC's concept, management, actions and performance of environmental, social, corporate governance and sustainability.

16.9.3.1 Reporting Standards

This report is prepared with reference to the ESG Guide of the Listing Rules, the Opinions Concerning Enhancing the Social Responsibility of Banking and Financial Institutions issued by the NFRA and the Guidelines for Corporate Social Responsibility of Chinese Banking and Financial Institutions released by China Banking Association. This report also meets the requirements set out in the Chinese Corporate Social Responsibility (CSR) Report Preparation Guide (CASS-CSR4.0) issued by the Chinese Academy of Social Sciences and other national and international corporate social responsibility reporting guidance.

16.9.3.2 Scope of the Report

Unless otherwise stated, this report includes the Company's headquarters, all its branches and subsidiaries.

16.9.3.3 Report Data Specification

All key financial data disclosed in this report are collected from "2023 Annual Results Announcement of China CITIC Financial Asset Management Co., Ltd.", other data are mainly sourced from internal information of the Company.

16.9.3.4 Reporting Period

January 1, 2023–December 31, 2023. Some content is sourced from historical data.

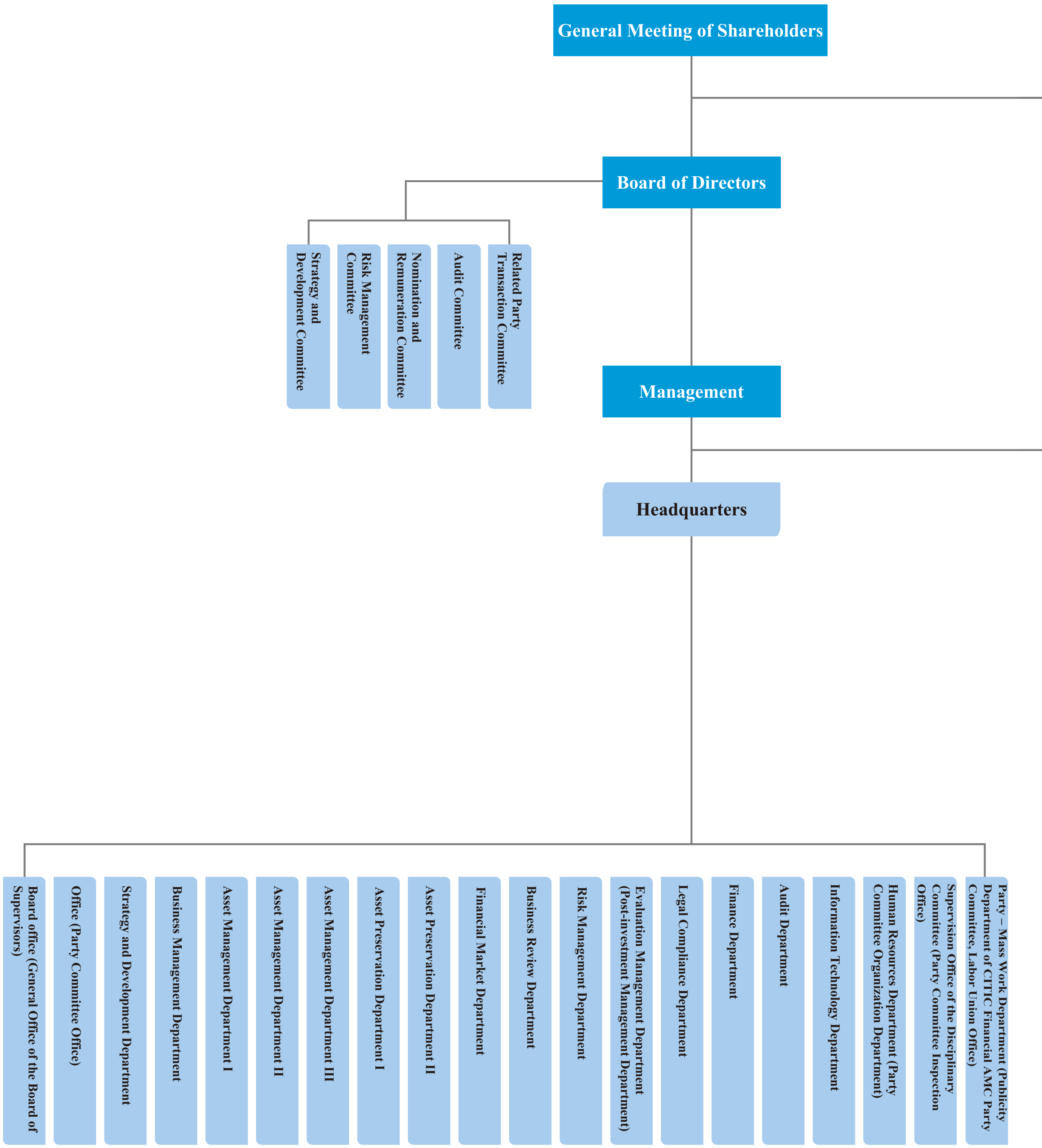
16.9.3.5 Reporting Principles

- Materiality: This report identifies and responds to important social responsibility issues that affect the sustainable development of the Company based on industry characteristics, expectations of stakeholders, and its own development plan. More details are set out in the section of "16.2.10.2 Materiality Issues Analysis";

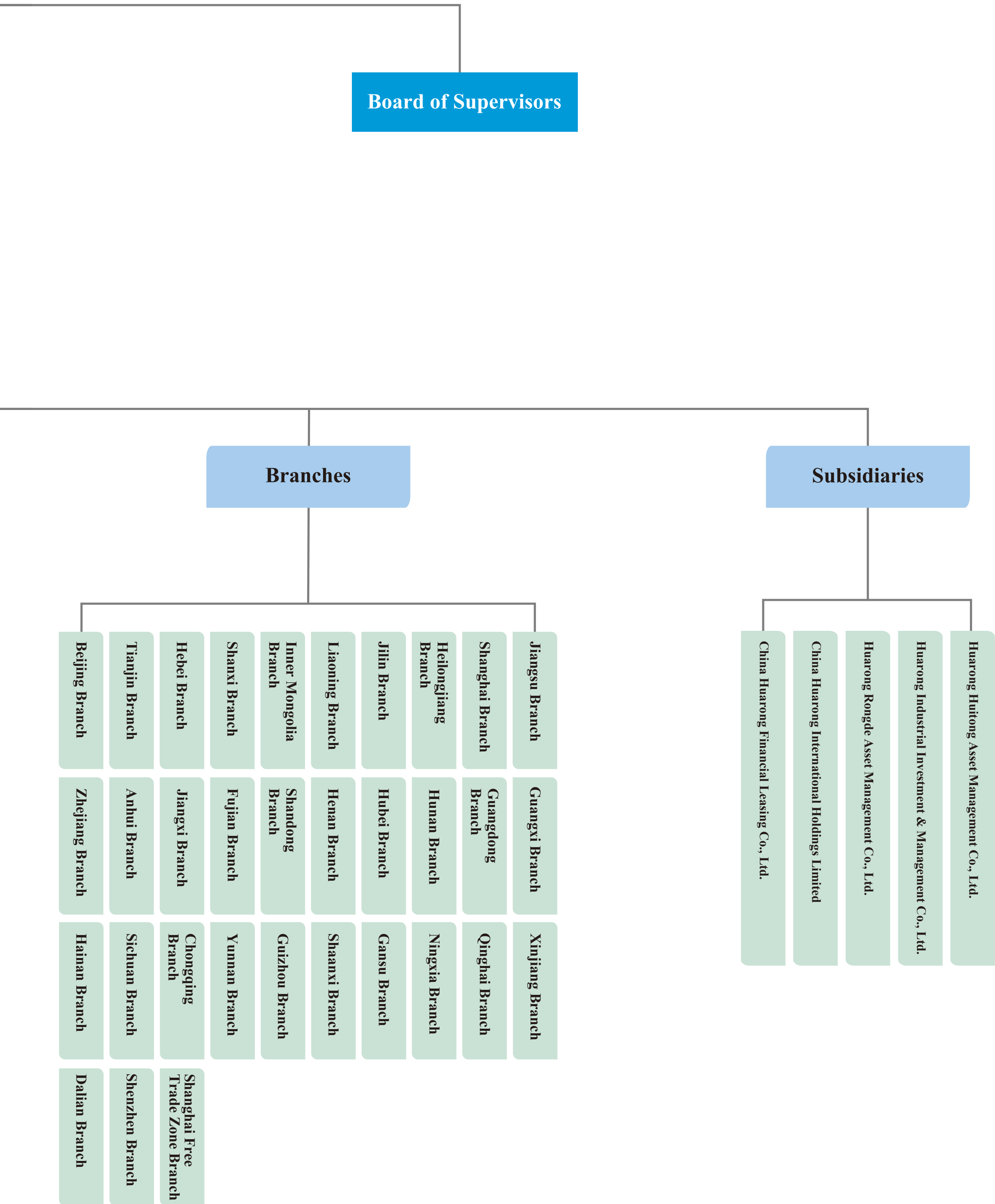
- Quantitative: The Company provides quantitative disclosure of applicable ESG key indicators and disclosure of data on statistical criteria, methods, assumptions and/or calculation tools for emissions/energy consumption, and sources of conversion factors, as described in the section of "Environmental Responsibility";

- Consistency: This report tries to keep the indicators used in different reporting periods consistent, and if there are changes in key performance indicators, explanations are provided for the indicators that have changed.

17. Organizational Chart



17. Organizational Chart



18. Audit Report and Financial Statements

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

CONTENTS PAGE(S)

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of China CITIC Financial Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 218 to 414, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Independent Auditor's Report

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance for debt instruments at amortised cost	
The Group adopts the expected credit loss model to assess the impairment of financial assets according to *International Financial Reporting Standard 9 Financial Instruments* ("IFRS 9"). Complex models and assumptions are used in the measurement of expected credit losses for debt instruments at amortised cost, for example: • Significant increase in credit risk — The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for financial assets with long remaining periods to maturity; • Models and parameters — Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions; • Forward-looking information — Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; and • Individual impairment assessments — Identifying credit impaired financial assets requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.	With the support of our internal credit risk modelling experts, we evaluated and tested the methodology, important parameters of the expected credit loss model, management's major judgements and related assumptions, including: • Assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for debt assets at amortised cost; • Assessing the reasonableness of the expected credit loss model methodology; • Assessing the reasonableness of related parameters, including the probability of default, loss given default, exposure at default, and the significant increase in credit risk, in response to the macroeconomic changes; • Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and different weights of multiple macroeconomic scenarios; and • Selecting samples to assess the reasonableness of management judgements, on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance for debt instruments at amortised cost (continued)	
The Group's disclosures about accounting judgements and estimations of impairment of financial assets and the details of these financial assets are included in Note IV.1.2 and Note IV.2.1 Impairment of financial assets, Note V.29 Debt instruments at amortised cost and Note V.59.1 Credit risk.	We adopted a risk-based sampling approach in our credit review procedures. We assessed the debtors' repayment capacity and reasonableness of credit risk staging, taking into consideration debtors' financial information, collateral valuation reports and other available information. We focused on debt instruments at amortised cost with perceived higher risk and selected samples from credit impaired debt instruments, overdue but performing debt instruments, and borrowers with negative warning signs or adverse press coverage. We performed credit review for the selected credit impaired debt instruments by assessing the amount, timing and likelihood of forecast of recoverable cash flows through inquiry, applying judgement and our own research, especially reasonableness of the models and the related assumptions related to cash flows from collateral. Furthermore, we checked the adequacy of related disclosures including the disclosures of credit risk and expected credit losses.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments measured at Level 3 fair value	
Financial assets carried at fair value represented a significant portion of the Group's total assets, and carrying balances of financial instruments measured at Level 3 fair value accounted for approximately 30% of the Group's total assets. The fair values of level 3 financial instruments are determined through the application of valuation techniques which often involves the exercise of subjective judgement by management and the use of assumptions and estimates, particularly those requiring significant unobservable inputs. Valuation results can vary significantly when different valuation techniques and assumptions are applied. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note IV.2.2 Fair value of financial instruments and Note V.60 Fair value.	Our procedures in relation to the valuation of financial instruments measured at Level 3 fair value as at 31 December 2023 included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. For unobservable inputs, such as estimated future cash flows, we compared the cash flows against relevant contractual terms or performed assessments of cash flows from collateral or profit forecasts. We re-performed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we checked the adequacy of disclosures related to financial instruments categorised within Level 3 of the fair value hierarchy.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Initial recognition of significant investments in associates	
During this year, the Group made two new significant equity investments which were accounted for as interests in associates and initially recognised in accordance with the requirements of the *International Accounting Standard 28 Investments in Associates and Joint Ventures* ("IAS 28"), because management, in light of all the facts and circumstances, is of the view that the Group has the power to participate in the financial and operating decisions of the invested entities and is able to exert significant influence over them. The Group engaged an independent valuer to assess the net fair value of the identifiable assets and liabilities of the above-mentioned investments in associates as at the dates of investment. It recognised in profit or loss for the current period its share of net fair value of the identifiable assets and liabilities of the invested entities in excess of initial investment cost and adjusted the book values of these investments in associates accordingly. As at 31 December 2023, the book values of the Group's above-mentioned two investments in associates were RMB34,575 million and RMB32,434 million, respectively. Due to the significance of the book values of the Group's above-mentioned two investments in associates and the involvement of significant management judgements and assumptions in determining significant influence and applying valuation techniques and key parameters in the valuation of net fair value of the identifiable assets and liabilities of the invested entities, we have identified the initial recognition	Our audit procedures included: • Obtaining an understanding of the background of the transactions and the Company's analysis of and conclusion on whether the Group has significant influence over the two invested entities, and assessing the appropriateness of the conclusion based on consideration of all facts and circumstances and acquisition of audit evidence such as approvals of transactions by relevant authorities, approved resolutions by those charged with governance of both parties to the investment transactions, agreements relating to the investment transactions, supporting documents relating to the transfer and registration of shares, analysis of the governance structure and policy-making process of the invested entities, and assessment of how the Company participates in financing or operating decision of the invested entities by its nomination of directors; • Obtaining financial statements of the invested entities and assessing the independence and professional competence of the auditors of the invested entities, and obtaining an understanding of and assessing, through interviews and questionnaires, the performance and conclusions of the review or audit by the auditors on financial statements of the invested entities as at the dates of investment, including risk assessment and the procedures performed in key areas of review or audit;

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Initial recognition of significant investments in associates (continued)	
of investments in these two associates as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of the above-mentioned two investments in associates are included in Note IV.1.6 Judgement on significant influence, IV.2.6 Net fair value of the identifiable assets and liabilities of the invested entities and Note V.30 Interests in associates and joint ventures.	• Obtaining valuation reports on the net fair value of the identifiable assets and liabilities of the two invested entities as at the dates of investment; assessing the objectivity, independence, and competence of the independent valuers engaged by management, and with support from our internal valuation experts, assessing and reviewing the overall methodology, all types of identifiable intangible assets identified by the independent valuers, key parameters, significant judgements and assumptions used by the independent valuers for the valuation of the net fair value of the identifiable assets and liabilities of the two invested entities; • Recalculating the gains from the Group's share of net fair value of the identifiable assets and liabilities of the invested entities in excess of initial investment costs as at the date of investment; and • Reviewing the adequacy of disclosures of initial recognition related to the two significant investments in associates.

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Assessment of control over structured entities	
The Group has interests in various structured entities, such as private equity funds, trusts, asset management plans and wealth management products, in conducting financial investments, asset management business and credit assets transfers. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration the power arising from rights, variable returns, and the link between power and returns. The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. Due to the significance of these interests to the Group and the complexity of judgements exercised by management, this is considered as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these interests in structured entities are included in Note IV.1.4 Control on structured entities, Note V.31 Interests in consolidated structured entities and Note V.32 Interests in unconsolidated structured entities.	We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls structured entities. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of structured entities by reviewing relevant term sheets, and whether the Group has provided liquidity support or credit enhancement to structured entities, as well as the fairness of transactions between the Group and structured entities. Furthermore, we checked the adequacy of disclosures related to interests in structured entities.

Other Information Included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is NG Chi Keung.

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2023	2022 (Restated)
Continuing operations			
Income from distressed debt assets	2	17,248,210	22,779,072
Fair value changes on distressed debt assets	3	(893,103)	5,709,817
Fair value changes on other financial assets and liabilities	4	(2,494,547)	(11,158,179)
Interest income	5	13,128,018	11,225,412
Finance lease income		682,670	1,056,261
Gains from derecognition of financial assets measured at amortised cost		700,434	16,108
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income		153,805	(591,429)
Commission and fee income	6	198,495	233,507
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures		7,210	589,008
Dividend income	7	882,818	914,309
Other income and other net gains	8	46,186,096	6,159,349
Total		75,800,106	36,933,235
Interest expense	9	(34,532,268)	(37,064,535)
Commission and fee expense	10	(554,155)	(593,775)
Operating expenses	11	(6,221,355)	(6,578,275)
Impairment losses under expected credit loss model	12	(33,025,903)	(29,380,971)
Impairment losses on other assets	13	(996,065)	(1,184,369)
Total		(75,329,746)	(74,801,925)
Change in net assets attributable to other holders of consolidated structured entities	31	(1,918)	352,861
Share of results of associates and joint ventures		603,058	329,930
Profit/(loss) before tax from continuing operations		1,071,500	(37,185,899)
Income tax (expense)/credit	14	(859,427)	3,798,646
Profit/(loss) for the year from continuing operations		212,073	(33,387,253)

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

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2023	2022 (Restated)
Discontinued operations			
Profit after tax for the year from discontinued operations	64	—	5,595,175
Profit/(loss) for the year		**212,073**	(27,792,078)
Profit/(loss) attributable to:			
Equity holders of the Company		**1,766,241**	(27,587,149)
Holders of perpetual capital instruments	53	**76,096**	531,082
Non-controlling interests		**(1,630,264)**	(736,011)
		212,073	(27,792,078)
Earnings/(loss) per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	16		
— Basic		**0.022**	(0.344)
— Diluted		**0.022**	(0.344)
Earnings/(loss) per share attributable to equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	16		
— Basic		**0.022**	(0.398)
— Diluted		**0.022**	(0.398)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2023	Year ended 31 December 2022 (Restated)
Profit/(loss) for the year		**212,073**	(27,792,078)
Other comprehensive expenses:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial (losses)/gains on defined benefit obligations		**(962)**	6,887
Fair value losses on investments in equity instruments at fair value through other comprehensive income		**(186,742)**	(331,101)
Share of other comprehensive expenses of associates		**(13,737)**	—
Income tax effect	36	**6,072**	(30,916)
		(195,369)	(355,130)
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,230,396)**	(4,374,859)
Fair value changes on hedging instruments designated in cash flow hedges	52	**(69,979)**	275,979
Financial assets measured at fair value through other comprehensive income			
— fair value changes		**(2,210,081)**	408,186
— amounts reclassified to profit or loss upon disposals		**(130,875)**	171,925
— impairment provided/(reversed)		**1,765,193**	(1,371,625)
Gains on property revaluation		**9,303**	256,250
Income tax effect	36	**121,512**	138,586
Share of other comprehensive expenses of associates		**(15,231)**	—
		(1,760,554)	(4,495,558)
Other comprehensive expenses for the year, net of income tax		**(1,955,923)**	(4,850,688)
Total comprehensive expenses for the year		**(1,743,850)**	(32,642,766)
Total comprehensive (expenses)/income attributable to:			
Equity holders of the Company		**(111,341)**	(32,023,214)
Holders of perpetual capital instruments	53	**76,096**	531,082
Non-controlling interests		**(1,708,605)**	(1,150,634)
		(1,743,850)	(32,642,766)

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

Consolidated Statement of Financial Position

As at 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
Assets				
Cash and balances with central bank	19	**112,116**	23,172	23,956,501
Deposits with financial institutions	20	**74,863,074**	97,578,243	146,698,257
Placements with financial institutions	21	**—**	1,300,243	19,685,761
Financial assets at fair value through profit or loss	22	**317,516,035**	309,455,886	351,047,719
Financial assets held under resale agreements	23	**766,165**	706,711	11,044,271
Contract assets	24	**5,486,240**	5,530,061	5,735,596
Loans and advances to customers		**10,359**	38,460	247,164,003
Finance lease receivables	25	**9,356,710**	14,528,340	23,554,067
Debt instruments at fair value through other comprehensive income	26	**19,682,491**	25,318,414	57,203,624
Equity instruments at fair value through other comprehensive income	27	**1,700,192**	2,038,595	3,139,579
Inventories	28	**23,004,973**	23,051,908	20,854,078
Debt instruments at amortised cost	29	**391,323,217**	415,352,728	580,799,434
Interests in associates and joint ventures	30	**74,336,838**	9,572,767	10,514,845
Investment properties	33	**9,570,070**	10,159,602	9,696,049
Property and equipment	34	**6,419,140**	7,138,594	9,565,681
Right-of-use assets	35	**901,719**	1,098,704	3,502,108
Deferred tax assets	36	**15,693,856**	15,363,585	15,109,383
Goodwill	37	**18,222**	18,222	322,971
Assets held for sale		**—**	—	7,301,599
Other assets	38	**17,341,747**	19,529,708	23,809,451
Total assets		**968,103,164**	957,803,943	1,570,704,977

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

Consolidated Statement of Financial Position

As at 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
Liabilities				
Borrowings from central bank		—	—	23,147,628
Deposits from financial institutions		—	—	13,656,340
Placements from financial institutions	39	10,375,942	6,215,802	4,784,219
Financial assets sold under repurchase agreements	40	6,364,855	6,744,795	30,866,222
Borrowings	41	665,305,308	629,495,975	747,625,462
Financial liabilities at fair value through profit or loss	22	54,009	768,146	683,662
Due to customers		—	—	257,208,888
Tax payable	42	450,952	2,695,061	1,388,605
Contract liabilities	43	833,966	720,357	401,197
Lease liabilities	44	500,973	683,387	2,049,540
Deferred tax liabilities	36	1,197,690	1,008,999	449,775
Bonds and notes issued	45	179,390,798	189,859,771	271,065,213
Liabilities directly associated with the assets held for sale		—	—	1,740,257
Other liabilities	46	55,591,909	68,867,667	109,478,566
Total liabilities		920,066,402	907,059,960	1,464,545,574
Equity				
Share capital	47	80,246,679	80,246,679	80,246,679
Other equity instruments	48	19,900,000	19,900,000	—
Capital reserve	49	16,031,229	16,414,328	16,431,847
Surplus reserve	50	8,564,210	8,564,210	8,564,210
General reserve	51	13,002,514	13,002,514	17,888,551
Other reserves	52	(1,752,016)	125,536	4,769,060
Accumulated losses		(87,997,255)	(88,899,806)	(66,406,153)
Equity attributable to equity holders of the Company		47,995,361	49,353,461	61,494,194
Perpetual capital instruments	53	1,753,367	1,752,562	22,377,908
Non-controlling interests		(1,711,966)	(362,040)	22,287,301
Total equity		48,036,762	50,743,983	106,159,403
Total equity and liabilities		968,103,164	957,803,943	1,570,704,977

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

The consolidated financial statements on pages 218 to 414 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Chairman: **Liu Zhengjun** *Executive Director:* **Li Zimin**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company														
							Other reserves									
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Hedging reserve	Asset revaluation reserve	Others	Accumulated losses	Subtotal	Perpetual capital instruments	Non-controlling interests	Total
As at 31 December 2022		80,246,679	19,900,000	16,414,328	8,564,210	13,002,514	(132,432)	(912,909)	176,678	–	(50,651)	(90,181,567)	47,026,850	1,752,562	(400,038)	48,379,374
Changes of accounting policy	III.27	–	–	–	–	–	–	1,886	–	1,042,964	–	1,281,761	2,326,611	–	37,998	2,364,609
As at 1 January 2023 (restated)		80,246,679	19,900,000	16,414,328	8,564,210	13,002,514	(132,432)	(911,023)	176,678	1,042,964	(50,651)	(88,899,806)	49,353,461	1,752,562	(362,040)	50,743,983
Profit/(loss) for the year		–	–	–	–	–	–	–	–	–	–	1,766,241	1,766,241	76,096	(1,630,264)	212,073
Other comprehensive (expenses)/income for the year		–	–	–	–	–	(650,684)	(1,139,413)	(69,979)	12,424	(29,930)	–	(1,877,582)	–	(78,341)	(1,955,923)
Total comprehensive (expenses)/income for the year		–	–	–	–	–	(650,684)	(1,139,413)	(69,979)	12,424	(29,930)	1,766,241	(111,341)	76,096	(1,708,605)	(1,743,850)
Distribution relating to perpetual capital instruments	V.15 V.53	–	–	–	–	–	–	–	–	–	–	(863,660)	(863,660)	(75,291)	–	(938,951)
Changes in ownership interests in subsidiaries		–	–	(378,505)	–	–	–	–	–	–	–	–	(378,505)	–	358,679	(19,826)
Others		–	–	(4,594)	–	–	30	–	–	–	–	(30)	(4,594)	–	–	(4,594)
As at 31 December 2023		80,246,679	19,900,000	16,031,229	8,564,210	13,002,514	(783,086)	(2,050,436)	106,699	1,055,388	(80,581)	(87,997,255)	47,995,361	1,753,367	(1,711,966)	48,036,762

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company														
							Other reserves									
	Note	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Hedging reserve	Asset revaluation reserve	Others	Accumulated losses	Subtotal	Perpetual capital instruments	Non-controlling interests	Total
As at 31 December 2021		80,246,679	–	16,431,847	8,564,210	17,888,551	1,036,951	3,026,448	(99,301)	–	(57,538)	(67,693,975)	59,343,872	22,377,908	22,262,647	103,984,427
Changes of accounting policy	III.27	–	–	–	–	–	–	–	–	862,500	–	1,287,822	2,150,322	–	24,654	2,174,976
As at 1 January 2022 (restated)		80,246,679	–	16,431,847	8,564,210	17,888,551	1,036,951	3,026,448	(99,301)	862,500	(57,538)	(66,406,153)	61,494,194	22,377,908	22,287,301	106,159,403
(Loss)/profit for the year		–	–	–	–	–	–	–	–	–	–	(27,587,149)	(27,587,149)	531,082	(736,011)	(27,792,078)
Other comprehensive (expenses)/income for the year		–	–	–	–	–	(961,924)	(3,937,471)	275,979	180,464	6,887	–	(4,436,065)	–	(414,623)	(4,850,688)
Total comprehensive (expenses)/income for the year		–	–	–	–	–	(961,924)	(3,937,471)	275,979	180,464	6,887	(27,587,149)	(32,023,214)	531,082	(1,150,634)	(32,642,766)
Capital contribution by other equity instrument holders	V.48	–	19,900,000	–	–	–	–	–	–	–	–	–	19,900,000	–	–	19,900,000
Redemption of perpetual capital instruments	V.53	–	–	–	–	–	–	–	–	–	–	–	–	(14,911,370)	–	(14,911,370)
Distribution relating to perpetual capital instruments	V.53	–	–	–	–	–	–	–	–	–	–	–	–	(947,259)	–	(947,259)
Disposal of subsidiaries		–	–	–	–	(4,886,037)	1,996	–	–	–	–	4,884,041	–	(5,297,799)	(21,518,663)	(26,816,462)
Realised (loss)/gain of equity instruments at fair value through other comprehensive income	V.27	–	–	–	–	–	(209,455)	–	–	–	–	209,455	–	–	–	–
Others		–	–	(17,519)	–	–	–	–	–	–	–	–	(17,519)	–	19,956	2,437
As at 31 December 2022 (restated)		80,246,679	19,900,000	16,414,328	8,564,210	13,002,514	(132,432)	(911,023)	176,678	1,042,964	(50,651)	(88,899,806)	49,353,461	1,752,562	(362,040)	50,743,983

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2023	2022 (Restated)
OPERATING ACTIVITIES			
Profit/(loss) before tax from continuing operations		**1,071,500**	(37,185,899)
Profit before tax from discontinued operations		**—**	10,124,572
Adjustments for:			
Impairment losses on financial assets and other items under expected credit loss model		**33,025,903**	31,445,558
Impairment losses on other assets		**996,065**	1,316,848
Depreciation of property and equipment		**503,124**	684,109
Depreciation of right-of-use assets		**115,945**	281,868
Amortisation of intangible assets and other assets		**49,296**	318,180
Share of results of associates and joint ventures		**(603,058)**	(329,930)
Fair value changes on financial assets and liabilities		**8,169,205**	11,983,913
Net valuation loss on investment properties		**272,377**	330,792
Interest income arising from financial investments		**(11,464,205)**	(15,466,126)
Dividend income		**(681,375)**	(780,240)
(Gains)/losses from derecognition of financial assets measured at amortised cost		**(687,858)**	109,154
(Gains)/losses from derecognition of debt instruments at fair value through other comprehensive income		**(153,805)**	512,333
Interest expense of bonds and notes issued and other borrowings		**10,675,263**	11,921,096
Change in net assets attributable to other holders of consolidated structured entities		**1,918**	(569,226)
Net gains on disposal or deemed disposal of subsidiaries, associates and joint ventures		**(7,210)**	(8,165,520)
Net gains on disposal of property and equipment		**(136,261)**	(1,280,556)
Net foreign exchange losses/(gains)		**168,085**	(2,695,187)
Net addition/(reversal) of contingent liabilities		**3,076**	(60,218)
Gains from investment in associates		**(41,475,744)**	(495,243)
Operating cash flows before movements in working capital		**(157,759)**	2,000,278
Net decrease/(increase) in loans and advances to customers		**28,101**	(9,070,474)
Net decrease in finance lease receivables		**4,495,021**	8,242,778
Net increase in balances with central bank and deposits with financial institutions		**(14,258)**	(752,026)
Net (increase)/decrease in financial assets at fair value through profit or loss		**(4,924,082)**	10,119,425
Net decrease in placements with financial institutions		**5,194**	151,154

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Note V	2023	2022 (Restated)
Net increase in financial assets held under resale agreements		**(712)**	(453,000)
Net decrease in debt instruments at amortised cost		**6,110,109**	43,063,486
Net decrease in debt instruments at fair value through other comprehensive income		**2,089,325**	6,181,785
Net increase in customer lease payments		**(19,814,220)**	(5,724,244)
Net increase in due to customers		**—**	23,427,480
Net decrease in borrowings from central bank		**—**	(434,245)
Net increase in placements and deposits from financial institutions		**4,161,759**	3,473,725
Net (decrease)/increase in financial assets sold under repurchase agreements		**(375,855)**	1,176,776
Net increase/(decrease) in borrowings of financial institution subsidiaries		**40,158,793**	(105,453,724)
Other changes in operating receivables		**(39,556,698)**	(18,978,653)
Other changes in operating payables		**30,853,768**	10,865,611
Cash from/(used in) operations		**23,058,486**	(32,163,868)
Income tax paid		**(3,812,716)**	(1,412,875)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		**19,245,770**	(33,576,743)
INVESTING ACTIVITIES			
Cash receipts from disposals of financial assets		**42,085,308**	81,101,510
Cash receipts from interest income arising from financial investments		**4,572,966**	7,511,393
Cash receipts from dividend income		**1,502,935**	806,338
Cash receipts from disposals/liquidation of associates and joint ventures		**149,582**	2,605,741
Cash receipts from disposals of property and equipment, and other assets		**1,475,645**	2,107,689
Cash payments for purchases of financial assets		**(32,662,321)**	(86,101,894)
Cash payments for investments in associates and joint ventures		**(28,742,427)**	(1,393,398)
Cash receipts for pledge deposits in bank		**313,181**	952,882
Cash payments for purchases of property and equipment, investment properties and other assets		**(391,123)**	(538,725)
Net cash (outflow)/inflow on disposal of subsidiaries		**(5,410)**	1,526,400
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(11,701,664)**	8,577,936

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2023	2022 (Restated)
FINANCING ACTIVITIES			
Cash payments to interest holders of consolidated structured entities		**(1,699,557)**	(22,029,810)
Issuance of perpetual capital instruments		**—**	19,900,000
Redemption of perpetual capital instruments		**—**	(14,911,370)
Proceeds of borrowings of non-financial institution subsidiaries		**22,925,508**	19,496,180
Repayments of borrowings of non-financial institution subsidiaries		**(27,343,659)**	(33,373,400)
Repayments of leases liabilities		**(148,064)**	(552,620)
Cash paid for purchasing minority interests in subsidiaries		**(12,000)**	—
Cash receipts from bonds and notes issued		**27,200,000**	101,570,743
Cash repayments for bonds and notes redeemed		**(39,259,195)**	(117,140,932)
Interest paid for bonds and notes issued and other borrowings		**(11,644,345)**	(9,793,417)
Dividends paid		**—**	(66,001)
Cash payments for distribution to holders of other equity instruments and perpetual capital instruments		**(938,951)**	(947,259)
NET CASH USED IN FINANCING ACTIVITIES		**(30,920,263)**	(57,847,886)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(23,376,157)**	(82,846,693)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**96,754,497**	179,637,223
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(197,380)**	(36,033)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	54	**73,180,960**	96,754,497
NET CASH FLOWS USED IN OPERATING ACTIVITIES INCLUDE:			
Interest received		**21,206,242**	30,955,174
Interest paid		**(25,106,332)**	(32,698,351)
		(3,900,090)	(1,743,177)

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

(Amounts in thousands of Renminbi, unless otherwise stated)

I. GENERAL INFORMATION

China CITIC Financial Asset Management Co., Ltd. (the "Company") was transformed from the former China Huarong Asset Management Corporation (the "Former Huarong") which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on 1 November 1999 as approved by the State Council of the PRC (the "State Council''). On 28 September 2012, China Huarong Asset Management Co., Ltd. (the "China Huarong") was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council. On 16 January 2024, China Huarong received the Approval of the National Financial Regulatory Administration on the Change of Name of China Huarong Asset Management Co., Ltd., (Jin Fu [2024] No.17). On 25 January 2024, upon approval of the National Financial Regulatory Administration (the "NFRA", the former China Banking and Insurance Regulatory Commission), China Huarong was renamed as CITIC Financial Asset Management Co., Ltd. Its registered office is located at No. 8, Finance Street, Xicheng District, Beijing 100033, PRC.

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

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

The principal activities of the Group comprise acquisition of and management, investment and disposal service through entrustment of both financial and non-financial institution distressed assets including debt-to-equity swap assets; investment; securities dealing; financial bond issuance; inter-bank borrowing and lending, commercial financing for other financial institutions; bankruptcy management; consulting and advisory business on finance, investment, legal and risk management; asset and project evaluation; approved asset securitisation business, financial institution custody, closing and liquidation of business; and other businesses approved by the banking regulatory body of the State Council.

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

II. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

1. Standards, amendments and interpretations effective in 2023

The Group applied for the first-time certain amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

Amendments to IAS 1 and IFRS practice statement 2 *Making Materiality Judgements* provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The adoption of the amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The adoption of the amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of the amendments does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

(Amounts in thousands of Renminbi, unless otherwise stated)

II. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

1. Standards, amendments and interpretations effective in 2023 *(continued)*

Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2023

		Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 21	*Lack of Exchangeability*	1 January 2025

* No mandatory effective date yet determined but available for adoption

II. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(continued)*

2. Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2023 *(continued)*

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. Amendments to IAS 1 *Non-current Liabilities with Covenants* further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable.

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

III. MATERIAL ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the disclosure requirements of Hong Kong Companies Ordinance.

2. Basis of preparation

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at fair values in the consolidated financial statements. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Other accounting items are measured at historical costs. An impairment provision is recognised if there is objective evidence of asset impairment.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY.

Going concern basis

The Group's consolidated financial statements have been prepared on a going concern basis. In 2023, the Company adhered to the general principle of "consolidating the foundation, seeking progress while maintaining stability, and improving quality and efficiency" and achieved a profit compared with the previous year, the Group's net profit attributable to shareholders of the parent company for the year ended 31 December 2023 amounted to RMB1,766 million. However, due to operating losses in previous years, the Company's certain indicators are still under pressure to meet regulatory requirements and its liquidity risk management is still facing challenges.

As at 31 December 2023, the Group's bonds payable amounted to RMB179,391 million (2022: RMB189,860 million), of which RMB15,703 million were due within one year (2022: RMB18,022 million), and the Group had borrowings of RMB665,305 million (2022: RMB629,496 million), of which RMB413,119 million were due within one year (2022: RMB421,056 million).

III. MATERIAL ACCOUNTING POLICIES *(continued)*

2. Basis of preparation *(continued)*

Going concern basis *(continued)*

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

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

ii. Leveraging on the advantages of CITIC Group Corporation ("CITIC Group") in the integration of industry and finance, the Company has integrated the strengths and resources of the Company and CITIC Group, gave full play to the synergistic effect of CITIC Group's comprehensive financial platform, promoted its cooperation and collaboration with CITIC Group in project development, business innovation, investments and financing.

iii. Maintaining stable liquidity. The Group closely monitors market liquidity conditions and strictly carries out risk monitoring and control. Domestic and foreign bonds are following the repayment schedule. At present, the Group maintains stable fundings and active communications with financial institutions on refinancing and therefore the management is of the view that its liquidity risk is under control.

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

III. MATERIAL ACCOUNTING POLICIES *(continued)*

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2023 including controlled structured entities. A company consolidates a subsidiary when it controls it. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

3. Basis of consolidation *(continued)*

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

4. Business combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note III. 4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described in Note III. 6 below.

6. Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

6. Interests in associates and joint ventures *(continued)*

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstance, except for the fact that IFRS 9, IFRS 15 and IFRS 16 have not yet been adopted by some of these associates or joint ventures. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group determines whether there is objective evidence that the interest in an associate or a joint venture impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

6. Interests in associates and joint ventures *(continued)*

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

7. Cash and cash equivalents

Cash consists of cash on hand and deposits which is not subject to any restriction for use. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

8. Foreign currencies

The functional currency of the Company and its subsidiaries operating in Chinese mainland is RMB. The Company's subsidiaries operating outside Chinese mainland choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

9.1 Classification and subsequent measurement of financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, or both collecting contractual cash flows and selling financial assets. If neither of the above applies, the business model of the financial assets is "other". The entity's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.1 Classification and subsequent measurement of financial assets *(continued)*

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identity whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However the principal amount may change over the life of the financial asset (for example, if there are early repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks, costs and profits.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.1 Classification and subsequent measurement of financial assets *(continued)*

The contractual cash flow characteristics *(continued)*

A financial asset is classified as financial assets at fair value through profit or loss if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.1 Classification and subsequent measurement of financial assets *(continued)*

The contractual cash flow characteristics *(continued)*

(ii) Debt instruments/receivables classified as at FVOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVOCI

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "dividend income" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "fair value changes on distressed debt assets", "fair value changes on other financial assets and liabilities" or "dividend income" line items.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including financial assets held under resale agreements, debt instruments at FVOCI, debt instruments at amortised cost and other financial assets) and other items (finance lease receivables, credit enhancement and credit commitments) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument, (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date, (referred to as Stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, payment in advance and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(continued)*

(i) Significant increase in credit risk *(continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(continued)*

(i) Significant increase in credit risk *(continued)*

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(continued)*

(iii) Credit-impaired financial assets *(continued)*

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) To purchase or originate a financial asset at a substantial discount which reflects the fact that a credit loss has occurred.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(continued)*

(v) Measurement and recognition of ECL *(continued)*

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with IFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature and industry of debtors; and
- External credit ratings where available.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(continued)*

(v) Measurement and recognition of ECL *(continued)*

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for investments in debt instruments/receivables that are measured at FVOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments/receivables. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 *(continued)*

(vi) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation (see Note V.26);
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

9.3 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and is recognised in profit or loss.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.3 Derecognition of financial assets *(continued)*

On derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

9.4 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.4 Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.4 Financial liabilities and equity instruments *(continued)*

Financial liabilities at FVTPL *(continued)*

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

9. Financial instruments *(continued)*

9.5 Derivative financial instruments

Derivatives are initially recognised at fair value at the date when the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

9.6 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

10. Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

10. Hedge accounting *(continued)*

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

III. MATERIAL ACCOUNTING POLICIES *(continued)*

10. Hedge accounting *(continued)*

Discontinuation of hedge accounting *(continued)*

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

11. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the statement of financial position based on the relationship between performance obligations and customer payments.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

11. Contract assets and contract liabilities *(continued)*

Incremental costs of obtaining a contract

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to obtain a contract with a customer are capitalized as an asset, unless the amortization period of the assets is one year or less, if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

The capitalized contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognised.

12. Inventories

Properties under development and properties for sale

Properties under development and properties for sale are carried at the lower of cost and net realisable value on an individual basis. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties for sale upon completion.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

13. Investment properties

The Group classifies properties held to earn rentals and/or for capital appreciation as investment properties.

Investment properties held by the Group meet one of the following conditions and are subsequently measured according to the fair value model:

- There is an active real estate trading market where the investment properties are located;
- The Group is able to obtain the market price and other relevant information of the same or similar real estate from the real estate trading market, so as to make a reasonable estimate of the fair value of the investment properties.

The Group does not depreciate or amortize investment properties measured using the fair value model, but adjusts their book values based on fair value of investment properties at the end of the reporting period by recording the difference between fair value and original book value into profit and loss of the current period.

When owner-occupied properties transfer to investment properties that will be carried at fair value, if the fair value at the date of conversion is less than the previous carrying amount, the difference is recognised in profit or loss for the current period; If the fair value at the date of conversion is greater than the previous carrying amount, the difference is recognised directly in other comprehensive income.

Investment properties are presented in the balance sheet at fair values which are reviewed annually. Gains or losses arising from changes in fair values of investment properties shall be included in profit or loss in the period in which they arise. Other comprehensive income arising from the conversion of owner-occupied property to investment property may be transferred directly to retained earnings when the asset is derecognized.

The changes in accounting policy of investment properties are described in Note III. 27.

14. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

(Amounts in thousands of Renminbi, unless otherwise stated)

III. MATERIAL ACCOUNTING POLICIES *(continued)*

14. Property and equipment *(continued)*

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment other than construction in progress are as follows:

Category	Depreciation	Residual value rates	Annual depreciation rates
Buildings	5–35 years	3%–5%	2.71%–19.40%
Machinery equipment	5–20 years	3%–5%	4.75%–19.40%
Electronic equipment, furniture and fixtures	3–10 years	3%–5%	9.50%–32.33%
Motor vehicles and vessels	5–10 years	3%–5%	9.50%–19.40%

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

15. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the assets that are necessary to prepare the assets for the intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying assets being acquired, constructed or produced becomes ready for the intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of the qualifying assets are suspended abnormally. Capitalization is suspended until the acquisition, construction or production of the assets is resumed. Other borrowing costs are recognised as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

16. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

16. Intangible assets *(continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

17. Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

17. Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(continued)*

Recoverable amount is the higher of fair value less costs of disposal and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

18. Resale and repurchase agreements

18.1 Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognised in the statements of financial position. The cost (including interests) of purchasing such assets is presented under “financial assets held under resale agreements” in the consolidated statements of financial position. The difference between the purchasing price and reselling price is recognised as interest income during the term of the agreement using the effective interest method.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

18. Resale and repurchase agreements *(continued)*

18.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the statements of financial position. The proceeds (including interests) from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statements of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

19. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

20. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

20. Non-current assets held for sale and discontinued operations *(continued)*

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

Property, plant and equipment and intangible assets are not depreciated or amortised once held for sale.

Assets and liabilities held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

21. Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

21. Revenue from contracts with customers *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

21.1 Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

21. Revenue from contracts with customers *(continued)*

21.2 Variable consideration

For contracts that contain variable consideration (including floating management fee), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

21.3 Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

21.4 Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

21. Revenue from contracts with customers *(continued)*

21.4 Incremental costs of obtaining a contract *(continued)*

The Group recognises such costs (commission expenses) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

21.5 Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

22. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

22. Taxation *(continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

22. Taxation *(continued)*

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

23. Leases

23.1 Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

23.2 The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

23. Leases *(continued)*

23.2 The Group as a lessee *(continued)*

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings, machinery equipment, electronic equipment and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "inventories" respectively.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

23. Leases *(continued)*

23.2 The Group as a lessee *(continued)*

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

23. Leases *(continued)*

23.2 The Group as a lessee *(continued)*

Lease liabilities *(continued)*

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

23. Leases *(continued)*

23.3 The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

23. Leases *(continued)*

23.3 The Group as a lessor *(continued)*

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

23.4 Sales and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises debt instruments at amortised cost equal to the transfer proceeds within the scope IFRS 9.

24. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refer to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

25. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

The employees of the Company and some subsidiaries of the Group participate in annuity scheme set up by the Group (the "Annuity Scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

25. Employee benefits *(continued)*

Retirement benefit costs and termination benefits *(continued)*

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service costs (including past service costs, gains and losses on curtailment and settlements);
- interest expense; and
- remeasurement.

The Group presents the first two components of its defined benefit costs in profit or loss in "Operating expenses". Curtailment gains and losses are accounted for as past service costs.

III. MATERIAL ACCOUNTING POLICIES *(continued)*

25. Employee benefits *(continued)*

Retirement benefit costs and termination benefits *(continued)*

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficits in the Group's defined benefit plan.

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

26. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

27. Changes in accounting policy

In March 2023, the MOF transferred to CITIC Group part of the domestic shares of the Company. After the transaction, CITIC Group's percentage shareholding in the Company was 26.46%, making it the largest shareholder of the Company. In December 2023, the Company acquired 5.01% of issued shares of CITIC Limited from CITIC Polaris Limited ("CITIC Polaris", a wholly-owned subsidiary of CITIC Group). Since CITIC Group has chosen the fair value model to measure all investment properties, the Group has made a voluntary accounting policy change with respect to the measurement of its own investment properties to improve the accuracy and efficiency of financial statements disclosure. In addition, adopting the fair value model will enable the financial statements to provide more reliable and more relevant information.

(Amounts in thousands of Renminbi, unless otherwise stated)

III. MATERIAL ACCOUNTING POLICIES *(continued)*

27. Changes in accounting policy *(continued)*

The change in accounting policy has been adjusted retrospectively, and the comparative figures for comparable periods have been restated. The impact of this change in accounting policy on the Group's consolidated statement of financial position and consolidated statement of profit or loss and comprehensive income is as follows:

Impact on the consolidated statement of financial position:

	Increase/(decrease)		
	As at 31 December		As at 1 January
	2023	2022	2022
Asset			
Investment properties	**2,650,229**	3,001,008	2,841,827
Property and equipment	**160,742**	(26,267)	(55,526)
Deferred tax assets	**(414,073)**	(496,794)	(503,106)
Total assets	**2,396,898**	2,477,947	2,283,195
Liabilities			
Deferred tax liabilities	**132,147**	113,338	108,219
Total liabilities	**132,147**	113,338	108,219
Net assets	**2,264,751**	2,364,609	2,174,976
Equity			
Other reserves	**1,035,796**	1,044,850	862,500
Accumulated losses	**1,199,318**	1,281,761	1,287,822
Equity attributable to equity holders of the Company	**2,235,114**	2,326,611	2,150,322
Equity attributable to non-controlling interests	**29,637**	37,998	24,654
Total equity	**2,264,751**	2,364,609	2,174,976

(Amounts in thousands of Renminbi, unless otherwise stated)

III. MATERIAL ACCOUNTING POLICIES *(continued)*

27. Changes in accounting policy *(continued)*

The change in accounting policy has been adjusted retrospectively, and the comparative figures for comparable periods have been restated. The impact of this change in accounting policy on the Group's consolidated statement of financial position and consolidated statement of profit or loss and comprehensive income is as follows (continued):

Impact on the consolidated statement of profit or loss and consolidated statement of comprehensive income:

	Increase/(decrease) Year ended 31 December	
	2023	**2022**
Other income and other net gains or losses	**(272,377)**	(330,792)
Operating expenses	**131,124**	261,167
Income tax credit	**56,350**	63,821
Net loss for the year	**(84,903)**	(5,804)
Loss attributable to:		
Equity holders of the Company	**(82,443)**	(6,061)
Non-controlling interests	**(2,460)**	257
	(84,903)	(5,804)
Other comprehensive (expense)/income	**(1,210)**	195,437
Total comprehensive (expense)/income for the year	**(86,113)**	189,633

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note III, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

1.1 Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers of the business are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial assets (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

1.2 Impairment of financial assets

Significant increase of credit risk and determination of credit impairment: As explained in Note III.9, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition; and it comes to stage 3 when it is credit impaired (other than purchased or original credit-impaired assets). IFRS 9 does not define what constitutes a significant increase in credit risk or credit impairment. In assessing whether the credit risk of an asset has significantly increased or an asset became credit impaired, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note III.9.2 and Note V.59.1 for more details.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

1. Critical judgements in applying accounting policies *(continued)*

1.2 Impairment of financial assets *(continued)*

The Group uses various models and assumptions in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluate the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss. See Note V.59.1 for more details on ECL.

1.3 Transfer of financial assets

Whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as whether, and to what extent, derecognition is appropriate requires significant judgement. In making this judgement, the Group evaluates whether it has transferred the right to collect the contractual cash flows, retained substantially all the risks and rewards of the transferred assets, or retained control of the transferred assets.

1.4 Control on structured entities

The Group's management needs to assess whether the Group has met all the following criteria: (a) power over the structured entity; (b) exposure to significant variable returns from its involvement with the structured entity; and (c) the ability to use its power over the structured entity to affect its returns. If yes, the Group has to consolidate such structured entity. The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support.The Group reassesses whether or not it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in Note III.3. The judgements the Group used in determining whether or not it has control over the structured entities are detailed in Note V.31.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

1. Critical judgements in applying accounting policies *(continued)*

1.5 Judgement on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

1.6 Judgement on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the investees' policy-making process, composition of Board of directors or other governing bodies, change in ownership and existence of contractual arrangements.

2. Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

2.1 Impairment of financial assets

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group applies expert judgements to predict macroeconomic indicators, analyses the correlations with model parameters such as PD, and makes forward-looking adjustments. At the same time, the Group also needs to judge the probability of occurrence of multiple different macroeconomic scenarios and calculate probability-weighted expected credit losses. More details of forward-looking information are set out in Note V.59.1.(iii).

Probability of default (the "PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

2. Key sources of estimation uncertainty *(continued)*

Loss Given Default (the "LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. More details of PD and LGD are set out in Note V.59.1.(iv).

Exposure At Default (the "EAD"): EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

2.2 Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and counterparties, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. As at 31 December 2023, the fair value of Level 3 financial assets that are measured at fair value on a recurring basis amounted to RMB292,112 million (31 December 2022: RMB292,576 million). Details of Level 3 fair value measurements are set out in Note V.60.1.

2.3 Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits.

2.4 Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognised as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in the current period is accumulated in properties under development and the common cost among construction periods is allocated among each period on the basis of saleable area.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

2. Key sources of estimation uncertainty *(continued)*

2.5 Impairment of the interests in associates and joint ventures

The Group assesses whether there are any indications of impairment for the interests in associates and joint ventures at the balance sheet date. The interests in associates and joint ventures are tested for impairment when there are indications that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of the interests in associates and joint ventures exceeds their recoverable amount, which is the higher of their fair value less costs of disposal and the present value of the future cash flows expected to be derived from it. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar equity investments or observable market prices less incremental costs for disposing of the assets. When the calculations of the present value of the future cash flows expected to be derived from an equity investment are undertaken, management must estimate the expected future cash flows from the asset or asset group and choose a suitable discount rate in order to calculate the present value of those cash flows.

2.6 Net fair value of the identifiable assets and liabilities of the invested entities

An investment is accounted for using the equity method from the date on which it becomes an associate or a joint venture. On acquisition of the investment, the Group assesses the net fair value of the investee's identifiable assets and liabilities for the purpose of initial recognition of the carrying amount of the investment. The Group uses valuation technique for the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the investee. Certain areas require management to make estimates and assumptions. Changes in these estimates and assumptions could affect the estimated net fair value of identifiable assets and liabilities of investee.

V. EXPLANATORY NOTES

1. Segment information

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

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

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

Distressed asset management operations

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

Financial services operations

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

Asset management and investment operations

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

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

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

Revenue and assets of the Group are generated primarily from operating units located in the Chinese mainland and Hong Kong SAR. There was no significant customer concentration in the Group's operations, and the Group had no single customer contributing to more than 10% of the Group's revenue.

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

1. Segment information *(continued)*

Year ended 31 December 2023	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	17,248,210	—	—	—	17,248,210
Fair value changes on distressed debt assets	(893,103)	—	—	—	(893,103)
Fair value changes on other financial assets and liabilities	1,564,265	(82)	(4,058,730)	—	(2,494,547)
Interest income	6,256,698	4,532,321	4,472,251	(2,133,252)	13,128,018
Finance lease income	705	628,807	53,158	—	682,670
(Losses)/gains from derecognition of financial assets measured at amortised cost	(47,485)	—	747,919	—	700,434
Gains from derecognition of debt instruments at fair value through other comprehensive income	33,766	—	120,039	—	153,805
Commission and fee income	206,812	—	40,245	(48,562)	198,495
Net (losses)/gains on disposals or deemed disposal of subsidiaries, associates and joint ventures	(9,238)	—	16,448	—	7,210
Dividend income	451,200	—	431,618	—	882,818
Other income and other net gains or losses	42,143,478	689,415	3,369,236	(16,033)	46,186,096
Total	66,955,308	5,850,461	5,192,184	(2,197,847)	75,800,106
Interest expense	(21,711,976)	(2,892,458)	(11,381,036)	1,453,202	(34,532,268)
Commission and fee expense	(510,505)	—	(66,944)	23,294	(554,155)
Operating expenses	(4,383,930)	(722,171)	(1,168,171)	52,917	(6,221,355)
Impairment losses under expected credit loss model	(26,574,027)	(2,075,956)	(4,374,972)	(948)	(33,025,903)
Impairment losses on other assets	(235,230)	(27,540)	(733,295)	—	(996,065)
Total	(53,415,668)	(5,718,125)	(17,724,418)	1,528,465	(75,329,746)
Change in net assets attributable to other holders of consolidated structured entities	125,043	—	(126,961)	—	(1,918)
Share of results of associates and joint ventures	743,824	—	(140,766)	—	603,058
Profit/(loss) before tax from continuing operations	14,408,507	132,336	(12,799,961)	(669,382)	1,071,500
Income tax expense					(859,427)
Profit for the year from continuing operations					212,073
Profit after tax for the year from discontinued operations					—
Capital expenditure	74,507	4,583	1,807	—	80,897
Depreciation and amortisation	243,014	346,870	155,066	(10,593)	734,357
As at 31 December 2023					
Segment assets	724,395,666	116,429,672	178,005,217	(66,421,247)	952,409,308
Including: Interests in associates and joint ventures	71,431,374	—	2,905,464	—	74,336,838
Deferred tax assets					15,693,856
Total assets					968,103,164
Segment liabilities	615,633,432	97,820,597	269,790,753	(64,827,022)	918,417,760
Deferred tax liabilities					1,197,690
Tax payable					450,952
Total liabilities					920,066,402

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

1. Segment information *(continued)*

Year ended 31 December 2022	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated (Restated)
Income from distressed debt assets	22,779,072	—	—	—	22,779,072
Fair value changes on distressed debt assets	5,709,817	—	—	—	5,709,817
Fair value changes on other financial assets and liabilities	(2,340,081)	6,509	(8,824,607)	—	(11,158,179)
Interest income	4,250,559	4,155,567	5,515,409	(2,696,123)	11,225,412
Finance lease income	238	1,026,734	29,289	—	1,056,261
Gains/(losses) from derecognition of financial assets measured at amortised cost	73,158	—	(57,050)	—	16,108
Losses from derecognition of debt instruments at fair value through other comprehensive income	(279,535)	—	(311,894)	—	(591,429)
Commission and fee income	228,702	—	62,099	(57,294)	233,507
Net (losses)/gains on disposals or deemed disposal of subsidiaries, associates and joint ventures	(8,751)	—	597,759	—	589,008
Dividend income	280,786	—	633,433	90	914,309
Other income and other net gains or losses	1,074,941	2,368,546	2,733,977	(18,115)	6,159,349
Total	31,768,906	7,557,356	378,415	(2,771,442)	36,933,235
Interest expense	(23,884,984)	(3,073,711)	(12,173,275)	2,067,435	(37,064,535)
Commission and fee expense	(487,925)	—	(134,406)	28,556	(593,775)
Operating expenses	(3,945,846)	(1,458,392)	(1,206,575)	32,538	(6,578,275)
Impairment losses under expected credit loss model	(24,692,239)	(1,195,243)	(3,493,489)	—	(29,380,971)
Impairment losses on other assets	(357,145)	(212,883)	(614,341)	—	(1,184,369)
Total	(53,368,139)	(5,940,229)	(17,622,086)	2,128,529	(74,801,925)
Change in net assets attributable to other holders of consolidated structured entities	29,389	—	323,472	—	352,861
Share of results of associates and joint ventures	(15,799)	—	345,729	—	329,930
(Loss)/profit before tax from continuing operations	(21,585,643)	1,617,127	(16,574,470)	(642,913)	(37,185,899)
Income tax credit					3,798,646
Loss for the year from continuing operations					(33,387,253)
Profit after tax for the year from discontinued operations					5,595,175
Capital expenditure	58,307	437,873	8,902	—	505,082
Depreciation and amortisation	282,026	803,767	228,875	(9,662)	1,305,006
As at 31 December 2022					
Segment assets	713,194,493	107,271,435	212,628,319	(90,653,889)	942,440,358
Including: Interests in associates and joint ventures	2,493,334	—	7,079,433	—	9,572,767
Deferred tax assets					15,363,585
Total assets					957,803,943
Segment liabilities	593,910,626	88,261,235	309,935,470	(88,751,431)	903,355,900
Deferred tax liabilities					1,008,999
Tax payable					2,695,061
Total liabilities					907,059,960

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

2. Income from distressed debt assets

The amount represents interest income arising from distressed debt assets classified as debt instruments at FVOCI and debt instruments at amortised cost, which include loans acquired from financial institutions and other distressed debt assets acquired from non-financial institutions (see Notes V.26 and V.29).

3. Fair value changes on distressed debt assets

The amount represents fair value changes on distressed debt assets measured at FVTPL during the year (see Note V.22).

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

4. Fair value changes on other financial assets and liabilities

	Year ended 31 December	
	2023	**2022**
Convertible bonds	**(2,004,895)**	(245,335)
Derivatives and structured products	**(1,310,619)**	(1,366,383)
Trust products	**773,617**	95,860
Unlisted shares and funds	**(639,563)**	(2,260,352)
Listed shares	**563,475**	(6,619,830)
Debt instruments	**43,711**	(773,920)
Wealth management products	**11,608**	46,611
Other investments and financial liabilities	**68,119**	(34,830)
Total	**(2,494,547)**	(11,158,179)

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

5. Interest income

	Year ended 31 December	
	2023	2022
Debt instruments at amortised cost other than distressed debt assets	6,133,614	5,263,713
Receivables arising from sales and leaseback arrangements	4,291,453	3,860,630
Deposits with financial institutions	2,234,763	1,767,096
Debt instruments at FVOCI other than distressed debt assets	318,028	190,515
Others	150,160	143,458
Total	13,128,018	11,225,412

6. Commission and fee income

	Year ended 31 December	
	2023	2022
Asset management business	120,780	138,231
Securities and futures brokerage business	75,976	93,455
Fund management business	1,739	1,821
Total	198,495	233,507

(1) Disaggregation of revenue

	Year ended 31 December	
	2023	2022
By geographical markets		
Chinese mainland	181,417	217,514
Hong Kong SAR	17,078	15,993
Total	198,495	233,507

	Year ended 31 December	
	2023	2022
Timing of revenue recognition		
A point in time	191,460	126,301
Over time	7,035	107,206
Total	198,495	233,507

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

7. Dividend income

	Year ended 31 December	
	2023	**2022**
Financial assets at FVTPL	**735,298**	735,612
Equity instruments at FVOCI	**147,520**	178,697
Total	**882,818**	914,309

8. Other income and other net gains or losses

	Year ended 31 December	
	2023	**2022** **(Restated)**
Income from investment in associates[(1)]	**41,475,742**	495,243
Gains from redemption of bonds issued	**2,240,048**	595,202
Net gains on exchange differences	**965,258**	2,699,920
Income arising from operating leases	**808,929**	878,805
Revenue from properties development[(2)]	**491,252**	187,408
Fair value changes from investment properties	**(272,377)**	(330,792)
Income from the disposal of investment properties	**87,215**	1,261,902
Revenue from hotel operation	**51,863**	32,244
Net gains on assets pending for disposal	**41,757**	10,344
Government grants	**40,876**	85,156
Revenue from construction services	**21,083**	40,388
Others	**234,450**	203,529
Total	**46,186,096**	6,159,349

(1) Income from investment in associates

Income from investment in associates includes income recognised by the Company for the excess of its share of the net fair value of the identifiable assets and liabilities of the major associates over the cost of the investment. Please refer to Note V.30 for details.

(2) Revenue from properties development

The Group entered into contracts with customers to sell properties. According to contract terms, in conjunction with external legal factors, the Group is of the view that it does not have enforceable right to payment from customers for performance completed to date. Therefore, the relevant revenue is recognised at the point when properties are transferred.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

8. Other income and other net gains or losses *(continued)*

Customers have to pay first down payments to the Group according to a certain percentage of transaction prices when they entered into sales and purchases agreements. In additional, the Group collects partial transaction prices in advance from customers for certain properties under progress sold. The Group recognises cumulative amounts received for purchases of properties as contract liabilities initially, and recognises them as revenue from contract liabilities, when customers obtain control over these properties.

Revenue from properties development is recorded in "Distressed asset management" segment and "Asset management and investment" segment as disclosed in Note V.1.

9. Interest expense

Interest expenses mainly arise from the distressed asset management and financial investment of the Group.

	Year ended 31 December	
	2023	**2022**
Borrowings	**(26,300,515)**	(28,445,412)
Bonds and notes issued	**(8,022,689)**	(8,436,776)
Financial assets sold under repurchase agreements	**(106,947)**	(85,750)
Placements from financial institutions	**(63,545)**	(49,624)
Lease liabilities	**(29,894)**	(29,712)
Other liabilities	**(8,678)**	(17,261)
Total	**(34,532,268)**	(37,064,535)

10. Commission and fee expense

	Year ended 31 December	
	2023	**2022**
Asset management business	**(538,789)**	(559,222)
Fund management and other business	**(15,353)**	(31,745)
Securities and futures brokerage business	**(13)**	(2,808)
Total	**(554,155)**	(593,775)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

11. Operating expenses

	Year ended 31 December	
	2023	2022 (Restated)
Employee benefits[1]	**(2,636,375)**	(2,668,508)
Tax and surcharges	**(464,006)**	(507,270)
Others	**(3,120,974)**	(3,402,497)
Including:		
Depreciation of property and equipment	**(503,124)**	(595,940)
Cost of properties development and sales	**(497,663)**	(192,910)
Depreciation of right-of-use assets	**(115,945)**	(281,868)
Management fee for leases	**(68,178)**	(74,358)
Amortisation	**(49,296)**	(45,732)
Rental for short-term leases	**(22,533)**	(33,476)
Total	**(6,221,355)**	(6,578,275)

For the year ended 31 December 2023, the Group's principal auditors' remuneration was RMB46 million (2022: RMB51 million).

(1) Employee benefits

	Year ended 31 December	
	2023	2022
Wages or salaries, bonuses, allowances and subsidies	**(1,833,708)**	(1,875,170)
Defined contribution plans[i]	**(293,956)**	(269,849)
Housing funds	**(140,240)**	(139,137)
Social insurance	**(96,828)**	(99,766)
Labour union and staff education expenses	**(84,045)**	(83,411)
Early retirement benefits	**(71,344)**	(14,993)
Staff welfare	**(37,152)**	(105,476)
Others	**(79,102)**	(80,706)
Total	**(2,636,375)**	(2,668,508)

For the year ended 31 December 2022, the Group's employee benefits (including both continued and discontinued operations) totaled RMB3,981 million, of which the wages or salaries, bonuses, allowances and subsidies amounted to RMB2,437 million.

(i) Defined contribution plans include pension scheme, unemployment insurance and corporate annuity scheme set up by the Company and certain other group entities.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

12. Impairment losses under expected credit loss model

	Year ended 31 December	
	2023	**2022**
Debt instruments at amortised cost (Note V.59.1)	**(28,165,083)**	(24,439,121)
Debt instruments at FVOCI (Note V.59.1)	**(3,474,240)**	(2,937,890)
Financial lease receivables (Note V.59.1)	**(676,609)**	(914,735)
Others	**(709,971)**	(1,089,225)
Total	**(33,025,903)**	(29,380,971)

13. Impairment losses on other assets

	Year ended 31 December	
	2023	**2022**
Interests in associates and joint ventures (Note V.30)	**(702,781)**	(435,695)
Inventories (Note V.28)	**(220,700)**	(42,983)
Foreclosed assets	**(49,106)**	(160,777)
Property and equipment (Note V.34)	**(11,338)**	(53,734)
Goodwill (Note V.37)	**—**	(286,686)
Others	**(12,140)**	(204,494)
Total	**(996,065)**	(1,184,369)

14. Income tax expense

	Year ended 31 December	
	2023	**2022 (Restated)**
Current income tax		
PRC enterprise income tax	**(453,965)**	(69,899)
PRC land appreciation tax ("LAT")	**(11,844)**	(32,743)
Profits tax of Hong Kong SAR and Macau SAR	**(38,497)**	(34,284)
(Under-provisions)/over-provisions in prior years	**(413,521)**	148,188
Deferred income tax (Note V.36)	**58,400**	3,787,384
Income tax (expense)/credit attributable to continuing operations	**(859,427)**	3,798,646
Income tax expense attributable to discontinued operations	**—**	(4,529,397)
Total	**(859,427)**	(730,751)

V. EXPLANATORY NOTES *(continued)*

14. Income tax expense *(continued)*

The statutory income tax rate applicable to PRC enterprises was 25% for the year of 2023 (2022: 25%).

The preferential income tax rate applicable to PRC enterprises within the scope of the western development area was 15% for the year of 2023 (2022: 15%).

The preferential income tax rate applicable to PRC high-tech enterprises was 15% for the year of 2023 (2022: 15%).

Macau profits tax rate applicable to enterprises within Macau SAR was 12% for the year of 2023 (2022: 12%).

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

14. Income tax expense *(continued)*

Reconciliation of consolidated profit/(loss) before tax to income tax expense is as follows:

	Year ended 31 December 2023	2022 (Restated)
Profit/(loss) before tax from continuing operations	**1,071,500**	(37,185,899)
Profit before tax from discontinued operations	**—**	10,124,572
Profit/(loss) before tax	**1,071,500**	(27,061,327)
Income tax calculated at the tax rate of 25%	**(267,875)**	6,765,332
LAT	**(11,844)**	(32,743)
Tax effect of LAT	**2,961**	8,186
Tax effect of income not taxable for tax purpose	**352,460**	319,699
Tax effect of expenses not deductible for tax purpose	**(2,139,611)**	(2,463,010)
Tax effect of different tax rate of subsidiaries	**(678,941)**	(574,931)
(Under-provisions)/over-provisions in prior years	**(413,521)**	88,433
Effect of unused tax losses and deductible temporary differences not recognised as deferred tax assets	**(7,667,859)**	(4,054,405)
Effect of taxable temporary differences not recognised as deferred tax liabilities(i)	**10,375,201**	—
Utilisation of tax losses and deductible temporary differences previously not recognised	**7,364**	91,747
Others	**(417,762)**	(879,059)
Income tax expense	**(859,427)**	(730,751)
Income tax (expense)/credit attributable to continuing operations	**(859,427)**	3,798,646
Income tax expense attributable to discontinued operations	**—**	(4,529,397)

(i) Effect of taxable temporary differences not recognised as deferred tax liabilities arose from temporary differences associated with investments in associates (see Note V.36).

V. EXPLANATORY NOTES *(continued)*

15. Dividends

Dividends for ordinary shares

In view of the fact that the Company had no distributable profits as at the end of 2023, the Board of Directors proposed not to distribute any dividend for the year ended 31 December 2023.

In view of the fact that the Company had no distributable profits as at the end of 2022, upon approval by the annual general meeting on 28 June 2023, the Company did not distribute any dividend for the year ended 31 December 2022.

Interest on perpetual bonds

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

16. Earnings/(loss) per share

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

	Year ended 31 December	
	2023	**2022 (Restated)**
Earnings/(loss):		
Profit/(loss)attributable to equity holders of the Company	**1,766,241**	(27,587,149)
Continuing operations	**1,766,241**	(31,976,542)
Discontinued operations	**—**	4,389,393
Number of shares:		
Weighted average number of shares for the year (in thousands)	**80,246,679**	80,246,679
Basic earnings/(loss) per share (RMB Yuan)	**0.022**	(0.344)
Diluted earnings/(loss) per share (RMB Yuan)	**0.022**	(0.344)
Basic earnings/(loss) per share from continuing operations (RMB Yuan)	**0.022**	(0.398)
Diluted earnings/(loss) per share from continuing operations (RMB Yuan)	**0.022**	(0.398)
Basic earnings per share from discontinued operations (RMB Yuan)	**—**	0.055
Diluted earnings per share from discontinued operations (RMB Yuan)	**—**	0.055

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

17. Emoluments of directors and supervisors

	Year ended 31 December 2023				
	Fees	Paid remuneration and other benefits	Performance related bonuses	Employer's contribution to pension scheme	Total before tax
Executive directors					
LIU Zhengjun[(1)(12)]	—	—	—	—	—
LI Zimin[(2)]	—	495	248	154	897
Non-executive directors					
ZHAO Jiangping[(12)]	—	—	—	—	—
ZHENG Jiangping[(12)]	—	—	—	—	—
XU Wei[(3)(12)]	—	—	—	—	—
TANG Hongtao[(4)(12)]	—	—	—	—	—
Independent non-executive directors					
TSE Hau Yin[(5)]	250	—	—	—	250
SHAO Jingchun	250	—	—	—	250
ZHU Ning	250	—	—	—	250
CHEN Yuanling	250	—	—	—	250
LU Minlin[(6)]	21	—	—	—	21
Supervisors					
HU Jianzhong	—	495	248	47	790
CHENG Fengchao	200	—	—	—	200
HAN Xiangrong	200	—	—	—	200
SUN Hongbo	20	—	—	—	20
GUO Jinghua	20	—	—	—	20
Total	1,461	990	496	201	3,148

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

17. Emoluments of directors and supervisors *(continued)*

	Year ended 31 December 2022				
	Fees	Paid remuneration and other benefits	Performance related bonuses	Employer's contribution to pension scheme	Total before tax
Executive directors					
LIU Zhengjun(1)(12)	—	—	—	—	—
WANG Zhanfeng(7)	—	117	62	13	192
LIANG Qiang(8)	—	383	186	37	606
WANG Wenjie(9)	—	308	149	32	489
Non-executive directors					
ZHAO Jiangping(12)	—	—	—	—	—
ZHENG Jiangping(12)	—	—	—	—	—
XU Wei(3)(12)	—	—	—	—	—
XU Nuo(10)(12)	—	—	—	—	—
ZHOU Langlang(11)(12)	—	—	—	—	—
Independent non-executive directors					
TSE Hau Yin(5)	250	—	—	—	250
SHAO Jingchun	250	—	—	—	250
ZHU Ning	250	—	—	—	250
CHEN Yuanling	250	—	—	—	250
Supervisors					
HU Jianzhong	—	482	248	47	777
CHENG Fengchao	200	—	—	—	200
HAN Xiangrong	200	—	—	—	200
SUN Hongbo	20	—	—	—	20
GUO Jinghua	20	—	—	—	20
Total	1,440	1,290	645	129	3,504

(1) Liu Zhengjun was appointed as Executive Director and Chairman in April 2022.

(2) Li Zimin was appointed as Executive Director and President in January 2023.

(3) Xu Wei was appointed as a non-executive director in May 2022.

(4) Tang Hongtao was appointed as a non-executive director in April 2023.

(5) TSE Hau Yin resigned in December 2023.

(6) Lu Minlin was appointed as an independent non-executive director in December 2023.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

17. Emoluments of directors and supervisors *(continued)*

(7) Wang Zhanfeng resigned in April 2022.

(8) Liang Qiang resigned in September 2022.

(9) Wang Wenjie resigned in September 2022.

(10) Xu Nuo resigned in March 2022.

(11) Zhou Langlang resigned in May 2022.

(12) The above-mentioned directors have not received any remuneration from the Group in 2023 and 2022.

The executive directors and supervisors' emoluments shown above were for their services as directors and supervisors in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and/or its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as the directors of the Company.

The total compensation packages for these directors and supervisors for the years ended 31 December 2023 and 2022 have not been approved by the general meeting, or finalised in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as set out in Note V.18 below as an inducement to join or upon joining the Group or as a compensation for loss of office. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

18. Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2023 and 31 December 2022 were as follows:

	Year ended 31 December	
	2023	**2022**
Salaries and other benefits	**2,058**	2,615
Employer's contribution to pension scheme	**514**	454
Discretionary and performance related incentive payments	**7,921**	6,695
Total	**10,493**	9,764

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

18. Five highest paid individuals *(continued)*

Among the five individuals with the highest emoluments in the Group, none of them was a director nor supervisor during the years of 2023 and 2022. The emoluments of these five individuals fall within the following bands as follows:

	Year ended 31 December	
	2023	2022
HKD1,500,001 to HKD2,000,000	1	—
HKD2,000,001 to HKD2,500,000	2	5
HKD2,500,001 to HKD3,000,000	2	—
	5	5

19. Cash and balances with central bank

	As at 31 December	
	2023	2022
Cash	85	122
Mandatory reserve deposits with central bank(1)	105,276	7,588
Surplus reserve deposits with central bank(2)	6,707	15,460
Other deposits with central bank	48	2
Total	112,116	23,172

As at 31 December 2023, the balance of the Group mainly arises from its financial leasing business (31 December 2022: financial leasing business).

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

As at 31 December 2023, the RMB and foreign currency mandatory reserve deposits placed with the PBOC were mainly based on 5.00% and 4.00% of eligible RMB and foreign currency deposits of Huarong Financial leasing Co., Ltd. ("Huarong Financial Leasing"), a subsidiary of the company. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

As at 31 December 2022, the RMB and foreign currency mandatory reserve deposits placed with the PBOC were mainly based on 5.00% and 6.00% of eligible RMB and foreign currency deposits of Huarong Financial Leasing, a subsidiary of the Company. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

20. Deposits with financial institutions

	As at 31 December	
	2023	**2022**
Banks[1]	**72,164,082**	93,313,613
Clearing settlement funds[2]	**2,503,522**	3,292,653
Other financial institutions	**209,695**	991,112
Subtotal	**74,877,299**	97,597,378
Less: Allowance for ECL[3]	**(14,225)**	(19,135)
Total	**74,863,074**	97,578,243

(1) The Group maintains bank accounts to hold customers' deposits arising from its brokerage business. As at 31 December 2023, the bank balances and clearing settlement funds held on behalf of customers by the Group amounted to RMB3,219 million (31 December 2022: RMB3,324 million). The Group has recognised the corresponding amount in accounts payable to brokerage clients and margin deposit received from securities customers (see Note V.46).

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

(3) As at 31 December 2023 and 2022, the Group's deposits with financial institutions were all in Stage I.

21. Placements with financial institutions

(1) Analysed by type of counterparty

	As at 31 December	
	2023	**2022**
Banks	—	1,300,536
Other financial institutions	—	—
Subtotal	—	1,300,536
Less: Allowance for ECL		
— 12-month ECL	—	(293)
— Lifetime ECL	—	—
Subtotal	—	(293)
Net placements with financial institutions	—	1,300,243

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

21. Placements with financial institutions *(continued)*

(2) Analysed by geographical sectors

	As at 31 December	
	2023	2022
Chinese mainland	—	1,300,243
Total	—	1,300,243

22. Financial assets and financial liabilities at FVTPL

	As at 31 December	
	2023	2022
Distressed debt assets	181,261,448	179,725,620
Equity instruments		
— Listed	38,179,972	32,612,310
— Unlisted	28,227,627	21,828,176
Funds	36,395,042	39,205,127
Trust products	18,759,421	13,918,510
Debt securities		
— Corporate bonds	3,345,980	5,734,413
— Financial institution bonds	—	295,860
Convertible bonds	1,578,265	1,765,254
Derivatives and structured products[1]	1,439,583	3,632,050
Entrusted loans	611,092	660,350
Asset management plans	585,300	979,607
Wealth management products	184,631	1,680,502
Asset-backed securities	20,114	27,148
Other debt assets	6,927,560	7,390,959
Total	317,516,035	309,455,886

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

22. Financial assets and financial liabilities at FVTPL *(continued)*

	As at 31 December	
	2023	**2022**
Financial liabilities mandatorily measured at FVTPL		
Derivatives financial instruments	**36,961**	744,397
Financial liabilities designated as at FVTPL		
Interest of other holders of		
consolidated structured entities(2)	**17,048**	23,749
Total	**54,009**	768,146

(1) The Group entered into a series of interest rate swap and cross-currency swap contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency and interest rate exposure in relation to foreign currency denominated or variable-rate bonds and notes issued. The terms of the derivative contracts have been negotiated to match the terms of the respective designated hedged items and therefore the hedge is considered highly effective. As at 31 December 2023, the fair value of these hedging instruments amounted to RMB258 million and these instruments had been included in derivatives financial instruments classified as financial assets at FVTPL (31 December 2022: RMB268 million hedging instruments had been included in derivatives financial instruments classified as financial assets at FVTPL).

(2) In respect of these liabilities designated at FVTPL, the Group is required at maturities to pay amounts according to other investors' share in the underlying assets of the special structure entities consolidated. The amount ultimately paid by the Group depends on the fair values of these assets at maturities and may be different from the carrying amounts as at 31 December 2023.

23. Financial assets held under resale agreements

	As at 31 December	
	2023	**2022**
By collateral type:		
Securities	**766,319**	706,720
Subtotal	**766,319**	706,720
Less: Allowance for ECL		
— 12-month ECL	**(154)**	(9)
— Lifetime ECL	**—**	—
Subtotal	**(154)**	(9)
Net financial assets held under resale agreements	**766,165**	706,711

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

23. Financial assets held under resale agreements *(continued)*

As at 31 December 2023, the Group received pledged securities with a fair value of approximately RMB838 million (31 December 2022: RMB738 million). As at 31 December 2023, none of them could be resold or repledged by the Group in the absence of default by their owners (31 December 2022: Nil). For the years ended 31 December 2023 and 2022, the Group did not repledge the securities. The Group has an obligation to return the pledged securities to their counterparties on the maturity dates of the resale agreements.

24. Contract assets

	As at 31 December	
	2023	**2022**
Construction contracts	**5,403,862**	5,546,656
Land development contracts	**99,516**	—
Subtotal	**5,503,378**	5,546,656
Allowance for impairment losses	**(17,138)**	(16,595)
Total	**5,486,240**	5,530,061

The Group's contractual assets primarily relate to its right to receive consideration for work of the public-private partnership project ("PPP project") completed but not yet billed. The rights to receive consideration is conditional upon future contract performance. When the rights become unconditional, the contractual assets are transferred to trade receivables. The Group's contractual assets are related to revenue earned from ongoing construction services. As such, the balance depends on the progress of ongoing construction services at the end of the year and the accounting recognition of significant financing components.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

25. Finance lease receivables

	As at 31 December	
	2023	**2022**
Minimum finance lease receivables:		
Within 1 year (inclusive)	**5,450,484**	8,525,468
1 year to 2 years (inclusive)	**3,103,954**	4,125,186
2 years to 3 years (inclusive)	**1,975,769**	3,169,874
3 years to 4 years (inclusive)	**1,618,569**	1,515,764
4 years to 5 years (inclusive)	**978,558**	1,454,400
Over 5 years	**1,422,157**	1,406,723
Gross amount of finance lease receivables	**14,549,491**	20,197,415
Less: Unearned finance income	**(2,520,783)**	(2,914,440)
Net amount of finance lease receivables	**12,028,708**	17,282,975
Less: Allowance for ECL		
— 12-month ECL	**(118,817)**	(146,380)
— Lifetime ECL	**(2,553,181)**	(2,608,255)
Subtotal	**(2,671,998)**	(2,754,635)
Carrying amount of finance lease receivables	**9,356,710**	14,528,340
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	**4,902,265**	7,368,348
1 year to 2 years (inclusive)	**2,665,652**	3,503,286
2 years to 3 years (inclusive)	**1,607,551**	2,689,155
3 years to 4 years (inclusive)	**1,172,781**	1,285,631
4 years to 5 years (inclusive)	**746,981**	1,243,158
Over 5 years	**933,478**	1,193,397
Total	**12,028,708**	17,282,975

The movements of expected credit loss on finance lease receivables during the years ended 31 December 2023 and 2022 are detailed in Note V.59.1.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

26. Debt instruments at FVOCI

	As at 31 December	
	2023	**2022**
Distressed debt assets		
Loans acquired from financial institutions	**984,257**	1,197,021
Other debt assets acquired from non-financial institutions	**11,949,963**	15,486,775
Subtotal	**12,934,220**	16,683,796
Debt securities		
— Public sector and quasi-government bonds	**1,015,431**	1,393,996
— Government bonds	**1,569,639**	1,219,882
— Corporate bonds	**367,774**	806,497
— Financial institution bonds	**204,260**	655,961
Entrusted loans	**1,542,464**	2,174,677
Asset management plans	**1,459,518**	1,459,518
Debt instruments	**584,400**	757,299
Trust products	**4,785**	154,400
Asset-backed securities	**—**	12,388
Total	**19,682,491**	25,318,414

The movements of expected credit loss on debt instruments at FVOCI during the years ended 31 December 2023 and 2022 are detailed in Note V.59.1.

27. Equity instruments at FVOCI

	As at 31 December	
	2023	**2022**
Listed investments	**1,482,040**	1,405,358
Unlisted investments	**218,152**	633,237
Total	**1,700,192**	2,038,595

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

(2) The Group received RMB148 million dividend from equity instruments at FVOCI for the year of 2023 (2022: RMB179 million).

(3) In the current year, the Group disposed of certain investments at their fair value of RMB200 million as at the date of disposal (2022: RMB876 million). No cumulative gain on disposal has been transferred to retained earnings (2022: a cumulative gain of RMB209 million).

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

28. Inventories

	As at 31 December	
	2023	2022
Costs		
Property development costs	20,538,363	21,815,427
Properties for sale	3,663,116	2,220,181
Subtotal	24,201,479	24,035,608
Allowance for impairment losses(1)	(1,196,506)	(983,700)
Total	23,004,973	23,051,908

(1) Movement for allowance for impairment losses

	Year ended 31 December	
	2023	2022
Movement for allowance for impairment losses		
At beginning of the year	(983,700)	(942,494)
Charge for the year	(227,390)	(42,983)
Reversal for the year	6,690	—
Write-offs/transfer out	7,894	1,777
At end of the year	(1,196,506)	(983,700)
Net book value of inventories pledged for borrowings	7,256,043	1,080,826

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

28. Inventories *(continued)*

During the year, borrowing costs of RMB550 million (2022: RMB797 million) were capitalised in the costs of inventory.

Analysis of leasehold lands:

As at 1 January 2023	
Carrying amount	**13,447,485**
As at 31 December 2023	
Carrying amount	**13,426,111**
For the year ended 31 December 2023	
Total cash outflow	**7,868**
Additions	**10,191**

As at 1 January 2022	
Carrying amount	13,387,401
As at 31 December 2022	
Carrying amount	13,447,485
For the year ended 31 December 2022	
Total cash outflow	240,770
Additions	18,467

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

29. Debt instruments at amortised cost

	As at 31 December	
	2023	2022
Distressed debt assets		
Loans acquired from financial institutions	28,358,792	34,834,318
Other debt assets acquired from non-financial institutions	185,835,331	225,908,531
Subtotal	214,194,123	260,742,849
Less: Allowance for ECL		
— 12-month ECL	(538,897)	(2,419,646)
— Lifetime ECL	(49,637,320)	(42,204,297)
Subtotal	(50,176,217)	(44,623,943)
Carrying amount of distressed debt assets	164,017,906	216,118,906
Other debt assets		
Debt instruments	96,531,229	92,152,347
Receivables arising from sales and leaseback arrangements	93,027,117	75,112,705
Entrusted loans	43,000,453	46,437,189
Trust products	46,775,360	39,424,849
Debt securities	7,769,821	7,891,847
Asset management plans	5,689,218	6,373,333
Others	3,885,612	1,934,021
Subtotal	296,678,810	269,326,291
Less: Allowance for ECL		
— 12-month ECL	(2,161,561)	(772,838)
— Lifetime ECL	(67,211,938)	(69,319,631)
Subtotal	(69,373,499)	(70,092,469)
Carrying amount of other debt assets	227,305,311	199,233,822
Total	391,323,217	415,352,728

During the year ended 31 December 2023, the Group disposed of certain financial assets measured at amortised cost, primarily for the purpose of credit risk management.

The movements of expected credit loss on debt instruments at amortised cost during the years ended 31 December 2023 and 2022 are detailed in Note V.59.1.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

30. Interests in associates and joint ventures

	As at 31 December	
	2023	**2022**
Interests in associates		
Cost of investments in associates	**75,879,373**	11,134,112
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**(869,597)**	(589,059)
Less: Allowance for impairment losses	**(2,391,386)**	(2,927,219)
Subtotal	**72,618,390**	7,617,834
Interests in joint ventures		
Cost of investments in joint ventures	**6,059,196**	6,064,408
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**(429,443)**	(292,677)
Less: Allowance for impairment losses	**(3,911,305)**	(3,816,798)
Subtotal	**1,718,448**	1,954,933
Total	**74,336,838**	9,572,767
Fair value of listed companies	**23,333,598**	1,605,200

During the year ended 31 December 2023, the Group acquired interests in 6 (for the year ended 31 December 2022: 4) associates and joint ventures at an aggregate initial cost of RMB67,836 million (for the year ended 31 December 2022: RMB1,266 million).

During the year ended 31 December 2023, the Group disposed of interests in 10 (for the year ended 31 December 2022: 14) associates and joint ventures for an aggregate carrying value of RMB1,152 million (for the year ended 31 December 2022: RMB2,297 million) at the dates of disposal and recognised a net gain of RMB13 million (net gain for the year ended 31 December 2022: RMB684 million).

(1) Allowance for impairment losses

	Year ended 31 December	
	2023	**2022**
At beginning of the year	**(6,744,017)**	(6,854,861)
Charge for the year	**(702,781)**	(435,695)
Write-off and transfer out	**1,227,059**	949,807
Others	**(82,952)**	(403,268)
At end of the year	**(6,302,691)**	(6,744,017)

During the year, the Group received an aggregate of dividend of RMB824 million (2022: RMB43 million) from associates and joint ventures.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

30. Interests in associates and joint ventures *(continued)*

The Group performed an impairment test on the interests in associates and joint ventures at the end of the reporting period and assessed recoverable amounts, being the higher of the fair value and the value in use of the related investments. Provision was made for the items with recoverable amounts being lower than the carrying amounts and the impairment losses were recognised in profit or loss. The fair value of these associates and joint ventures were mainly the unadjusted quotation in the active market. For the year ended 31 December 2023, the Group recognised impairment losses of RMB703 million for these associates and joint ventures (2022: RMB436 million).

(2) Details of the Group's principal associates and joint ventures are as follows:

Name of entity	Place of incorporation/ establishment	Principal place of business	Carrying amount At 31 December		Proportion of ownership held by the Group At 31 December		Proportion of voting rights held by the Group At 31 December		Principal activities
			2023	2022	2023 %	2022 %	2023 %	2022 %	
Associates									
China Everbright Bank Company Limited ("CEB Bank")(i)	Beijing, PRC	Chinese mainland	32,433,682	—	7.08	—	7.08	—	Commercial Banking
CITIC Limited(ii)	Hong Kong SAR, PRC	Chinese mainland	34,575,392	—	5.01	—	5.01	—	Investment holding
Zhongshan Public Utilities Group Co., Ltd	Zhongshan, PRC	Chinese mainland	1,294,375	1,261,862	8.04	8.04	8.04	8.04	Public utility
Huarong Jinshang Asset Management Co., Ltd.	Taiyuan, PRC	Chinese mainland	1,027,765	1,167,493	48.88	48.88	48.88	48.88	Asset management
Joint ventures									
Sacred Heart Healthcare L.P.	Cayman Islands	Cayman Islands	352,751	346,870	83.33	83.33	50.00	50.00	Fund

V. EXPLANATORY NOTES *(continued)*

30. Interests in associates and joint ventures *(continued)*

(2) Details of the Group's principal associates and joint ventures are as follows: *(continued)*

(i) CEB Bank

In March 2023, the Company purchased convertible corporate bonds ("Everbright Convertible Bonds") which were publicly issued by CEB Bank in 2017. Upon approval by the regulatory authorities, the Company converted the Everbright Convertible Bonds into ordinary A shares of CEB Bank on 16 March 2023. Upon completion of this conversion, the Company held 4,184,682,388 ordinary A shares of CEB Bank, accounting for 7.08% of total ordinary share of CEB Bank. On 21 June 2023, the shareholders' meeting of CEB Bank approved the nomination of the representative proposed by the Company as a non-executive director of the ninth board of directors of CEB Bank. Accordingly, the Company had the power to participate in the financial and operating decisions of CEB Bank and was able to exert significant influence on CEB Bank. As such, the investment in CEB Bank had been accounted for as interests in associates using the equity method on 21 June 2023 ("acquisition date"). The Company assessed the net fair value of CEB Bank's identifiable assets and liabilities on acquisition date, the difference between the net fair value and carrying value of identifiable assets and liabilities mainly came from valuation of properties and core customers deposits. The Company's share of the net fair value of CEB Bank's identifiable assets and liabilities was amounted to RMB32,385 million, which exceeds the cost of investment in CEB Bank amounted to RMB19,664 million. The Company had adjusted its cost of investment in CEB Bank accordingly.

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

	For the Year ended 31 December 2023
Operating income	145,735
Profit before tax	49,757
Net profit	41,076
Other comprehensive income	2,836
Total Comprehensive income	43,912
Dividends received from associates	795

	As at 31 December 2023
Total assets	6,772,796
Total liabilities	6,218,011
Total equity	554,785
— Equity attributable to ordinary shareholders	447,492

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

30. Interests in associates and joint ventures *(continued)*

(2) Details of the Group's principal associates and joint ventures are as follows (continued):

(i) CEB Bank *(continued)*

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

	As at 31 December 2023
Equity attributable to ordinary shareholders	**447,492**
% Equity interest held by the Group	**7.08%**
Group's share of equity of the associate	**31,682**
Adjustments to the fair value of identifiable net assets	**752**
The carrying amount	**32,434**

As at 31 December 2023, the market value of the Company's investment in CEB Bank was RMB12,136 million.

As at 31 December 2023, the fair value of the Company's investment in CEB Bank was below the carrying amount. As a result, the Company performed an impairment test on the carrying amount, which concluded that there was no impairment at 31 December 2023 as the recoverable amount as determined by a value in use calculation was higher than the carrying amount.

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

Management used a number of assumptions in value in use calculation:

	Year ended 31 December 2023
Discount rate	**9.02%**
Sustainable growth rate	**1.58%**

V. EXPLANATORY NOTES *(continued)*

30. Interests in associates and joint ventures *(continued)*

(2) Details of the Group's principal associates and joint ventures are as follows (continued):

(ii) CITIC Limited

In November 2023, the Company entered into a Share Transfer Agreement with CITIC Group and CITIC Polaris. The Company agreed to acquire 1,457,422,158 ordinary shares of CITIC Limited, accounting for 5.01% of total share capital of CITIC Limited. On 29 December 2023, the board of directors of CITIC Limited approved the nomination of the representative proposed by the Company as a non-executive director of CITIC Limited. Accordingly, the Company had the power to participate in the financial and operating decisions of CITIC Limited and was able to exert significant influence over CITIC Limited. As such, the investment in CITIC Limited had been accounted for as investment in associates using the equity method on 29 December 2023 ("acquisition date"). The valuation on the fair value of net identifiable assets and liabilities of CITIC Limited on acquisition date has not been finalised. The Company provisionally estimated the net fair value of CITIC Limited's identifiable assets and liabilities as at acquisition date according to available information, the difference between the net fair value and carrying value of identifiable assets and liabilities mainly came from valuation of properties, core customers deposits, interests in associates and joint ventures and intellectual properties. The Company's share of the net provisional fair value of CITIC Limited's identifiable assets and liabilities was amounted RMB34,575 million, which exceed the cost of investment in CITIC Limited amounted to RMB21,837 million. The Company had adjusted its cost of investment in CITIC Limited accordingly.

The following table provides key information from the financial statements of CITIC Limited, which had been adjusted based on the provisional fair value of net identifiable assets and liabilities at initial recognition of investment in associates, the amounts is expressed in millions of RMB.

	For the year ended 31 December 2023
Total income	680,832
Profit before tax	123,287
Net profit	105,274
Other comprehensive income	3,088
Total Comprehensive income	108,362

	As at 31 December 2023
Total assets	11,330,920
Total liabilities	9,994,138
Total equity	1,336,782
— Equity attributable to ordinary shareholders	703,178

V. EXPLANATORY NOTES *(continued)*

30. Interests in associates and joint ventures *(continued)*

(2) Details of the Group's principal associates and joint ventures are as follows (continued):

(ii) CITIC Limited *(continued)*

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

	As at 31 December 2023
Equity attributable to ordinary shareholders	703,178
% Equity interest held by the Group	5.01%
Group's share of equity of the associate	35,229
Provisional adjustments to the fair value of identifiable net assets	(654)
The carrying amount	34,575

31. Interests in consolidated structured entities

To determine whether control exists in a structured entity, the Group uses the following judgements:

(1) For a structured entity that the Group sponsors and provides financial guarantee, the Group therefore has an obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that the structured entity will be consolidated.

(2) For private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund will be consolidated if the Group acts in the role of principal.

(3) For trust products or asset management plans where the Group involves as trustee/manager and/or as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the trust products or asset management plans that is of such significance that it indicates that the Group is a principal. The trust products or asset management plans will be consolidated if the Group acts in the role of principal.

V. EXPLANATORY NOTES *(continued)*

31. Interests in consolidated structured entities *(continued)*

The Group had consolidated certain structured entities during the year. They mainly include trust products, asset management plans and private equity funds.

As at 31 December 2023, interests in these consolidated structured entities held by the Group amounted to RMB129,917 million (31 December 2022: RMB113,718 million).

Interests held by other interest holders are presented as other liabilities and financial liabilities at FVTPL in the consolidated statement of financial position as disclosed in Notes V.46 and V.22. For the year ended 31 December 2023, gains from net assets attributable to other holders of consolidated structured entities collectively amounted to RMB2 million (2022: losses of RMB353 million), losses from fair value changes on financial liabilities collectively amounted to RMB0.07 million (2022: losses of RMB0.01 million from fair value changes on financial liabilities).

32. Interests in unconsolidated structured entities

Apart from the structured entities the Group has consolidated as detailed in Note V.31, the Group also served as general partner, manager or trustee of certain structured entities and therefore had power over them. However, in the opinion of the Board of the Company, the variable returns the Group exposed to over these structured entities are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in these unconsolidated structured entities as financial assets at FVTPL, debt instruments at FVOCI, debt instruments at amortised cost or interests in associates and joint ventures as appropriate.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

32. Interests in unconsolidated structured entities *(continued)*

The size of assets under management, carrying amount and maximum exposure to loss of the Group's investments in unconsolidated structured entities that are sponsored by the Group are as follows:

	31 December 2023				
	Size of assets under management	Carrying amount	Maximum exposure to loss	Income from structured entity	Income type
Private equity funds	4,641,223	938,029	938,029	33,468	
				873	Commission and fee income
				32,595	Fair value changes on other financial assets and liabilities
Total	4,641,223	938,029	938,029	33,468	

	31 December 2022				
	Size of assets under management	Carrying amount	Maximum exposure to loss	Income from structured entity	Income Type
Private equity funds	4,064,385	1,368,462	1,368,462	475,854	
				1,196	Commission and fee income
				474,658	Fair value changes on other financial assets and liabilities
Total	4,064,385	1,368,462	1,368,462	475,854	

Meanwhile, the Group also holds interests in the unconsolidated structured entities sponsored by independent third parties through investments. As at 31 December 2023, the carrying amount and maximum exposure to loss amounted to RMB81,836 million (31 December 2022: RMB54,525 million). As at 31 December 2023, these investments were accounted for in financial assets at FVTPL, debt instruments at FVOCI, debt instruments at amortised cost and interests in associates and joint ventures.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

33. Investment properties

	Buildings
As at 1 January 2022 (Restated)	9,696,049
Transfer in	1,759,201
Disposals	(804,034)
Transfer out	(206,892)
Changes in fair value	(330,792)
Exchange differences	46,070
As at 31 December 2022 (Restated)	10,159,602

	Buildings
As at 1 January 2023 (Restated)	**10,159,602**
Transfer in	**210,890**
Disposals	**(85,842)**
Transfer out	**(452,031)**
Changes in fair value	**(272,377)**
Exchange differences	**9,828**
As at 31 December 2023	**9,570,070**

The Group engaged a qualified professional appraiser to evaluate the fair values of investment properties, with any revaluation surplus or deficit recognized in profit or loss for the current year. The valuation has been carried out using the market approach or the income approach assuming that the properties can be sold under existing leases or otherwise traded in their current status by reference to comparable sales transactions known in relevant markets.

The fair value measurement of investment properties falls within Level 3 of the fair value hierarchy.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

34. Property and equipment

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles and vessels	Construction in progress	Total
Costs						
As at 1 January 2023 (Restated)	3,444,937	3,047,323	592,502	4,223,770	16,913	11,325,445
Purchases	12,487	3,403	338,410	5,261	10,482	370,043
Disposals	(14,251)	(439,694)	(32,692)	(1,317,743)	(8,130)	(1,812,510)
Transfer in	425,109	2,261	807	119,252	—	547,429
Transfer out	(75,713)	—	—	—	(5,813)	(81,526)
As at 31 December 2023	3,792,569	2,613,293	899,027	3,030,540	13,452	10,348,881
Accumulated depreciation						
As at 1 January 2023 (Restated)	1,239,375	478,892	499,879	1,621,964	—	3,840,110
Charge for the year	107,751	7,122	58,584	329,667	—	503,124
Disposals	(29,603)	(197,785)	(29,922)	(443,161)	—	(700,471)
Transfer in	49,851	11,916	757	15,381	—	77,905
Transfer out	(36,643)	—	—	—	—	(36,643)
As at 31 December 2023	1,330,731	300,145	529,298	1,523,851	—	3,684,025
Allowance for impairment losses						
As at 1 January 2023 (Restated)	128,413	101,005	—	117,323	—	346,741
Charge for the year	—	—	—	11,338	—	11,338
Disposals	—	(51,622)	—	(60,741)	—	(112,363)
As at 31 December 2023	128,413	49,383	—	67,920	—	245,716
Net book values						
As at 1 January 2023 (Restated)	2,077,149	2,467,426	92,623	2,484,483	16,913	7,138,594
As at 31 December 2023	2,333,425	2,263,765	369,729	1,438,769	13,452	6,419,140
Including: Net book values of assets pledged as at 31 December 2023	26,594	—	—	2,710,808	—	2,737,402

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

34. Property and equipment *(continued)*

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles and vessels	Construction in progress	Total
Costs						
As at 1 January 2022 (Restated)	4,429,112	3,508,328	1,627,447	4,098,618	1,106,509	14,770,014
Purchases	19,614	1,853	72,348	1,289	349,064	444,168
Disposal of Subsidiaries	(1,390,736)	(455,935)	(1,079,245)	(51,579)	(938,479)	(3,915,974)
Disposals	(22,752)	(7,737)	(39,076)	(331,503)	(4,430)	(405,498)
Transfer in	410,828	814	11,028	506,945	733	930,348
Transfer out	(1,129)	—	—	—	(496,484)	(497,613)
As at 31 December 2022 (Restated)	3,444,937	3,047,323	592,502	4,223,770	16,913	11,325,445
Accumulated depreciation						
As at 1 January 2022 (Restated)	1,582,921	668,859	1,331,258	1,333,447	—	4,916,485
Charge for the year	145,386	36,575	101,809	395,332	—	679,102
Disposal of Subsidiaries	(475,771)	(219,724)	(907,290)	(43,016)	—	(1,645,801)
Disposals	(19,680)	(7,701)	(32,307)	(182,504)	—	(242,192)
Transfer in	6,621	883	6,409	118,705	—	132,618
Transfer out	(102)	—	—	—	—	(102)
As at 31 December 2022 (Restated)	1,239,375	478,892	499,879	1,621,964	—	3,840,110
Allowance for impairment losses						
As at 1 January 2022 (Restated)	128,413	101,005	—	58,430	—	287,848
Charge for the year	—	—	—	58,893	—	58,893
Disposals	—	—	—	—	—	—
As at 31 December 2022 (Restated)	128,413	101,005	—	117,323	—	346,741
Net book values						
As at 1 January 2022 (Restated)	2,717,778	2,738,464	296,189	2,706,741	1,106,509	9,565,681
As at 31 December 2022 (Restated)	2,077,149	2,467,426	92,623	2,484,483	16,913	7,138,594
Including:						
Net book values of assets pledged as at 31 December 2022	27,148	—	—	3,618,152	—	3,645,300

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

34. Property and equipment *(continued)*

As at 31 December 2023, properties of which the certificate of land use right or certificate of property ownership has not obtained by the Group amounted to RMB166 million (31 December 2022: RMB167 million). The Board of the Company does not anticipate the aforesaid matters to have any significant adverse effect on the Group's operations.

As at 31 December 2023, the Group's original cost of the fully depreciated property and equipment that were still in use amounted to RMB632 million (31 December 2022: RMB361 million).

35. Right-of-use assets

	Buildings	Leasehold land	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Total
Costs						
As at 1 January 2023	1,643,789	558,976	5,526	8,370	1,560	2,218,221
Addition	603,070	—	80	181	143	603,474
Disposals	(794,748)	—	—	(1,669)	(464)	(796,881)
As at 31 December 2023	1,452,111	558,976	5,606	6,882	1,239	2,024,814
Accumulated depreciation						
As at 1 January 2023	979,541	131,994	3,144	3,676	1,162	1,119,517
Charge for the year	114,770	15,814	1,051	933	173	132,741
Disposals	(127,194)	—	—	(1,669)	(300)	(129,163)
As at 31 December 2023	967,117	147,808	4,195	2,940	1,035	1,123,095
Allowance						
As at 1 January 2023	—	—	—	—	—	—
Charge for the year	—	—	—	—	—	—
Transfer out	—	—	—	—	—	—
As at 31 December 2023	—	—	—	—	—	—
Net book values						
As at 1 January 2023	664,248	426,982	2,382	4,694	398	1,098,704
As at 31 December 2023	484,994	411,168	1,411	3,942	204	901,719

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

35. Right-of-use assets *(continued)*

	Buildings	Leasehold land	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Total
Costs						
As at 1 January 2022	3,369,182	1,609,958	4,022	7,701	3,060	4,993,923
Addition	298,343	368,149	1,795	1,429	590	670,306
Disposals	(214,541)	(813,757)	(291)	(760)	(2,090)	(1,031,439)
Disposal of subsidiaries	(1,809,195)	(605,374)	—	—	—	(2,414,569)
As at 31 December 2022	1,643,789	558,976	5,526	8,370	1,560	2,218,221
Accumulated depreciation						
As at 1 January 2022	1,155,557	329,214	2,308	2,589	2,147	1,491,815
Charge for the year	489,741	65,361	1,127	1,508	864	558,601
Disposals	(196,922)	(146,914)	(291)	(421)	(1,849)	(346,397)
Disposal of subsidiaries	(468,835)	(115,667)	—	—	—	(584,502)
As at 31 December 2022	979,541	131,994	3,144	3,676	1,162	1,119,517
Allowance						
As at 1 January 2022	—	—	—	—	—	—
Charge for the year	—	—	—	—	—	—
Transfer out	—	—	—	—	—	—
As at 31 December 2022	—	—	—	—	—	—
Net book values						
As at 1 January 2022	2,213,625	1,280,744	1,714	5,112	913	3,502,108
As at 31 December 2022	664,248	426,982	2,382	4,694	398	1,098,704

For interest expenses on lease liabilities for the years ended 31 December 2023 and 31 December 2022, please refer to Note V.9 for details.

For expenses on short-term leases for the years ended 31 December 2023 and 31 December 2022, please refer to Note V.11 for details.

For the year ended 31 December 2023, total cash outflow for leases amounted to RMB384 million (2022: RMB553 million).

For both years, lease contracts of the Group are entered into for fixed term of 2 year to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the Non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

35. Right-of-use assets *(continued)*

In addition, as at 31 December 2023, lease liabilities of RMB501 million (31 December 2022: RMB683 million) were recognised with related right-of-use assets of RMB902 million (31 December 2022: RMB1,099 million). The lease agreements did not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

36. Deferred taxation

For the purpose of presentation on the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The followings are the analysis of the deferred tax balances:

	As at 31 December	
	2023	**2022**
		(Restated)
Deferred tax assets	**15,693,856**	15,363,585
Deferred tax liabilities	**(1,197,690)**	(1,008,999)
Total	**14,496,166**	14,354,586

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

36. Deferred taxation *(continued)*

	Changes in fair value of financial assets at FVOCI	Changes in fair value of financial assets at FVTPL	Staff costs accrued but not paid	Allowance for impairment losses	Property revaluation	Discontinued operations	Others	Total
As at 1 January 2023 (Restated)	**930,120**	**(357,368)**	**346,010**	**14,896,916**	**(610,132)**	**—**	**(850,960)**	**14,354,586**
Credit/(charge) to profit or loss (Note V.14)	**—**	**606,225**	**170,996**	**(773,330)**	**56,350**	**—**	**(1,841)**	**58,400**
Credit/(charge) to other comprehensive income	**395,609**	**—**	**—**	**(265,244)**	**(2,781)**	**—**	**—**	**127,584**
Others	**(161)**	**(525)**	**—**	**4,956**	**—**	**—**	**(48,674)**	**(44,404)**
As at 31 December 2023	**1,325,568**	**248,332**	**517,006**	**13,863,298**	**(556,563)**	**—**	**(901,475)**	**14,496,166**
As at 1 January 2022 (Restated)	937,665	(650,654)	485,328	14,553,877	(611,325)	3,012	(58,295)	14,659,608
Credit/(charge) to profit or loss (Note V.14)	—	911,915	36,113	2,593,040	63,821	(362,810)	182,495	3,424,574
(Charge)/credit to other comprehensive income	(33,655)	—	—	264,378	(62,628)	(8,585)	—	159,510
Disposal of subsidiaries and others	26,110	(618,629)	(175,431)	(2,514,379)	—	368,383	(975,160)	(3,889,106)
As at 31 December 2022 (Restated)	930,120	(357,368)	346,010	14,896,916	(610,132)	—	(850,960)	14,354,586

Unused tax losses and deductible temporary differences not recognised as deferred tax assets are as follows:

	As at 31 December	
	2023	**2022**
Unused tax losses	**45,238,344**	40,010,689
Deductible temporary differences	**144,257,015**	109,145,139
Total	**189,495,359**	149,155,828

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

36. Deferred taxation *(continued)*

The expiry dates of unused tax losses are as follows:

	As at 31 December	
	2023	**2022**
1 to 5 years	**15,014,167**	15,239,282
Undated	**30,224,177**	24,771,407
Total	**45,238,344**	40,010,689

As at 31 December 2023, temporary differences associated with investments in associates are RMB41,501 million. The Group have not recognised the temporary differences as deferred tax liabilities because the Group can control the timing of the reversal of the temporary differences, and it is probable that the temporary differences will not reverse in the foreseeable future.

37. Goodwill

	Year ended 31 December	
	2023	**2022**
Cost		
As at 1 January	**1,194,400**	1,212,463
Disposal of a subsidiary (Note V.64.2(5))	**—**	(18,063)
As at 31 December	**1,194,400**	1,194,400
Impairment		
As at 1 January	**(1,176,178)**	(889,492)
Impairment loss recognised for the year (Note V.13)	**—**	(286,686)
As at 31 December	**(1,176,178)**	(1,176,178)
Net goodwill as at 31 December	**18,222**	18,222

Impairment testing on goodwill

The gross balance was mainly comprised of goodwill of RMB834 million, RMB245 million and RMB90 million arising from acquisitions of Huarong Rongda Futures Co., Ltd. ("Huarong Rongda Futures"), Huarong Investment Stock Corporation Ltd. ("HISC") and Huarong International Financial Holdings Limited ("HIFH") respectively.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

37. Goodwill *(continued)*

As at 31 December 2023, the impairment of the goodwill arising from acquisitions determined to be:

- For Huarong Rongda Futures, the goodwill was tested based on its fair value less costs of disposals. As at 31 December 2022, the goodwill has been fully impaired.

- For HISC, the goodwill was tested based on its value in use, which is calculated using cash flow projection based on financial budget approved by management covering a five-year period. As at 31 December 2019, the goodwill has been fully impaired.

- For HIFH, the goodwill was tested based on its fair value less costs of disposals. As at 31 December 2018, the goodwill has been fully impaired.

38. Other assets

	As at 31 December	
	2023	**2022**
Other receivables	**17,568,565**	22,153,058
Foreclosed assets[(1)]	**5,188,506**	4,184,097
Payments in advance	**1,070,375**	1,022,132
Prepaid income tax	**730,844**	87,245
Continuing involvement assets	**247,015**	177,534
Deductible value-added tax	**211,861**	145,260
Dividends receivable	**91,163**	89,033
Intangible assets	**87,319**	85,969
Prepaid expenses	**43,822**	53,855
Notes receivable	**12,801**	13,815
Clearing and settlement receivables	**1,802**	97,366
Others	**825,063**	1,155,560
Subtotal	**26,079,136**	29,264,924
Allowance for other assets	**(8,737,389)**	(9,735,216)
Total	**17,341,747**	19,529,708

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

39. Placements from financial institutions

(1) Analysed by type of counterparties

	As at 31 December	
	2023	2022
Banks	**10,375,942**	6,215,802
Total	**10,375,942**	6,215,802

(2) Analysed by geographical sectors

	As at 31 December	
	2023	2022
Chinese mainland	**10,375,942**	6,215,802
Total	**10,375,942**	6,215,802

Placements from financial institutions carry interest at market rates which range from 1.90% to 3.35% (31 December 2022: 1.95% to 4.31%) per annum.

40. Financial assets sold under repurchase agreements

	As at 31 December	
	2023	2022
Bonds	**6,364,855**	6,744,795
Total	**6,364,855**	6,744,795

41. Borrowings

(1) Analysed by security type:

	As at 31 December	
	2023	2022
Unsecured loans	**643,106,488**	605,161,892
Pledged loans(ii)	**12,952,757**	14,302,941
Guaranteed loans(i)	**6,400,939**	6,468,222
Loans secured by properties(ii)	**2,845,124**	3,562,920
Total	**665,305,308**	629,495,975

(i) The guaranteed loans was all borrowed by subsidiaries of the Company and guaranteed by the Company.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

41. Borrowings *(continued)*

(1) Analysed by security type: *(continued)*

(ii) The carrying amounts of assets pledged or secured for borrowings are listed as follows:

	As at 31 December	
	2023	2022
Debt instruments at amortised cost	9,387,521	12,151,548
Inventories	7,256,043	1,080,826
Property and equipment	2,710,808	3,618,152
Deposits with financial institutions	1,843,937	2,157,118
Investment properties	1,488,527	1,380,823
Finance lease receivables	763,713	866,170
Others	1,670,631	5,703,063
Total	25,121,180	26,957,700

(2) Analysed by duration clause:

	As at 31 December	
	2023	2022
Carrying amount repayable[iii]:		
Within 1 year (inclusive)	384,094,762	401,334,625
1 year to 2 years (inclusive)	99,448,108	121,403,901
2 years to 5 years (inclusive)	43,634,034	79,217,437
More than 5 years	103,254,743	545,938
Subtotal	630,431,647	602,501,901
Carrying amount of borrowings that contain a repayment on demand clause repayable[iii]:		
Within 1 year (inclusive)	29,024,684	19,720,946
1 year to 2 years (inclusive)	2,514,110	2,218,590
2 years to 5 years (inclusive)	2,240,640	3,218,560
More than 5 years	1,094,227	1,835,978
Subtotal	34,873,661	26,994,074
Total	665,305,308	629,495,975

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

41. Borrowings *(continued)*

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at 31 December	
	2023	**2022**
Within 1 year (inclusive)	**405,728,648**	400,391,180
1 year to 2 years (inclusive)	**99,746,536**	122,209,570
2 years to 5 years (inclusive)	**32,480,593**	79,313,950
More than 5 years	**64,151,601**	479,500
Total	**602,107,378**	602,394,200

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), Secured Overnight Financing Rate("SOFR") or prime rate.

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

	As at 31 December	
	2023	**2022**
Effective interest rate		
Fixed-rate borrowings	**1.80%–7.55%**	2.10%–10.00%
Variable-rate borrowings	**1.25%–7.48%**	1.25%–6.55%

As at 31 December 2023, the Group failed to comply with certain financial or Non-financial conditions stipulated in certain lending and borrowing agreements between banks and Non-bank financial institutions, and the relevant amount of these borrowings was RMB563 million (31 December 2022: RMB4,114 million). The Group is in active dialogue with the relevant institutions, these institutions still provide normal borrowings to the Group and have not yet requested early repayments of borrowings.

42. Tax payable

	As at 31 December	
	2023	**2022**
Enterprise income tax	**174,851**	2,412,582
PRC Land appreciation tax	**183,381**	182,318
Profits tax of Hong Kong SAR and Macau SAR	**92,720**	100,161
Total	**450,952**	2,695,061

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

43. Contract liabilities

	As at 31 December	
	2023	2022
Properties development contracts[1]	821,875	720,357
Substitute construction contracts	9,355	—
Consulting fee contracts	2,736	—
Total	833,966	720,357

(1) Properties development contracts

	Year ended 31 December	
	2023	2022
At beginning of the year	720,357	394,898
Deferred during the year	590,888	490,600
Recognised as revenue during the year	(489,370)	(165,141)
At end of the year	821,875	720,357

Typical payment terms which impact on the amount of contract liabilities recognised are disclosed in the information about the Group's performance obligation, which is set out in Note V.8.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Year ended 31 December	
	2023	2022
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Properties development contracts	188,070	124,828
Substitute construction contracts	1,017	—
Total	189,087	124,828

The most significant changes in contract liabilities is related to revenue recognised and cash received in advance during current and prior years.

44. Lease liabilities

	As at 31 December	
	2023	2022
Lease liabilities payable:		
Within one year	109,022	213,236
Within a period of more than one year but not more than two years	148,069	161,165
Within a period of more than two years but not more than five years	134,218	149,371
Within a period of more than five years	109,664	159,615
Total	500,973	683,387

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

45. Bonds and notes issued

	As at 31 December				
	2023	2022	Terms	Coupon rate per annum	Interest payment terms
Mid-term USD notes	**50,697,776**	76,633,782	3–30 years	fixed rate at 2.13%–5.50%	Interest payable semi-annually
Financial bonds[(1)(2)]	**83,880,104**	60,995,693	3–5 years	fixed rate at 3.10%–4.75%	Interest payable annually
Tier II capital bonds[(3)(4)]	**30,114,860**	40,088,172	5–10 years	fixed rate at 3.58%–5.00%	Interest payable annually
Mid-term USD notes	**11,882,054**	8,825,582	3–5 years	floating rate at 3 months SOFR+1.51%	Interest payable quarterly
Corporate bonds[(5)]	**843,638**	843,397	1 years	fixed rate at 5.30%	Interest payable annually
Asset-backed securities	**—**	452,728	495–938 days	fixed rate at 3.00%–4.50%	Interest payable semi-annually
Mid-term SGD notes	**1,972,366**	2,020,417	8 years	fixed rate at 3.80%	Interest payable semi-annually
Total	**179,390,798**	189,859,771			

(1) On 24 January 2022 and 13 December 2021, the Company issued RMB25,240 million and RMB24,860 million financial bonds with both 5-year term and annual interest rate of 4.75% and 4.70% respectively. The interests are to be paid annually and the principal is to be repaid upon maturity. There are no prepayment terms.

(2) On 15 August 2023 and 28 December 2023, the Company issued RMB20,000 million and RMB6,400 million financial bonds with both 3-year term and annual interest rate of 3.10% and 3.30% respectively. The interests are both to be paid annually and the principal is to be repaid upon maturity. There are no prepayments terms.

(3) On 21 November 2022, the Company issued RMB30,000 million Tier II capital bonds with a 5-year term and annual interest rate of 3.58%. The interests are to be paid annually and the principal is to be repaid upon maturity. There are no prepayment terms.

(4) On 21 December 2018, the Company issued RMB10,000 million Tier II capital bonds with a 10-year term and annual interest rate of 5.00%. The interests are to be paid annually and the principal is to be repaid upon maturity. There are no prepayments terms. As of 22 December 2023, the bond had been repaid.

(5) On 4 January 2023, Huarong Industrial Investment & Management Co., Ltd issued RMB800 million corporate bonds with a one-year term and annual interest rate of 5.50%. The interests are to be paid annually and the principal is to be repaid upon maturity. On 29 December 2023, the bond was extended for one-year with an annual interest rate of 5.30%. The interests are to be paid annually and the principal is to be repaid upon maturity.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

46. Other liabilities

	As at 31 December	
	2023	**2022**
Payables to interest holders of consolidated structured entities	**2,267,549**	10,556,691
Other payables	**16,497,468**	20,719,112
Guarantee deposits received from customers	**16,554,586**	15,780,820
Amounts received in advance(1)	**7,551,484**	7,303,058
Account payable to brokerage clients	**87,873**	113,074
Letter of credit	**2,950,638**	5,067,798
Employee benefits payable(2)	**3,478,939**	2,994,396
Margin deposits received from securities customers	**3,218,671**	3,218,209
Sundry taxes payable	**623,621**	519,598
Provisions(3)	**13,351**	10,275
Dividends payable	**118,345**	112,924
Bills payable	**963,815**	955,140
Others	**1,265,569**	1,516,572
Total	**55,591,909**	68,867,667

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

46. Other liabilities *(continued)*

(2) Employee benefits payable

	2023			
	As at 1 January	Accrued in the current year	Paid in the current year	As at 31 December
Wages or salaries, bonuses, allowances and subsidies	2,088,894	1,889,800	(1,626,907)	2,351,787
Social insurance	8,931	99,617	(102,094)	6,454
Housing funds	1,185	145,804	(145,896)	1,093
Staff welfare	1,224	38,149	(37,444)	1,929
Defined benefit plans(i)	174,160	71,191	(31,650)	213,701
Labour union fees and staff education expenses	354,990	84,564	(44,316)	395,238
Defined contribution plans	8,773	302,697	(180,803)	130,667
— Basic pension insurance	3,302	159,141	(160,047)	2,396
— Unemployment insurance	282	5,102	(5,153)	231
— Annuity contribution	5,189	138,454	(15,603)	128,040
Others	356,239	83,799	(61,968)	378,070
Total	2,994,396	2,715,621	(2,231,078)	3,478,939

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

46. Other liabilities *(continued)*

(2) Employee benefits payable *(continued)*

	2022				
	As at 1 January	Accrued in the current year	Paid in the current year	Disposal of subsidiaries	As at 31 December
Wages or salaries, bonuses, allowances and subsidies	2,638,044	2,487,000	(2,700,561)	(335,589)	2,088,894
Social insurance	36,771	153,522	(177,206)	(4,156)	8,931
Housing funds	3,215	213,020	(213,446)	(1,604)	1,185
Staff welfare	2,676	155,460	(156,513)	(399)	1,224
Defined benefit plans(i)	331,341	7,625	(41,169)	(123,637)	174,160
Labour union fees and staff education expenses	385,339	98,913	(47,548)	(81,714)	354,990
Defined contribution plans	216,939	749,232	(556,618)	(400,780)	8,773
— Basic pension insurance	206,924	566,268	(357,227)	(412,663)	3,302
— Unemployment insurance	3,397	6,330	(6,162)	(3,283)	282
— Annuity contribution	6,618	176,634	(193,229)	15,166	5,189
Others	442,448	182,918	(159,316)	(109,811)	356,239
Total	4,056,773	4,047,690	(4,052,377)	(1,057,690)	2,994,396

(i) Defined benefit plans

As at 31 December 2023, the actuarial liabilities existing in relation to the retirement benefit obligations for employees were RMB213 million (31 December 2022: RMB174 million), using the projected unit credit method for both the years of 2023 and 2022.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

46. Other liabilities *(continued)*

(2) Employee benefits payable *(continued)*

(i) Defined benefit plans *(continued)*

Principal actuarial assumptions used of the Company are as follows:

	As at 31 December	
	2023	**2022**
Discount rate — post-employment benefits	**2.50%**	3.00%
Discount rate — termination benefits	**2.25%**	2.50%
Annual increase rate of annuity compensation benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of yearly allowance benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of medical reimbursement and supplemental medical insurance benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of lump-sum death benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of basic salary for current internal retirees	**4.00%**	4.00%
Annual increase rate of social insurance and housing fund contributions for current internal retirees	**4.00%**	4.00%

The assumption of future mortality is based on China Life Insurance Mortality Table (2010–2013) — CL5/CL6.

The Company and its subsidiaries provide post-employment benefits for those who have completed retirement procedures as at 31 December 2012 and offer termination benefits for early retirees. The Company engages Tower Watson Management Consulting (Shenzhen) Co., Ltd. Beijing Branch (hereinafter referred to as "Towers Watson") on an annual basis to assess retirement benefit plan liabilities.

According to actuarial report issued by Tower Watson, the Company measures retirement benefit plan liabilities based on the best estimate of the expenditure required to settle the present obligation, including the selection of appropriate discount rate and mortality rate. The Company determines discount rate of retirement benefit plan liabilities by reference to the yield of government bonds with similar maturities as at the balance sheet date.

(3) Provisions are also made by the Group relating to litigation claims on the Group's entities. As at 31 December 2023, total amount of provisions arising from legal actions of the Group was RMB13.35 million (31 December 2022: RMB10.28 million).

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

47. Share capital

	For the year ended 31 December 2023	2022
Authorised, issued and fully paid		
At the beginning of the year		
and at the end of the year	**80,246,679**	80,246,679

2023	As at 1 January	Issuance	As at 31 December
Registered, issued and fully paid			
Domestic shares	**44,884,418**	**—**	**44,884,418**
H shares	**35,362,261**	**—**	**35,362,261**
Total	**80,246,679**	**—**	**80,246,679**

2022	As at 1 January	Issuance	As at 31 December
Registered, issued and fully paid			
Domestic shares	53,242,042	(8,357,624)	44,884,418
H shares	27,004,637	8,357,624	35,362,261
Total	80,246,679	—	80,246,679

As at 31 December 2023 and 2022, 33,333,334 thousand of the Company's domestic shares and 1,960,784 thousand of the Company's H shares were subject to lock-up restrictions.

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

48. Other equity instruments

	2023		
	As at 1 January	Issuance	As at 31 December
Perpetual Bonds			
2022 undated capital bonds	19,900,000	—	19,900,000
Total	19,900,000	—	19,900,000

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

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

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

V. EXPLANATORY NOTES *(continued)*

49. Capital reserve

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

50. Surplus reserve

Under PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of their net profit determined under the PRC Generally Accepted Accounting Principles to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

The surplus reserve of the Group disclosed represents only the surplus reserve appropriated by the Company.

51. General reserve

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

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

For the years ended 31 December 2023 and 2022, the Group did not transfer any amount to the general reserve. For the year ended 31 December 2023 and 2022, the Company did not transfer any amount to general reserve.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

52. Other reserves

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVOCI and debt instruments at FVOCI that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those equity instruments at FVOCI and debt instruments at FVOCI are disposed of or are determined to be impaired.

The hedging reserve represents the cumulative effective portion of gains and losses arising from changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instrument that are recognised and accumulated under the heading of other reserves will be reclassified to profit or loss when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy or when the hedged forecast transaction is no longer expected to occur.

The asset revaluation reserve represents cumulative gains and losses arising from the revaluation of owner-occupied properties becoming investment properties carried at fair value. If the fair value at the date of conversion is greater than the previous carrying amount, the difference is recognised directly in other comprehensive income.

53. Perpetual capital instruments

Movement of the perpetual capital instruments is as follows:

	Principal	Distribution	Total
Balance at 1 January 2022	21,711,502	666,406	22,377,908
Decrease in perpetual capital instruments	(14,911,370)	—	(14,911,370)
Profit attributable to holders of perpetual capital instruments	—	531,082	531,082
Distribution to holders of perpetual capital instruments	—	(947,259)	(947,259)
Disposal of subsidiaries	(5,297,799)	—	(5,297,799)
Balance at 31 December 2022	1,502,333	250,229	1,752,562
Profit attributable to holders of perpetual capital instruments	**—**	**76,096**	**76,096**
Distribution to holders of perpetual capital instruments	**—**	**(75,291)**	**(75,291)**
Balance at 31 December 2023	**1,502,333**	**251,034**	**1,753,367**

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

53. Perpetual capital instruments *(continued)*

There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers. The perpetual capital instruments are callable. When the issuers and/or the guarantors elect to declare dividends, the distribution to the holders of perpetual capital instruments shall be made at the distribution rate as defined in the subscription agreements.

The Company distributed interest on the 2022 Undated Capital Bonds accounted in other equity instruments on 29 June 2023 (see Note V.15).

54. Cash and cash equivalents

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

	As at 31 December	
	2023	**2022**
Deposits with financial institutions	**72,408,145**	94,731,660
Placements with financial institutions	**—**	1,300,535
Financial assets held under resale agreements	**766,023**	706,720
Balances with central bank	**6,707**	15,460
Cash on hand	**85**	122
Total	**73,180,960**	96,754,497

55. Contingent liabilities

Legal proceedings

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 31 December 2023, total claim amount of pending litigations was RMB4,312 million (31 December 2022: RMB6,459 million) for the Group, and RMB13.35 million provision (31 December 2022: RMB10.28 million) for the Group was made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

56. Commitments

(1) Credit enhancement

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

(2) Other commitments

	As at 31 December	
	2023	**2022**
Contracted but not provided for — Commitments for the acquisition of intangible assets, property and equipment	**108,435**	108,687

57. Transfers of financial assets

Repurchase agreements

The Group entered into sales 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 is no transfer of 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 derecognised from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there exists an event of default on the secured lending.

	Carrying amount of pledged assets As at 31 December		Related liabilities As at 31 December	
	2023	**2022**	**2023**	**2022**
Debt instruments at fair value through other comprehensive income	**1,391,091**	2,896,276	**733,929**	1,959,752
Debt instruments at amortised cost	**5,937,161**	4,448,236	**5,535,590**	4,288,231
Financial assets at fair value through profit or loss	**525,290**	752,181	**95,336**	496,812
Total	**7,853,542**	8,096,693	**6,364,855**	6,744,795

V. EXPLANATORY NOTES *(continued)*

57. Transfers of financial assets *(continued)*

Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognise 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 qualified for derecognition, the Group derecognised the transferred financial assets in their entirety. As at 31 December 2023, the Group's carrying amount of transferred assets that qualify for derecognition was RMB20 million (31 December 2022: RMB28 million).

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 other parties, and retained control of the financial assets, the transferred financial assets are recognised to the extent of the Group's continuing involvement. For the year ended 31 December 2023, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was RMB1,425 million (for the year ended 31 December 2022: RMB2,453 million). As at 31 December 2023, the carrying amount of continuing involvement assets recognised by the Group were RMB247 million (As at 31 December 2022: RMB178 million), which was recognised in other assets. As at 31 December 2023 and 2022, the carrying amounts of continuing involvement liabilities was nil.

58. Related party transactions

(1) The MOF

As at 31 December 2023, the MOF directly owned 24.76% (31 December 2022: 27.76%) of share capital of the Company including domestic shares and H shares.

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

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Related party transactions *(continued)*

(1) The MOF *(continued)*

The Group had the following balances with the MOF:

	As at 31 December	
	2023	**2022**
Debt instruments at fair value through other comprehensive income	**624,157**	610,347
Other assets	**152,111**	152,295
Other liabilities	**12,349**	12,349

The Group had the following transactions with the MOF:

	Year ended 31 December	
	2023	**2022**
Interest income	**15,306**	249,982
Fair value changes on other financial assets and liabilities	**—**	32,813

(2) CITIC Group

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

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

	As at 31 December	
	2023	**2022**
Borrowings	**48,419,223**	36,473,355
Deposits with financial institutions	**14,210,577**	3,295,999
Bonds and notes issued	**3,242,000**	3,242,000
Placements from financial institutions	**2,000,317**	1,001,161
Other assets	**515,819**	182,022
Other liabilities	**441,781**	1,440,222
Financial assets at fair value through profit or loss	**120,500**	162,288
Debt instruments at fair value through other comprehensive income	**—**	153,396

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Related party transactions *(continued)*

(2) CITIC Group *(continued)*

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

	Year ended 31 December	
	2023	**2022**
Interest expense	**1,675,565**	1,874,631
Operating expenses	**46,600**	39,255
Commission and fee expense	**18,829**	2,040
Interest income	**13,020**	12,622

During the year ended 31 December 2023, the Group acquired RMB10,024 million financial assets from subsidiaries of CITIC Group (for the year ended 31 December 2022: RMB5,247 milion), and disposed of RMB710 million financial assets to subsidiaries of CITIC Group (for the year ended 31 December 2022: RMB916 milion).

During the year ended 31 December 2023, the Company acquired 5.01% of issued shares of CITIC Limited from CITIC Polaris, at an aggregated consideration of RMB12,726 million. The acquisition has been detailed in Note V.30(2)(ii).

For the years ended 31 December 2023 and 2022, the related party transactions with CITIC Group and its subsidiaries also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of Listing Rules.

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

During the year ended 31 December 2023, China Insurance Rongxin Private Fund Co., Ltd. ("China Insurance Rongxin Fund") owned 18.08% of the share capital of the Company (31 December 2022: 18.08%).

During the year ended 31 December 2023, the Group had no related party transaction with China Insurance Rongxin Fund (2022: Nil).

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Related party transactions *(continued)*

(4) Government related entities

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

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

(5) Associates and joint ventures

The Group had the following balances and entered into the following transactions with associates and joint ventures. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties. Transactions between the Group and CITIC Limited are disclosed in Note V.58(2).

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

	As at 31 December	
	2023	**2022**
Borrowings	**12,640,304**	—
Debt instruments at amortised cost	**1,383,143**	2,015,543
Bonds and notes issued	**1,197,000**	—
Other assets — other receivables	**417,165**	501,977
Deposits with financial institutions	**390,820**	—
Other liabilities	**228,150**	228,217
Other assets — trade receivables	**4,601**	7,734

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Related party transactions *(continued)*

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

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

	Year ended 31 December	
	2023	2022
Interest expense	146,724	—
Other income and other net gains or losses	8,988	9,311
Interest income	8,658	113,732
Operating expenses	19	605
Commission and fee income	—	2,236

(6) Annuity Scheme

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

	Year ended 31 December	
	2023	2022
Contribution to Annuity Scheme	201,980	168,678

(7) Key management personnel

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

	Year ended 31 December	
	2023	2022
Emoluments of key management personnel		
— Fees	1,461	1,440
— Salaries and other benefits	3,434	3,823
— Employer's contribution to pension scheme	656	496
— Discretionary and performance related incentive payments	1,366	1,694
Total (before tax)	6,917	7,453

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

58. Related party transactions *(continued)*

(7) Key management personnel *(continued)*

The total compensation packages for the above key management personnel for the years ended 31 December 2023 and 31 December 2022 have not yet been finalised in accordance with regulations of the relevant authorities in the PRC.

The number of key management personnel whose emoluments fall within the following bands is as follows:

	Year ended 31 December	
	2023	**2022**
Nil to HKD500,000	**6**	19
HKD500,001 to HKD1,000,000	**18**	8
Total	**24**	27

59. Financial risk management

Overview

The Group's primary objectives of risk management are to (1) avoid breaching the line of defense against risk, implement scientific development, and ensure the Group's robust and orderly operation along with high-quality development; (2) ensure that risks are managed within a range consistent with the Group's strategies and risk management capabilities to match revenue and risks; and (3) the execution of significant decisions to achieve business targets and ensure operational efficiency.On this basis, the Group has refined its risk management culture and established a risk management model and an organizational structure. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risk to the Group include credit risk, market risk, liquidity risk and distressed assets risk. Market risk includes interest rate risk, foreign exchange risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established Risk Management Committee, which is responsible for supervising the implementation and effectiveness of the Group's risk strategy and risk management policies and evaluating the Group's overall risk profile regularly.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

Risk management framework *(continued)*

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and risk management policies and approving internal policies, measures and procedures relating to risk management as authorized. Risk Management Department and other relevant functional units are responsible for monitoring and managing financial risks.

59.1 Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. Credit risk mainly arises from finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes. The nature of credit risk of distressed debt assets classified as debt instruments at amortised cost, debt instruments at FVOCI and partial financial assets at FVTPL is similar to those mentioned above. Risk management of the distressed assets is detailed in Note V.59.4 together with other types of distressed assets.

(i) Credit risk management

The Group manages the Group's credit risk through the following processes:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, and relevant supervisory guidance.

- Monitoring, identifying, assessing, measuring, reporting, controlling and mitigating credit risk across the Group, from an individual instrument to a portfolio level.

- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.

- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(i) Credit risk management *(continued)*

- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.

- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

(ii) Significant increase in credit risk

The Group monitors all financial assets, contract assets, credit enhancement and credit commitments that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Internal credit risk ratings

In order to minimise credit risk, the Group has developed and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises 14 categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ii) Significant increase in credit risk *(continued)*

Internal credit risk ratings *(continued)*

The following data are typically used to monitor the Group's exposures:

- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- Information obtained by periodic review of customer files including audited financial statements review, market data such as prices of quoted bonds where available, changes in the financial sector the customer operates etc.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The Group analyses all collected data using statistical models and estimates the PDs of exposures in their remaining lifetime and how such data are expected to change over time. Factors taken into account in this process include macroeconomic data such as year-on-year growth rate of outstanding RMB loans issued by financial institutions, Manufacturing Purchasing Managers' Index and year-on-year growth rate of PPI on a monthly basis. The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ii) Significant increase in credit risk *(continued)*

Internal credit risk ratings *(continued)*

The Group considers credit risk has significantly increased if there is:

- Overdue principal or interests by more than 30 days; or
- Significant downgrade in internal rating or external rating; or
- Significant adverse changes in the operation or financial situation of the issuer or debtor.

(iii) Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group employs external and internal information to generate different scenarios of future forecast of relevant economic variables. In 2023, macroeconomic factors used in the Group's forward-looking model are year-on-year growth rate of outstanding RMB loans issued by financial institutions, Manufacturing Purchasing Managers' Index and year-on-year growth rate of PPI on a monthly basis, etc. The range of the forecast used in the ECL measurement model for Manufacturing Purchasing Managers' Index under the baseline scenario is between 49.56%–52.36%.

The impact of these economic indicators on the ECL measurement varies according to different types of business. The Group applies experts' judgement in this process, and predicts these economic indicators on a regular basis and determines the impacts on these economic indicators on the ECL measurement by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage I) or life time (Stage II and Stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(iv) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective interest rate of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(v) Risk grouping

The Group groups financial assets with similar credit risk characteristics when measuring expected credit losses, such as:

- instrument type;
- credit risk grade;
- collateral type;
- industry;
- geographic location of the borrower; and
- the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value (LTV) ratios).

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

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

	As at 31 December	
	2023	**2022**
Distressed debt assets at amortised cost	**214,194,123**	260,742,849
Distressed debt assets at FVOCI	**12,934,220**	16,683,796
Finance lease receivables	**12,028,708**	17,282,975
Subtotal	**239,157,051**	294,709,620
Allowance for ECL		
Distressed debt assets at amortised cost	**(50,176,217)**	(44,623,943)
Finance lease receivables	**(2,671,998)**	(2,754,635)
Subtotal	**(52,848,215)**	(47,378,578)
Net carrying amount		
Distressed debt assets at amortised cost	**164,017,906**	216,118,906
Distressed debt assets at FVOCI	**12,934,220**	16,683,796
Finance lease receivables	**9,356,710**	14,528,340
Total	**186,308,836**	247,331,042

For distressed debt assets at FVOCI disclosed above, no loss allowance is recognised as the carrying amounts are measured at fair values. The loss allowances from those financial assets were recognised in impairment losses on financial assets and OCI. As at 31 December 2023, the loss allowance of distressed debt assets at FVOCI was RMB6,676 million (31 December 2022: RMB5,637 million).

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

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

Analysed by geographical area

	As at 31 December			
	2023		2022	
Area	Gross amount	%	Gross amount	%
Western Region	**66,652,885**	**27.9**	80,571,797	27.3
Central Region	**52,247,368**	**21.8**	64,499,367	21.9
Pearl River Delta	**42,349,354**	**17.7**	48,264,325	16.4
Yangtze River Delta	**34,844,120**	**14.6**	46,593,179	15.8
Bohai Rim	**32,979,811**	**13.8**	41,430,938	14.1
Northeastern Region	**9,642,283**	**4.0**	12,728,229	4.3
Overseas	**441,230**	**0.2**	621,785	0.2
Total	**239,157,051**	**100.0**	294,709,620	100.0

Notes:

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

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

Analysed by industry

	As at 31 December			
	2023		2022	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	105,626,405	44.0	120,513,649	40.9
Manufacturing	32,651,928	13.7	35,831,758	12.2
Leasing and commercial services	22,144,449	9.3	29,261,887	9.9
Wholesale and retail trade	19,960,665	8.3	23,076,405	7.8
Construction	18,687,830	7.8	31,603,514	10.7
Water, environment and public utilities management	18,311,840	7.7	23,884,377	8.1
Production and supply of power, heat, gas and water	5,176,183	2.2	8,164,706	2.8
Transportation, logistics and postal services	2,824,151	1.2	4,452,367	1.5
Mining	1,806,093	0.8	3,272,732	1.1
Others	11,967,507	5.0	14,648,225	5.0
Total	239,157,051	100.0	294,709,620	100.0

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

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

By contractual maturity and security type

	Gross amount as at 31 December 2023				Gross amount as at 31 December 2022			
	Up to 1 year	1 to 5 years	Over 5 years	Total	Up to 1 year	1 to 5 years	Over 5 years	Total
Unsecured	—	1,111,170	2,340,458	3,451,628	—	9,129,488	2,950,079	12,079,567
Guaranteed	151,097	2,339,504	7,353,976	9,844,577	4,555	3,394,160	9,810,486	13,209,201
Collateralised	1,440,133	145,876,151	63,550,099	210,866,383	3,801,886	189,534,151	53,143,288	246,479,325
Pledged	993,711	9,831,557	4,169,195	14,994,463	600,602	17,102,002	5,238,923	22,941,527
Total	2,584,941	159,158,382	77,413,728	239,157,051	4,407,043	219,159,801	71,142,776	294,709,620

(vii) Past due distressed debt assets at amortised cost and at FVOCI and finance lease receivables

	Gross amount as at 31 December 2023						Gross amount as at 31 December 2022					
	Past due up to 90 days	Past due 91 to 360 days	Past due 361 days to 3 years	Past due Over 3 years	Past due Total	Past due amount as a % of total gross amount	Past due up to 90 days	Past due 91 to 360 days	Past due 361 days to 3 years	Past due Over 3 years	Past due Total	Past due amount as a % of total gross amount
Distressed debt assets at amortised cost	5,101,162	9,799,252	61,380,157	17,742,575	94,023,146	43.9	13,790,178	36,162,329	33,407,916	17,146,859	100,507,282	38.5
Distressed debt assets at FVOCI	–	967,274	5,443,000	1,954,965	8,365,239	64.7	947,052	4,709,064	2,243,470	2,524,387	10,423,973	62.5
Finance lease receivables	564,066	35,170	1,578,938	252,738	2,430,912	20.2	1,077,488	1,795,171	202,144	311,065	3,385,868	19.6
Total	5,665,228	10,801,696	68,402,095	19,950,278	104,819,297	43.8	15,814,718	42,666,564	35,853,530	19,982,311	114,317,123	38.8

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(viii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure per class of financial assets 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 mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, finance lease receivables, investment securities, and treasury operations of its banking activities. For financial guarantee contracts, the amounts represent the guarantee amounts.

At the end of the reporting period, maximum exposure to credit risk is as follows:

	As at 31 December	
	2023	2022
Balances with central bank	112,031	23,050
Deposits with financial institutions	74,863,074	97,578,243
Placements with financial institutions	—	1,300,243
Financial assets at fair value through profit or loss	69,846,988	75,289,780
Financial assets held under resale agreements	766,165	706,711
Finance lease receivables	9,356,710	14,528,340
Debt instruments at FVOCI	19,682,491	25,318,414
Debt instruments at amortised cost	391,323,217	415,352,728
Loans and advances to customers	10,359	38,460
Other financial assets	9,901,648	13,562,579
Total	575,862,683	643,698,548

Distressed debt assets at FVTPL may contain certain elements of credit risk. The risks that such assets are exposed to are detailed in Note V. 59.4. The carrying amount of distressed debt assets at FVTPL amounted to RMB181,261 million as at 31 December 2023 (31 December 2022: RMB179,726 million).

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality

(1) Loss allowance

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

	As at 31 December	
	2023	**2022**
Debt instruments at amortised cost	**119,549,716**	114,716,412
Debt instruments at FVOCI	**11,566,100**	9,800,907
Finance lease receivables	**2,671,998**	2,754,635
Loans and advances to customers	**84,887**	74,345
Other financial assets	**7,772,683**	8,790,693
Total	**141,645,384**	136,136,992

No loss allowance is recognised in the statement of financial position for debt instruments at FVOCI as the carrying amount is at fair value.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality *(continued)*

(2) Movements of loss allowance

The tables below analyse the movement of the loss allowance during the year per class of assets:

Finance lease receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	190,654	667,711	1,863,149	2,721,514
Changes in the loss allowance				
— Transfer to Stage 1	109,594	(109,594)	—	—
— Transfer to Stage 2	(2,080)	74,355	(72,275)	—
— Transfer to Stage 3	(3,607)	(224,787)	228,394	—
— Charge for the year	41,799	404,718	1,077,154	1,523,671
— Reversal for the year	(198,521)	(122,542)	(287,873)	(608,936)
— Write-offs	—	—	(884,758)	(884,758)
— Others	8,541	—	(5,397)	3,144
As at 31 December 2022	146,380	689,861	1,918,394	2,754,635
Changes in the loss allowance				
— Transfer to Stage 1	**73,607**	**(73,607)**	**—**	**—**
— Transfer to Stage 2	**(16,700)**	**91,798**	**(75,098)**	**—**
— Transfer to Stage 3	**(6,248)**	**(267,387)**	**273,635**	**—**
— Charge for the year	**54,135**	**178,717**	**1,083,528**	**1,316,380**
— Reversal for the year	**(132,427)**	**(165,816)**	**(341,528)**	**(639,771)**
— Write-offs	**—**	**—**	**(590,805)**	**(590,805)**
— Others	**70**	**—**	**(168,511)**	**(168,441)**
As at 31 December 2023	**118,817**	**453,566**	**2,099,615**	**2,671,998**

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality *(continued)*

(2) Movements of loss allowance *(continued)*

Debt instruments at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	106,828	843,474	10,249,192	11,199,494
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(13,691)	175,711	(162,020)	—
— Transfer to Stage 3	(61,974)	(276,854)	338,828	—
— Charge for the year	29,283	233,848	3,317,950	3,581,081
— Reversal for the year	(8,428)	(323,990)	(310,773)	(643,191)
— Write-offs	—	—	(638,943)	(638,943)
— Transfer out	—	(5,194)	(2,704,196)	(2,709,390)
— Disposal of subsidiaries	(5,519)	—	(156,853)	(162,372)
— Others	(181)	2,159	(827,750)	(825,772)
As at 31 December 2022	46,318	649,154	9,105,435	9,800,907
Changes in the loss allowance				
— Transfer to Stage 1	**—**	**—**	**—**	**—**
— Transfer to Stage 2	**(71)**	**71**	**—**	**—**
— Transfer to Stage 3	**(41,584)**	**(146,555)**	**188,139**	**—**
— Charge for the year	**4,721**	**314,624**	**3,309,354**	**3,628,699**
— Reversal for the year	**(2,358)**	**(51,694)**	**(100,407)**	**(154,459)**
— Write-offs	**—**	**—**	**(664,302)**	**(664,302)**
— Transfer out	**—**	**—**	**(275,485)**	**(275,485)**
— Others	**(355)**	**(3,973)**	**(764,932)**	**(769,260)**
As at 31 December 2023	**6,671**	**761,627**	**10,797,802**	**11,566,100**

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality *(continued)*

(2) Movements of loss allowance *(continued)*

Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	4,052,694	5,965,899	116,449,936	126,468,529
Changes in the loss allowance				
— Transfer to Stage 1	16,200	(16,200)	—	—
— Transfer to Stage 2	(419,543)	1,126,645	(707,102)	—
— Transfer to Stage 3	(835,906)	(2,336,389)	3,172,295	—
— Charge for the year	1,277,128	3,197,578	25,531,182	30,005,888
— Reversal for the year	(730,440)	(1,295,147)	(3,376,295)	(5,401,882)
— Write-offs	—	—	(10,093,828)	(10,093,828)
— Transfer in and transfer out	(4,800)	(113,505)	(15,079,646)	(15,197,951)
— Unwinding of discount on allowance	—	—	(7,624,711)	(7,624,711)
— Disposal of subsidiaries	(164,183)	(151,632)	(5,998,869)	(6,314,684)
— Exchange differences and others	1,334	16,689	2,857,028	2,875,051
As at 31 December 2022	3,192,484	6,393,938	105,129,990	114,716,412
Changes in the loss allowance				
— Transfer to Stage 1	**63,991**	**(63,991)**	**—**	**—**
— Transfer to Stage 2	**(1,762,751)**	**2,659,317**	**(896,566)**	**—**
— Transfer to Stage 3	**(183,526)**	**(2,026,934)**	**2,210,460**	**—**
— Charge for the year	**1,952,678**	**5,489,552**	**24,656,231**	**32,098,461**
— Reversal for the year	**(561,253)**	**(1,159,793)**	**(2,212,332)**	**(3,933,378)**
— Write-offs	**—**	**—**	**(11,970,761)**	**(11,970,761)**
— Transfer in and transfer out	**(1,165)**	**(351,466)**	**(3,364,336)**	**(3,716,967)**
— Unwinding of discount on allowance	**—**	**—**	**(8,137,519)**	**(8,137,519)**
— Exchange differences and others	**—**	**2,905**	**490,563**	**493,468**
As at 31 December 2023	**2,700,458**	**10,943,528**	**105,905,730**	**119,549,716**

The most significant changes in loss allowance during the year in respect of finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost arose from downgrade of financial assets to Stage 2 and Stage 3 as a result of deterioration of credit quality of these financial assets. Changes in assumptions during the year are mainly changes in forward-looking information, macroeconomic factors used in the forward-looking model and revision of estimates in probabilities of default by taking into account the latest default experience.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality *(continued)*

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to movement of the loss allowance, is provided at the table below:

Finance lease receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	16,529,482	6,283,944	3,462,155	26,275,581
Changes in the gross amount				
— Transfer to Stage 1	632,380	(632,380)	—	—
— Transfer to Stage 2	(872,883)	1,106,093	(233,210)	—
— Transfer to Stage 3	(699,792)	(1,333,040)	2,032,832	—
— New financial assets originated or purchased	1,791,046	—	—	1,791,046
— Financial assets that have been derecognised	(8,715,499)	(418,209)	(765,186)	(9,898,894)
— Write-offs	—	—	(884,758)	(884,758)
As at 31 December 2022	8,664,734	5,006,408	3,611,833	17,282,975
Allowances for impairment loss as at 31 December 2022	146,380	689,861	1,918,394	2,754,635
As at 1 January 2023	**8,664,734**	**5,006,408**	**3,611,833**	**17,282,975**
Changes in the gross amount				
— Transfer to Stage 1	**891,615**	**(891,615)**	**—**	**—**
— Transfer to Stage 2	**(591,794)**	**831,004**	**(239,210)**	**—**
— Transfer to Stage 3	**(202,558)**	**(1,008,259)**	**1,210,817**	**—**
— New financial assets originated or purchased	**2,014,485**	**—**	**—**	**2,014,485**
— Financial assets that have been derecognised	**(4,646,514)**	**(1,020,815)**	**(1,010,618)**	**(6,677,947)**
— Write-offs	**—**	**—**	**(590,805)**	**(590,805)**
As at 31 December 2023	**6,129,968**	**2,916,723**	**2,982,017**	**12,028,708**
Allowances for impairment loss as at 31 December 2023	**118,817**	**453,566**	**2,099,615**	**2,671,998**

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality *(continued)*

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance *(continued)*

Debt instruments at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	35,671,917	10,332,908	11,198,799	57,203,624
Changes in the gross amount				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(1,488,464)	1,881,637	(393,173)	—
— Transfer to Stage 3	(4,333,074)	(4,033,238)	8,366,312	—
— New financial assets originated or purchased	15,989,371	—	—	15,989,371
— Financial assets that have been derecognised	(14,250,581)	(2,332,087)	(4,358,530)	(20,941,198)
— Write-offs	—	—	(638,943)	(638,943)
— Disposal of subsidiaries	(26,109,557)	—	(184,883)	(26,294,440)
As at 31 December 2022	5,479,612	5,849,220	13,989,582	25,318,414
Allowances for impairment loss as at 31 December 2022	46,318	649,154	9,105,435	9,800,907
As at 1 January 2023	**5,479,612**	**5,849,220**	**13,989,582**	**25,318,414**
Changes in the gross amount				
— Transfer to Stage 1	**—**	**—**	**—**	**—**
— Transfer to Stage 2	**(23,753)**	**23,753**	**—**	**—**
— Transfer to Stage 3	**(1,603,976)**	**(689,208)**	**2,293,184**	**—**
— New financial assets originated or purchased	**10,057,891**	**—**	**—**	**10,057,891**
— Financial assets that have been derecognised	**(10,766,618)**	**(969,866)**	**(3,293,028)**	**(15,029,512)**
— Write-offs	**—**	**—**	**(664,302)**	**(664,302)**
As at 31 December 2023	**3,143,156**	**4,213,899**	**12,325,436**	**19,682,491**
Allowances for impairment loss as at 31 December 2023	**6,671**	**761,627**	**10,797,802**	**11,566,100**

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality (continued)

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance *(continued)*

Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	372,307,072	114,189,553	220,771,338	707,267,963
Changes in the gross amount				
— Transfer to Stage 1	650,123	(650,123)	—	—
— Transfer to Stage 2	(37,887,264)	40,849,149	(2,961,885)	—
— Transfer to Stage 3	(35,490,028)	(41,068,326)	76,558,354	—
— New financial assets originated or purchased	80,244,075	—	—	80,244,075
— Financial assets that have been derecognised	(78,526,485)	(17,178,580)	(30,417,346)	(126,122,411)
— Write-offs	—	—	(10,093,828)	(10,093,828)
— Disposal of subsidiaries	(109,125,336)	(2,263,542)	(9,837,781)	(121,226,659)
As at 31 December 2022	192,172,157	93,878,131	244,018,852	530,069,140
Allowances for impairment loss as at 31 December 2022	3,192,484	6,393,938	105,129,990	114,716,412
As at 1 January 2023	**192,172,157**	**93,878,131**	**244,018,852**	**530,069,140**
Changes in the gross amount				
— Transfer to Stage 1	**1,373,757**	**(1,373,757)**	**—**	**—**
— Transfer to Stage 2	**(52,487,392)**	**56,584,555**	**(4,097,163)**	**—**
— Transfer to Stage 3	**(9,463,800)**	**(26,962,354)**	**36,426,154**	**—**
— New financial assets originated or purchased	**107,430,335**	**—**	**—**	**107,430,335**
— Financial assets that have been derecognised	**(64,758,524)**	**(22,371,727)**	**(27,525,530)**	**(114,655,781)**
— Write-offs	**—**	**—**	**(11,970,761)**	**(11,970,761)**
As at 31 December 2023	**174,266,533**	**99,754,848**	**236,851,552**	**510,872,933**
Allowances for impairment loss as at 31 December 2023	**2,700,458**	**10,943,528**	**105,905,730**	**119,549,716**

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality (continued)

(4) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 to Stage 1. The adjustment of the modified assets can only be made after meeting specified criteria throughout the observation period. As at 31 December 2023, the carrying amount of financial assets with such modified contractual cash flows was not significant.

(5) Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost. The main types of collateral include leasehold land and buildings, machinery and equipment, shares, accounts receivable and bank deposits.

In addition to the financial assets held under resale agreements as set out in Note V.23, the fair value of collateral held by the Group amounted to RMB822,427 million as at 31 December 2023 (31 December 2022: RMB959,045 million). The Group did not repledge any collateral held. The Group has to return the collateral when the relevant borrowers repay the balances. Assets foreclosed by the Group was disclosed in Note V.38.

The Group requests collateral and guarantees for financial assets (including finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost). The amount and type of acceptable collateral are determined by credit risk assessments of counterparties. The Group has formulated guidelines on the acceptability of specific classes of collateral and the collateral rate. The main types of collateral obtained by the Group are land and properties or other assets of the counterparties. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

For credit-impaired of financial assets including finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost, the Group obtains appraisals of collateral to inform its credit risk management actions. As at 31 December 2023, the net carrying amount of such financial assets was RMB144,154 million (31 December 2022: RMB154,572 million) and the value of the respective collateral was RMB394,296 million (31 December 2022: RMB421,227 million).

As at 31 December 2023, the Group has finance lease receivables at a carrying amount of RMB838 million (31 December 2022: RMB1,571 million) which are secured by the property and equipment leased to the lessee.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.1 Credit risk *(continued)*

(ix) Credit quality (continued)

(6) Investment securities analysed by credit rating from reputable rating agencies

	As at 31 December 2023					
	AAA	AA	A	Below A	Unrated	Total
Government bonds	—	—	—	—	6,929,197	6,929,197
Public sector and quasi-government bonds	—	—	—	—	3,024,269	3,024,269
Financial institution bonds	—	—	—	—	412,450	412,450
Corporate bonds	—	—	11,537	244,731	3,650,721	3,906,989
Convertible bonds	—	—	—	140,651	1,437,614	1,578,265
Asset-backed securities	—	—	—	—	20,114	20,114
Total	—	—	11,537	385,382	15,474,365	15,871,284

	As at 31 December 2022					
	AAA	AA	A	Below A	Unrated	Total
Government bonds	—	—	—	—	3,873,338	3,873,338
Public sector and quasi-government bonds	—	—	—	—	6,437,013	6,437,013
Financial institution bonds	951,821	—	—	—	—	951,821
Corporate bonds	—	207,315	669,493	2,706,136	3,153,340	6,736,284
Convertible bonds	—	—	—	210,045	1,555,209	1,765,254
Asset-backed securities	13,789	—	—	—	27,148	40,937
Total	965,610	207,315	669,493	2,916,181	15,046,048	19,804,647

As at 31 December 2023, among debt securities held by the Group, debt securities issued within Chinese mainland amounted to RMB10,889 million (31 December 2022: RMB14,973 million), and their credit ratings are assessed by domestic credit agents; debt securities issued outside Chinese mainland amounted to RMB4,982 million (31 December 2022: RMB4,832 million), and their credit ratings are assessed by international credit agents.

(x) Other financial assets

Other financial assets include balances with central bank, deposits and placements with financial institutions, financial assets held under resale agreements and others. The directors of the Company consider that their credit risks are not significant.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.2 Market risk

Market risk is the risk of loss, in respect of the Group's on-and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates financial instruments.

The Group manages its interest rate risk by:

- minimising the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.2 Market risk *(continued)*

Interest rate risk *(continued)*

At the end of the reporting period, the Group's financial assets and financial liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or maturity dates are as follows:

	As at 31 December 2023						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest -bearing	Total
Cash and balances with central bank	112,069	–	–	–	–	47	112,116
Deposits with financial institutions	71,590,258	150,000	2,513,016	–	–	609,800	74,863,074
Financial assets at fair value through profit or loss	14,224,532	653,459	7,310,071	43,781,760	4,807,763	246,738,450	317,516,035
Financial assets held under resale agreements	765,869	–	–	–	–	296	766,165
Loans and advances to customers	10,359	–	–	–	–	–	10,359
Finance lease receivables	1,047,538	1,085,596	3,064,467	3,043,834	463,042	652,233	9,356,710
Debt instruments at fair value through other comprehensive income	10,635,218	241,748	1,131,935	5,478,315	2,140,097	55,178	19,682,491
Equity instruments at fair value through other comprehensive income	–	–	–	–	–	1,700,192	1,700,192
Debt instruments at amortised cost	113,124,178	24,877,467	107,832,370	138,630,027	6,575,106	284,069	391,323,217
Other financial assets	1,128,735	4,549	440,167	1,441,892	149,776	6,736,529	9,901,648
Total financial assets	212,638,756	27,012,819	122,292,026	192,375,828	14,135,784	256,776,794	825,232,007
Placements from financial institutions	(5,566,330)	(4,801,932)	–	–	–	(7,680)	(10,375,942)
Financial assets sold under repurchase agreements	(400,559)	(5,807,233)	(155,424)	–	–	(1,639)	(6,364,855)
Borrowings	(42,744,331)	(92,131,173)	(383,617,204)	(143,418,737)	(1,066,978)	(2,326,885)	(665,305,308)
Financial liabilities at fair value through profit or loss	–	(53,247)	–	–	–	(762)	(54,009)
Lease liabilities	(9,919)	(15,468)	(88,953)	(276,969)	(109,664)	–	(500,973)
Bonds and notes issued	(43,638)	(2,124,810)	(15,642,472)	(148,238,871)	(11,286,460)	(2,054,547)	(179,390,798)
Other financial liabilities	(3,619,142)	(59,840)	(130,160)	(113,268)	(4,000)	(35,513,863)	(39,440,273)
Total financial liabilities	(52,383,919)	(104,993,703)	(399,634,213)	(292,047,845)	(12,467,102)	(39,905,376)	(901,432,158)
Interest rate gap	160,254,837	(77,980,884)	(277,342,187)	(99,672,017)	1,668,682	216,871,418	(76,200,151)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.2 Market risk *(continued)*

***Interest rate risk** (continued)*

	As at 31 December 2022						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest -bearing	Total
Cash and balances with central bank	23,123	—	—	—	—	49	23,172
Deposits with financial institutions	88,262,864	7,038,141	2,205,577	40,000	—	31,661	97,578,243
Placements with financial institutions	1,300,034	—	—	—	—	209	1,300,243
Financial assets at fair value through profit or loss	12,154,729	455,337	7,263,127	46,716,957	3,097,723	239,768,013	309,455,886
Financial assets held under resale agreements	706,093	—	618	—	—	—	706,711
Loans and advances to customers	38,460	—	—	—	—	—	38,460
Finance lease receivables	2,202,091	791,346	5,883,002	4,129,578	382,991	1,139,332	14,528,340
Debt instruments at fair value through other comprehensive income	11,362,391	1,402,943	3,014,515	7,749,625	1,746,004	42,936	25,318,414
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	2,038,595	2,038,595
Debt instruments at amortised cost	127,855,393	22,630,387	131,125,432	120,762,246	7,581,079	5,398,191	415,352,728
Other financial assets	331,358	236,359	833,008	1,488,381	322,954	10,350,519	13,562,579
Total financial assets	244,236,536	32,554,513	150,325,279	180,886,787	13,130,751	258,769,505	879,903,371
Placements from financial institutions	(1,393,071)	(4,821,717)	—	—	—	(1,014)	(6,215,802)
Financial assets sold under repurchase agreements	(490,799)	(5,498,084)	(754,560)	—	—	(1,352)	(6,744,795)
Borrowings	(50,251,281)	(78,608,916)	(263,172,390)	(230,619,245)	(4,371,290)	(2,472,853)	(629,495,975)
Financial liabilities at fair value through profit or loss	(24,349)	—	—	—	—	(743,797)	(768,146)
Lease liabilities	(24,064)	(15,510)	(173,678)	(310,520)	(159,615)	—	(683,387)
Bonds and notes issued	(4,673,927)	(7,661,060)	(7,626,079)	(137,323,702)	(30,707,940)	(1,867,063)	(189,859,771)
Other financial liabilities	(389,893)	(3,996)	(61,158)	(17,489,145)	—	(35,361,367)	(53,305,559)
Total financial liabilities	(57,247,384)	(96,609,283)	(271,787,865)	(385,742,612)	(35,238,845)	(40,447,446)	(887,073,435)
Interest rate gap	186,989,152	(64,054,770)	(121,462,586)	(204,855,825)	(22,108,094)	218,322,059	(7,170,064)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.2 Market risk *(continued)*

Interest rate risk *(continued)*

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income before tax, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of the reporting period.

This sensitivity analysis is performed by assuming that:

- Interest income and expenses are changed by 100 basis points when interest generating assets and interest bearing liabilities within one year are reset or reinvested/replaced with similar assets or liabilities when they become matured. No changes in fair value are assumed in this assessment for financial assets at FVTPL.

- The fair value of financial instruments at FVOCI changes in response to this change of 100 basis points.

Interest rate sensitivity analysis

	Year ended 31 December			
	2023		2022	
	Profit before tax	Other comprehensive income before tax	Profit before tax	Other comprehensive income before tax
+ 100 basis points	**(262,279)**	**(418,374)**	670,820	(447,777)
- 100 basis points	**262,279**	**436,813**	(670,820)	413,502

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 conducted in United States Dollars ("USD"), Hong Kong Dollars ("HKD") or other currencies.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.2 Market risk *(continued)*

Foreign exchange risk *(continued)*

At the end of the reporting period, a breakdown of the financial assets and liabilities analysed by currency is as follows:

	As at 31 December 2023				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	109,290	2,826	—	—	112,116
Deposits with financial institutions	63,280,064	10,124,423	1,426,910	31,677	74,863,074
Financial assets at fair value through profit or loss	280,513,124	29,168,271	5,188,719	2,645,921	317,516,035
Financial assets held under resale agreements	766,165	—	—	—	766,165
Loans and advances to customers	—	—	10,359	—	10,359
Finance lease receivables	8,921,996	434,714	—	—	9,356,710
Debt instruments at fair value through other comprehensive income	19,503,267	179,224	—	—	19,682,491
Equity instruments at fair value through other comprehensive income	368,992	1,331,200	—	—	1,700,192
Debt instruments at amortised cost	356,978,329	30,716,687	3,628,201	—	391,323,217
Other financial assets	6,682,946	3,085,609	133,092	1	9,901,648
Total financial assets	737,124,173	75,042,954	10,387,281	2,677,599	825,232,007
Placements from financial institutions	(10,375,942)	—	—	—	(10,375,942)
Financial assets sold under repurchase agreements	(6,209,431)	(155,424)	—	—	(6,364,855)
Borrowings	(645,541,277)	(16,939,911)	(2,824,120)	—	(665,305,308)
Financial liabilities at fair value through profit or loss	(53,247)	(762)	—	—	(54,009)
Lease liabilities	(143,249)	(338,648)	(19,076)	—	(500,973)
Bonds and notes issued	(114,838,602)	(62,579,830)	—	(1,972,366)	(179,390,798)
Other financial liabilities	(38,498,654)	(503,615)	(437,991)	(13)	(39,440,273)
Total financial liabilities	(815,660,402)	(80,518,190)	(3,281,187)	(1,972,379)	(901,432,158)
Net exposure	(78,536,229)	(5,475,236)	7,106,094	705,220	(76,200,151)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.2 Market risk *(continued)*

Foreign exchange risk *(continued)*

	As at 31 December 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	17,992	5,133	47	—	23,172
Deposits with financial institutions	80,034,188	15,957,325	1,505,742	80,988	97,578,243
Placements with financial institutions	1,300,243	—	—	—	1,300,243
Financial assets at fair value through profit or loss	288,040,484	12,126,670	6,525,221	2,763,511	309,455,886
Financial assets held under resale agreements	706,711	—	—	—	706,711
Loans and advances to customers	—	—	38,460	—	38,460
Finance lease receivables	13,920,737	607,603	—	—	14,528,340
Debt instruments at fair value through other comprehensive income	24,561,527	756,887	—	—	25,318,414
Equity instruments at fair value through other comprehensive income	392,878	1,087,702	178,732	379,283	2,038,595
Debt instruments at amortised cost	374,203,924	37,230,520	3,918,284	—	415,352,728
Other financial assets	8,770,549	4,405,559	356,799	29,672	13,562,579
Total financial assets	791,949,233	72,177,399	12,523,285	3,253,454	879,903,371
Placements from financial institutions	(6,215,802)	—	—	—	(6,215,802)
Financial assets sold under repurchase agreements	(5,990,235)	(754,560)	—	—	(6,744,795)
Borrowings	(605,745,367)	(20,753,753)	(2,996,855)	—	(629,495,975)
Financial liabilities at fair value through profit or loss	(24,349)	(743,797)	—	—	(768,146)
Lease liabilities	(210,261)	—	(473,126)	—	(683,387)
Bonds and notes issued	(102,379,991)	(85,459,363)	—	(2,020,417)	(189,859,771)
Other financial liabilities	(51,436,023)	(959,698)	(883,943)	(25,895)	(53,305,559)
Total financial liabilities	(772,002,028)	(108,671,171)	(4,353,924)	(2,046,312)	(887,073,435)
Net exposure	19,947,205	(36,493,772)	8,169,361	1,207,142	(7,170,064)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.2 Market risk *(continued)*

Foreign exchange risk *(continued)*

Foreign exchange rate sensitivity analysis

The table below indicates the potential effect on profit before tax and other comprehensive income before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rates against all other currencies.

	Year ended 31 December			
	2023		2022	
	Profit before tax	Other comprehensive income before tax	Profit before tax	Other comprehensive income before tax
5% appreciation	**(41,283)**	**(75,521)**	1,475,994	(120,130)
5% depreciation	**41,283**	**75,521**	(1,475,994)	120,130

Price risk

Certain equity financial assets included in financial assets at FVTPL and financial assets at FVOCI are subject to price risk which may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following table illustrates the potential impact of an increase or decrease of 10 percent in price on these equity financial assets at FVTPL and financial assets at FVOCI measured at fair value on the Group's profit before tax and other comprehensive income before tax.

	Year ended 31 December			
	2023		2022	
	Profit before tax	Other comprehensive income before tax	Profit before tax	Other comprehensive income before tax
+10 percent	**3,707,901**	**24,821**	2,705,288	25,268
- 10 percent	**(3,707,901)**	**(24,821)**	(2,705,288)	(25,268)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.3 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all business operations and can be affected by a range of group-specific and market-wide events.

The Group manages its liquidity risk by:

- optimising assets and liabilities structure;
- implementing a centralised liquidity management system by pooling group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

Due to its business nature, the Group has diverse funding sources, including issues of debt instruments, perpetual capital instruments and banking borrowings.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.3 Liquidity risk *(continued)*

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at 31 December 2023							
	Past due/ undated	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash and balances with central bank	105,276	6,708	85	47	–	–	–	112,116
Deposits with financial institutions	11,763,801	57,946,448	2,466,514	152,392	2,491,723	42,196	–	74,863,074
Financial assets at fair value through profit or loss	272,011,428	17,005,401	8,141,903	2,796,987	15,474,676	31,073,912	9,018,658	355,522,965
Financial assets held under resale agreements	–	–	766,385	–	–	–	–	766,385
Loans and advances to customers	10,359	–	–	–	–	–	–	10,359
Finance lease receivables	1,709,633	–	264,379	912,904	2,100,442	7,676,850	1,422,157	14,086,365
Debt instruments at fair value through other comprehensive income	18,701,500	–	220,172	390,465	2,915,544	8,373,955	2,373,987	32,975,623
Equity instruments at fair value through other comprehensive income	1,700,192	–	–	–	–	–	–	1,700,192
Debt instruments at amortised cost	183,528,331	–	9,982,143	26,903,249	118,415,806	217,856,115	10,133,008	566,818,652
Other financial assets	3,209,713	2,267,454	504,250	1,002,270	758,943	1,570,700	1,033,178	10,346,508
Total financial assets	492,740,233	77,226,011	22,345,831	32,158,314	142,157,134	266,593,728	23,980,988	1,057,202,239
Placements from financial institutions	–	–	(5,587,069)	(4,839,096)	–	–	–	(10,426,165)
Financial assets sold under repurchase agreements	–	–	(555,980)	(5,837,650)	–	–	–	(6,393,630)
Borrowings	–	(605,641)	(40,304,540)	(97,584,654)	(398,909,121)	(149,790,093)	(1,259,919)	(688,453,968)
Financial liabilities at fair value through profit or loss	–	–	(54,009)	–	–	–	–	(54,009)
Lease liabilities	–	–	(20,990)	(30,949)	(136,055)	(269,559)	(108,087)	(565,640)
Bonds and notes issued	–	–	(1,513,743)	(62,270)	(21,431,362)	(166,456,151)	(14,857,296)	(204,320,822)
Other financial liabilities	(4,264,530)	(19,458,835)	(1,391,512)	(1,490,258)	(4,556,791)	(8,025,676)	(404,857)	(39,592,459)
Total financial liabilities	(4,264,530)	(20,064,476)	(49,427,843)	(109,844,877)	(425,033,329)	(324,541,479)	(16,630,159)	(949,806,693)
Net position	488,475,703	57,161,535	(27,082,012)	(77,686,563)	(282,876,195)	(57,947,751)	7,350,829	107,395,546

Maturity analysis for derivative financial assets and liabilities are not presented separately as the amount is insignificant.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.3 Liquidity risk *(continued)*

In respect of financial liabilities at FVTPL, the ultimate cash outflow depends on the corresponding underlying assets, and the actual amount can be different from those presented above.

	As at 31 December 2022							
	Past due/ undated	On demand	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Cash and balances with central bank	7,645	15,548	–	–	–	–	–	23,193
Deposits with financial institutions	20,465,349	65,714,376	2,088,876	7,041,363	2,248,302	40,000	–	97,598,266
Placements with financial institutions	–	–	1,302,782	–	–	–	–	1,302,782
Financial assets at fair value through profit or loss	287,198,772	–	1,727,605	1,023,368	9,178,874	53,095,330	1,593,115	353,817,064
Financial assets held under resale agreements	–	–	706,225	–	618	–	–	706,843
Loans and advances to customers	–	–	38,460	–	–	–	–	38,460
Finance lease receivables	1,443,218	–	633,501	856,913	4,939,196	10,265,224	1,406,723	19,544,775
Debt instruments at fair value through other comprehensive income	18,253,840	–	302,958	1,764,097	5,378,403	9,630,458	1,891,785	37,221,541
Equity instruments at fair value through other comprehensive income	2,038,595	–	–	–	–	–	–	2,038,595
Debt instruments at amortised cost	206,295,164	–	18,638,409	27,994,152	138,993,231	187,659,702	10,133,263	589,713,921
Other financial assets	4,578,327	3,252,093	19,940	277,956	3,130,901	2,390,950	1,101,576	14,751,743
Total financial assets	540,280,910	68,982,017	25,458,756	38,957,849	163,869,525	263,081,664	16,126,462	1,116,757,183
Placements from financial institutions	–	–	(1,396,524)	(4,841,696)	–	–	–	(6,238,220)
Financial assets sold under repurchase agreements	–	–	(491,504)	(5,517,390)	(754,560)	–	–	(6,763,454)
Borrowings	–	(2,196,975)	(42,569,457)	(80,282,585)	(317,078,217)	(223,769,876)	(7,782,538)	(673,679,648)
Financial liabilities at fair value through profit or loss	(743,797)	–	(24,349)	–	–	–	–	(768,146)
Lease liabilities	(5,969)	(43,110)	(25,562)	(38,447)	(216,195)	(381,525)	(249,630)	(960,438)
Bonds and notes issued	–	–	(2,369,912)	(6,154,344)	(18,261,708)	(168,132,446)	(43,632,185)	(238,550,595)
Other financial liabilities	(11,546,423)	(3,789,750)	(3,128,277)	(1,812,097)	(7,901,270)	(24,816,090)	(519,183)	(53,513,090)
Total financial liabilities	(12,296,189)	(6,029,835)	(50,005,585)	(98,646,559)	(344,211,950)	(417,099,937)	(52,183,536)	(980,473,591)
Net position	527,984,721	62,952,182	(24,546,829)	(59,688,710)	(180,342,425)	(154,018,273)	(36,057,074)	136,283,592

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.4 Risk management of distressed assets

59.4.1 Overview

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

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

59.4.2 Risk management of distressed debt assets

The Group exercises standardised management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before taking up distressed assets, and monitoring measures after taking up the distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts measured as financial assets at FVTPL mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as debt instruments at amortised cost and at FVOCI mainly comprise credit risk.

(i) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets measured at FVTPL and at FVOCI, due to variance in factors including future cash flows, collection period, discount rate, disposal cost and etc. Measures the Group takes to minimise the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources and etc.;
- Adopt conservative estimation on discount rate, disposal cost and future cash flows when performing valuation; and
- Review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.4 Risk management of distressed assets *(continued)*

59.4.2 Risk management of distressed debt assets (continued)

(i) Valuation risk *(continued)*

The Group has established an independent valuation process for financial assets and financial liabilities. The Operation Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Finance Department records these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

(ii) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimise the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets are managed effectively;

- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and

- Set up reporting mechanism of significant event to ensure immediate recovery action is taken when certain risk elements emerge.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.4 Risk management of distressed assets *(continued)*

59.4.2 Risk management of distressed debt assets (continued)

(iii) Credit risk

In addition to distressed debt assets classified as debt instruments at amortised cost and at FVOCI, certain distressed debt assets measured as at FVTPL may also be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are measured at FVTPL, the Group may decide to pursue repayment from the obligor instead of disposing of it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Measures the Group takes to minimise the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral to cover the credit exposure.

59.4.3 Risk management of assets obtained through debt-to-equity swap

Certain equity classified as equity instruments at FVTPL and at FVOCI were obtained through debt-to-equity swap. Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

Measures the Group takes to minimise the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realise the maximum value of equity shares.

V. EXPLANATORY NOTES *(continued)*

59. Financial risk management *(continued)*

59.4 Risk management of distressed assets *(continued)*

59.4.4 Determination of fair value

The Group determines the fair value of distressed debt assets, which are classified as financial assets at FVTPL and at FVOCI, by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between market participants or realisable value of the underlying assets.

The Group performs impairment assessment on distressed debt assets at amortised cost and at FVOCI. Assessment procedures for distressed debt assets at amortised cost and at FVOCI are similar to those set out in Note V.59.1.

59.5 Capital management

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

- Ensure compliance with regulatory requirements;
- Optimise capital allocation among the Group entities;
- Improve efficiency of capital deployment;
- 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 China Banking and Insurance Regulatory Commission 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 deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the NFRA.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38) and Capital Rules for Financial Asset Management Companies (Provisional) (Yinjianfa [2017] No. 56), issued by the former China Banking and Insurance Regulatory Commission in 2016 and 2017 respectively, the Company is required to maintain a minimum core Tier II Capital Adequacy Ratio ("CAR") at 12.5%, as at 31 December 2023 and 2022, the capital adequacy ratios of the Company met the regulatory requirements.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

60. Fair value

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

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

	As at 31 December 2023			
	Level 1	Level 2	Level 3	Total
Assets measured at fair value				
Financial assets at FVTPL	37,079,005	5,036,029	275,401,001	317,516,035
Debt instruments at FVOCI	—	3,092,644	16,589,847	19,682,491
Equity instruments at FVOCI	248,214	1,331,200	120,778	1,700,192
Investment properties	—	—	9,570,070	9,570,070

	As at 31 December 2023			
	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Financial liabilities at FVTPL	(99)	(17,810)	(36,100)	(54,009)

	As at 31 December 2022			
	Level 1	Level 2	Level 3 (Restated)	Total (Restated)
Assets measured at fair value				
Financial assets at FVTPL	27,052,882	11,425,123	270,977,881	309,455,886
Debt instruments at FVOCI	—	4,039,114	21,279,300	25,318,414
Equity instruments at FVOCI	252,683	1,466,985	318,927	2,038,595
Investment properties	—	—	10,159,602	10,159,602

	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Liabilities measured at fair value				
Financial liabilities at FVTPL	(138)	(767,546)	(462)	(768,146)

There were no significant transfers between Level 1 and Level 2 within the Group for the years ended 31 December 2023 and 2022.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.1 Fair value of assets and liabilities that are measured at fair value on a recurring basis *(continued)*

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

Assets	Fair value as at 31 December 2023	2022 (Restated)	Fair value hierarchy
1) Financial assets at FVTPL			
Distressed debt assets	**181,261,448**	179,725,620	Level 3
Funds			
— Listed	**571,337**	491,937	Level 1
— Investing in the underlying assets with open or active quotations	**1,001,002**	3,316,070	Level 2
— Investing in the underlying assets without open or active quotations	**34,822,703**	35,397,120	Level 3
Trust products			
— Investing in the underlying assets with open or active quotations	**195,491**	177,363	Level 2
— Investing in the underlying assets without open or active quotations	**18,563,930**	13,741,147	Level 3
Equity instruments			
— Listed shares			
— Unrestricted shares	**36,507,668**	26,560,945	Level 1
— Restricted shares	**1,672,304**	6,051,365	Level 3
— Unlisted shares	**28,227,627**	21,828,176	Level 3
Debt securities			
— Traded in inter-bank markets	**3,345,871**	5,722,246	Level 2
— Traded over the counter	**109**	308,027	Level 3
Wealth management products			
— Investing in the underlying assets with open or active quotations	**184,631**	1,680,502	Level 2
Convertible bonds			
— Unlisted	**1,578,265**	1,765,254	Level 3

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.1 Fair value of assets and liabilities that are measured at fair value on a recurring basis *(continued)*

Assets	Fair value as at 31 December 2023	2022 (Restated)	Fair value hierarchy
1) Financial assets at FVTPL *(continued)*			
Derivatives and structured products	**258,271**	366,139	Level 2
Derivatives and structured products	**1,181,312**	3,265,911	Level 3
Other debt assets			
— Investing in the underlying assets without open or active quotations	**6,927,560**	7,390,959	Level 3
Asset management plans			
— Investing in the underlying assets with open or active quotations	**50,763**	162,803	Level 2
— Investing in the underlying assets without open or active quotations	**534,537**	816,804	Level 3
Entrusted loans	**611,092**	660,350	Level 3
Asset-backed securities	**20,114**	27,148	Level 3
Subtotal	**317,516,035**	309,455,886	
2) Debt instruments at FVOCI			
Distressed debt assets	**12,934,220**	16,683,796	Level 3
Debt securities			
— Traded in inter-bank markets	**3,092,644**	4,026,726	Level 2
— Traded over the counter	**64,460**	49,610	Level 3
Entrusted loans	**1,542,464**	2,174,677	Level 3
Asset management plans			
— Investing in the underlying assets without open or active quotations	**1,459,518**	1,459,518	Level 3
Debt instruments	**584,400**	757,299	Level 3
Trust products	**4,785**	154,400	Level 3

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.1 Fair value of assets and liabilities that are measured at fair value on a recurring basis *(continued)*

		Fair value as at 31 December		
		2023	2022	Fair value
Assets			(Restated)	hierarchy
2)	Debt instruments at FVOCI *(continued)*			
	Asset-backed securities			
	— Investing in the underlying assets with open or active quotations	**—**	12,388	Level 2
	Subtotal	**19,682,491**	25,318,414	
3)	Equity instruments at FVOCI			
	Shares			
	— Listed shares	**248,214**	252,683	Level 1
	— Listed shares	**1,233,826**	1,152,675	Level 2
	— Unlisted shares	**97,374**	314,310	Level 2
	— Unlisted shares	**120,778**	318,927	Level 3
	Subtotal	**1,700,192**	2,038,595	
4)	Investment properties	**9,570,070**	10,159,602	Level 3
	Total	**348,468,788**	346,972,497	
Liabilities				
Financial liabilities mandatorily measured as at FVTPL				
— Derivatives financial instruments		**(99)**	(138)	Level 1
— Derivatives financial instruments		**(762)**	(743,797)	Level 2
— Derivatives financial instruments		**(36,100)**	(462)	Level 3
Financial liabilities designated as at FVTPL				
— Interests of other holders in consolidated structured entities		**(17,048)**	(23,749)	Level 2
Total		**(54,009)**	(768,146)	

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.1 Fair value of assets and liabilities that are measured at fair value on a recurring basis *(continued)*

Valuation methods for assets and liabilities at fair value

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

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

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

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.1 Fair value of assets and liabilities that are measured at fair value on a recurring basis *(continued)*

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

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

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.1 Fair value of assets and liabilities that are measured at fair value on a recurring basis *(continued)*

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

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.2 Reconciliation of Level 3 fair value measurements

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

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL	Investment properties
As at 1 January 2022 (Restated)	278,217,427	29,017,797	661,608	(604)	9,696,049
Recognised in profit or loss	(751,906)	—	—	—	(330,792)
Recognised in other comprehensive income	—	482,076	18,403	—	—
Additions	48,060,526	1,146,386	415,315	—	1,805,271
Settlements/disposals	(49,804,065)	(9,366,959)	(776,399)	142	(804,034)
Transferred-out from Level 3	(4,744,101)	—	—	—	(206,892)
As at 31 December 2022 (Restated)	270,977,881	21,279,300	318,927	(462)	10,159,602
Changes in unrealized losses for the year included in profit or loss for assets and liabilities held at the end of the year	(5,102,732)	—	—	—	(330,792)

For the year ended 31 December 2023, certain restricted shares were transferred out from Level 3 fair value measurement as they became unrestricted during the year.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis

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

	As at 31 December			
	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt instruments at amortised cost	**391,323,217**	**408,310,670**	415,352,728	432,724,356
Total	**391,323,217**	**408,310,670**	415,352,728	432,724,356
Financial liabilities				
Borrowings	**(665,305,308)**	**(665,755,377)**	(629,495,975)	(631,039,399)
Bonds and notes issued	**(179,390,798)**	**(178,846,659)**	(189,859,771)	(188,463,374)
Total	**(844,696,106)**	**(844,602,036)**	(819,355,746)	(819,502,773)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

60. Fair value *(continued)*

60.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis *(continued)*

	As at 31 December 2023	2022	Fair value hierarchy	Valuation technique
Financial assets				
Debt instruments at amortised cost	**7,814,273**	7,877,387	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Debt instruments at amortised cost	**400,496,397**	424,846,969	Level 3	Discounted cash flows
Total	**408,310,670**	432,724,356		
Financial liabilities				
Borrowings	**(665,755,377)**	(631,039,399)	Level 3	Discounted cash flows
Bonds and notes issued	**—**	(716,333)	Level 1	Quoted ask prices in an active market
Bonds and notes issued	**(70,605,200)**	(106,887,973)	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Bonds and notes issued	**(108,241,459)**	(80,859,068)	Level 3	Discounted cash flows
Total	**(844,602,036)**	(819,502,773)		

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

61. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Bonds and notes issued Note V.45	Financial liabilities at FVTPL Note V.22	Lease liabilities Note V.44	Payables to interest holders of consolidated structured entities Note V.46	Dividends payable Note V.46	Total
As at 1 January 2023	32,178,950	189,859,771	768,146	683,387	10,556,691	112,924	234,159,869
Financing cash flows	(8,096,550)	(20,030,562)	(54,373)	(148,064)	(1,645,184)	—	(29,974,733)
Non-cash changes							
Fair value adjustments	—	—	(659,764)	—	—	—	(659,764)
Foreign exchange translation	759,801	1,538,900	—	(4,587)	—	—	2,294,114
Interest expense	2,622,680	8,022,689	—	29,894	—	—	10,675,263
Interest capitalisation	472,945	—	—	—	—	—	472,945
Net decrease in lease	—	—	—	(59,657)	—	—	(59,657)
Change in net assets attributable to other holders of consolidated structured entities	—	—	—	—	(6,643,958)	—	(6,643,958)
Dividends declared	—	—	—	—	—	5,421	5,421
As at 31 December 2023	27,937,826	179,390,798	54,009	500,973	2,267,549	118,345	210,269,500

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

61. Reconciliation of liabilities arising from financing activities *(continued)*

	Borrowings	Bonds and notes issued Note V.45	Financial liabilities at FVTPL Note V.22	Lease liabilities Note V.44	Payables to interest holders of consolidated structured entities Note V.46	Dividends payable Note V.46	Total
As at 1 January 2022	41,168,392	271,065,213	683,662	2,049,540	36,670,251	191,235	351,828,293
Financing cash flows	(15,859,176)	(23,381,652)	367,682	(552,620)	(22,397,492)	(66,001)	(61,889,259)
Non-cash changes							
Fair value adjustments	—	—	(279,962)	—	—	—	(279,962)
Foreign exchange translation	4,709,071	8,256,305	—	46,710	—	—	13,012,086
Interest expense	2,160,663	9,710,956	—	49,477	—	—	11,921,096
Net increase in lease	—	—	—	245,012	—	—	245,012
Disposal of subsidiaries	—	(75,791,051)	(3,236)	(1,154,732)	(3,146,842)	(12,310)	(80,108,171)
Change in net assets attributable to other holders of consolidated structured entities	—	—	—	—	(569,226)	—	(569,226)
As at 31 December 2022	32,178,950	189,859,771	768,146	683,387	10,556,691	112,924	234,159,869

Only cash flows of borrowings of non-financial institution subsidiaries are considered as financing activities in the presentation of consolidated statement of cash flows.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

62. Particulars of principal subsidiaries

Details of the Company's subsidiaries as at 31 December 2023 are set out below:

Name of entity	Place of business	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorised/ paid-in capital as at 31 December 2023 (In '000)	Proportion of ownership held by the Group at 31 December 2023 %	2022 %	Proportion of voting rights held by the Group at 31 December 2023 %	2022 %	Principal activities
Huarong Financial Leasing Co., Ltd. (華融金融租賃股份有限公司)[c][1][2]	Hangzhou, PRC	Hangzhou, PRC	December 2001	RMB12,563,704	79.92	79.92	79.92	79.92	Leasing
Huarong Rongde Asset Management Co., Ltd. (華融融德資產管理有限公司)[b][2]	Beijing, PRC	Beijing, PRC	June 2006	RMB1,788,000	59.30	59.30	59.30	59.30	Asset Management
Huarong Industrial Investment & Management Co., Ltd. (華融實業投資管理有限公司)[a][2]	Zhuhai, PRC	Zhuhai, PRC	May 1994	RMB1,850,000	100.00	100.00	100.00	100.00	Real Estate Industry and Investment Management
Huarong Huitong Asset Management Co., Ltd. (華融匯通資產管理有限公司)[a]	Beijing, PRC	Beijing, PRC	September 2010	RMB906,700	100.00	100.00	100.00	100.00	Asset Management
Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司)[a]	Beijing, PRC	Beijing, PRC	November 2009	RMB691,000	100.00	100.00	100.00	100.00	Asset Management
Huarong Rongda Futures Co., Ltd. (華融融達期貨股份有限公司)[c][1]	Zhengzhou, PRC	Zhengzhou, PRC	April 1993	RMB1,830,307	59.26	59.26	59.26	59.26	Futures Broking
China Huarong International Holdings Limited (中國華融國際控股有限公司)[2]	Hong Kong SAR, PRC	Hong Kong SAR, PRC	January 2013	HKD2,771,382	100.00	100.00	100.00	100.00	Investment Holding
Huarong Rongtong (Beijing) Technology Co., Ltd. (華融融通（北京）科技有限公司)[a]	Beijing, PRC	Beijing, PRC	April 2017	RMB30,000	100.00	100.00	100.00	100.00	Technology promotion and application service
Huarong Tianze Investment Limited (華融天澤投資有限公司)[a]	Beijing, PRC	Shanghai, PRC	November 2012	RMB461,000	100.00	100.00	100.00	100.00	Investment holding

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

62. Particulars of principal subsidiaries *(continued)*

Name of entity	Place of business	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorised/ paid-in capital as at 31 December 2023 (In '000)	Proportion of ownership held by the Group at 31 December 2023 %	Proportion of ownership held by the Group at 31 December 2022 %	Proportion of voting rights held by the Group at 31 December 2023 %	Proportion of voting rights held by the Group at 31 December 2022 %	Principal activities
Huarong Yufu Equity Investment Fund Management Co., Ltd. (華融渝富股權投資基金管理有限公司)[a]	Chongqing, PRC	Chongqing, PRC	July 2010	RMB406,139	100.00	91.00	100.00	91.00	Investment Holding
Huarong Qianhai Wealth Management Co., Ltd. (華融前海財富管理股份有限公司)[c]	Shenzhen, PRC	Shenzhen, PRC	September 2014	RMB481,618	68.00	68.00	68.00	68.00	Wealth Management
HIFH (華融國際金融控股有限公司)[(1)]	Hong Kong SAR, PRC	Bermuda, UK	November 1993	HKD8,710	51.00	51.00	51.00	51.00	Securities
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司)[c]	Beijing, PRC	Shantou, PRC	December 2015	RMB500,000	91.00	91.00	100.00	100.00	Investment Management
Huarong Capital Management Co., Ltd. (華融資本管理有限公司)[d]	Beijing, PRC	Beijing, PRC	March 2016	RMB300,000	100.00	100.00	100.00	100.00	Investment Management
Huarong Emerging Industry Investment Management Co., Ltd. (華融新興產業投資管理有限公司)[a]	Beijing, PRC	Beijing, PRC	November 2016	RMB510,000	100.00	100.00	100.00	100.00	Investment Management
Huarong Innovation Investment Co., Ltd. (華融創新投資有限責任公司)[a]	Beijing, PRC	Beijing, PRC	January 2016	RMB255,000	100.00	100.00	100.00	100.00	Investment Management
Huarong Ruitong Equity Investment Co., Ltd. (華融瑞通股權投資管理有限公司)[a]	Beijing, PRC	Beijing, PRC	January 2017	RMB300,000	100.00	100.00	100.00	100.00	Investment Management

The English names of these subsidiaries are for identification purpose only.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

62. Particulars of principal subsidiaries *(continued)*

The above table lists the principal subsidiaries of the Company.

(a) This entity is registered as solely invested by a corporation limited liability company under the PRC laws.

(b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

(c) This entity is registered as an unlisted joint stock limited company under the PRC laws.

(d) This entity is registered as other limited liability company under the PRC laws.

To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(1) These subsidiaries are regulated financial institutions, therefore, they have to comply with regulatory requirements on related party transactions or capital requirements. As a result, the ability of the Group to access assets held by these subsidiaries to settle liabilities is restricted. As at 31 December 2023, the aggregate balance of total assets of these subsidiaries before consolidation eliminations amounted to RMB125,957 million (31 December 2022 (restated): RMB117,745 million).

(2) The balances of bonds and notes were issued by the Company and its subsidiaries are as follows:

	As at 31 December	
Name of entity	**2023**	**2022**
The Company	**113,994,964**	97,771,978
Huarong Financial Leasing	—	3,048,283
Huarong Rongde Asset Management Co., Ltd.	—	716,333
Huarong Industrial Investment & Management Co., Ltd.	**843,638**	843,397
China Huarong International Holdings Limited	**64,552,196**	87,479,780
Total	**179,390,798**	189,859,771

Apart from information of bonds and notes issued by certain subsidiaries, no other debt securities had been issued by other subsidiaries at the end of the year.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

63. Non-controlling interests in the subsidiaries of the Group

The subsidiaries that have significant non-controlling interests to the Group are set out below. They include Huarong Rongde Asset Management Co., Ltd. ("Huarong Rongde") and Huarong Financial Leasing.

General information about these subsidiaries has been set out in Note V.62. Summarised financial information about these subsidiaries and entities controlled by them, before intra-group eliminations, are as follows:

Huarong Financial Leasing

	As at 31 December	
	2023	2022 (Restated)
Total assets	**117,641,514**	108,032,045
Total liabilities	**97,933,844**	88,538,062
Total equity	**19,707,670**	19,493,983
Non-controlling interests of the subsidiary	**3,957,160**	3,914,253

	Year ended 31 December	
	2023	2022 (Restated)
Total revenue	**5,850,461**	7,557,356
Profit before tax	**132,336**	1,617,127
Total comprehensive income	**301,780**	1,223,578
Profit attributable to non-controlling interests of the subsidiary	**31,727**	246,659

	Year ended 31 December	
	2023	2022
Net cash flow from/(used in) operating activities	**1,930,480**	(1,467,298)
Net cash flow from investing activities	**1,467,422**	905,928
Net cash flow used in financing activities	**(3,112,500)**	(4,595,971)
Net cash inflow/(outflow)	**285,402**	(5,157,341)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

63. Non-controlling interests in the subsidiaries of the Group *(continued)*

Huarong Rongde

	As at 31 December	
	2023	**2022**
Total assets	**14,700,052**	19,540,265
Total liabilities	**11,855,430**	16,206,610
Total equity	**2,844,622**	3,333,655
Non-controlling interests of the subsidiary	**1,157,761**	1,356,797

	Year ended 31 December	
	2023	**2022**
Total revenue	**1,003,375**	1,185,022
Loss before tax	**(642,043)**	(2,235,768)
Total comprehensive expense	**(489,033)**	(1,689,028)
Loss attributable to non-controlling interests of the subsidiary	**(199,036)**	(687,434)

	Year ended 31 December	
	2023	**2022**
Net cash flow from operating activities	**3,610,505**	2,644,212
Net cash flow from investing activities	**304**	157,370
Net cash flow used in financing activities	**(4,017,102)**	(3,624,956)
Net cash outflow	**(406,293)**	(823,374)

64. Discontinued operations

64.1 Huarong Xiangjiang Bank Co., Ltd.

On 9 June 2022, the Company entered into an Equity Transaction Contract with Hunan Chasing Financial Holding Group Co., Ltd. And Central Huijin Investment Ltd to transfer 40.53% of its equity interests in Huarong Xiangjiang Bank Co., Ltd. ("Huarong Xiangjiang Bank", now renamed as Bank of Hunan Co., Ltd.) for RMB11,981 million. The Equity Transaction had been completed in June 2022, after which Huarong Xiangjiang Bank ceased to be included into the Company's scope of consolidation as a subsidiary. As the banking business is no longer a part of the Group's businesses, Huarong Xiangjiang Bank has been classified as a discontinued operation.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.1 Huarong Xiangjiang Bank Co., Ltd. *(continued)*

(1) The results of Huarong Xiangjiang Bank

	Period from 1 January 2022 to the date of disposal
Total revenue	10,777,491
Total expenses	(8,527,396)
Profit before tax	2,250,095
Income tax expense	(505,754)
Net profit for the year	1,744,341
Loss on disposal of the discontinued operation	(1,958,854)
Loss after tax for the year from the discontinued operation	(214,513)

(i) The Group's related party transactions had been deducted from the above amounts.

(2) Net cash flows incurred by Huarong Xiangjiang Bank

	Period from 1 January 2022 to the date of disposal
Net cash flow from operating activities	10,911,041
Net cash flow used in investing activities	(4,430,618)
Net cash flow used in financing activities	(5,553,395)
Net cash flows	927,028

(3) Loss on disposal of the discontinued operation

	At the date of disposal
Total consideration	11,980,668
Accumulated other comprehensive income reclassified to the statement of profit or loss	14,128
Less: Net assets disposed of	(11,891,808)
Tax effect of the discontinued operation	(2,061,842)
Loss on disposal of the discontinued operation	(1,958,854)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.1 Huarong Xiangjiang Bank Co., Ltd. *(continued)*

(4) Net cash flows in respect of the disposal of Huarong Xiangjiang Bank

	At the date of disposal
Cash consideration received from disposal	11,980,668
Less: Balances of cash and cash equivalents disposed of	(16,949,956)
Net cash flows in respect of the disposal	(4,969,288)

(5) Net assets of Huarong Xiangjiang Bank at the date of disposal

	At the date of disposal
Cash and balances with central bank	22,218,152
Deposits with financial institutions	1,082,206
Placements with financial institutions	8,106,572
Financial assets at fair value through profit or loss	27,236,384
Financial assets held under resale agreements	3,078,211
Loans and advances to customers	252,279,278
Debt instruments at FVOCI	10,746,030
Equity instruments at FVOCI	227,046
Debt instruments at amortised cost	112,682,923
Property and equipment	1,961,188
Right-of-use assets	1,555,616
Deferred tax assets	2,784,933
Other assets	2,911,691
Less: Borrowings from central bank	(22,785,438)
Deposits from financial institutions	(19,042,353)
Placements from financial institutions	(1,507,020)
Financial assets sold under repurchase agreements	(19,514,769)
Due to customers	(280,514,978)
Tax payable	(427,280)
Lease liabilities	(899,272)
Bonds and notes issued	(64,745,763)
Other liabilities	(2,736,019)
Net assets	34,697,338
Attributable to:	
Equity holders of the Company	11,891,808
Non-controlling interests	17,507,731
Perpetual capital instruments	5,297,799

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.2 Huarong Securities Co., Ltd.

On 27 January 2022, the Company entered into an Equity Transaction Contract with China Reform Capital Co., Ltd. to transfer 71.99% of its equity interests in Huarong Securities Co., Ltd. ("Huarong Securities", now renamed as China Reform Securities Co., Ltd.,) for RMB10,933 million. The Equity Transaction had been completed in June 2022, after which Huarong Securities ceased to be included into the Company's scope of consolidation as a subsidiary. As the securities business is no longer a part of the Group's businesses, Huarong Securities has been classified as a discontinued operation.

(1) The results of Huarong Securities

	Period from 1 January 2022 to the date of disposal
Total revenue	1,110,088
Total expenses	(972,323)
Change in net assets attributable to other holders of consolidated structured entities	213,441
Profit before tax	351,206
Income tax expense	(13,752)
Net profit for the year	337,454
Profit on disposal of the discontinued operation	2,170,458
Profit after tax for the year from the discontinued operation	2,507,912

(i) The Group's related party transactions had been deducted from the above amounts.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.2 Huarong Securities Co., Ltd. *(continued)*

(2) Net cash flows incurred by Huarong Securities

	Period from 1 January 2022 to the date of disposal
Net cash flow from in operating activities	176,016
Net cash flow from investing activities	2,347,357
Net cash flow used in financing activities	(2,908,448)
Net cash flows	(385,075)

(3) Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	10,932,981
Accumulated other comprehensive income reclassified to the statement of profit or loss	28,455
Less: Net assets disposed of	(7,495,628)
Tax effect of the discontinued operation	(1,295,350)
Gain on disposal of the discontinued operation	2,170,458

(4) Net cash flows in respect of the disposal of Huarong Securities

	At the date of disposal
Cash consideration received from disposal	10,932,981
Less: balances of cash and cash equivalents disposed of	(11,259,473)
Net cash flows in respect of the disposal	(326,492)

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.2 Huarong Securities Co., Ltd. *(continued)*

(5) Net assets of Huarong Securities at the date of disposal

	At the date of disposal
Deposits with financial institutions	11,773,497
Financial assets at fair value through profit or loss	5,063,006
Financial assets held under resale agreements	1,059,723
Loans and advances to customers	3,281,728
Debt instruments at FVOCI	15,548,410
Equity instruments at FVOCI	25,000
Debt instruments at amortised cost	1,298,004
Property and equipment	73,057
Right-of-use assets	249,481
Deferred tax assets	363,973
Goodwill	18,063
Other assets	1,041,792
Less: Financial assets sold under repurchase agreements	(5,787,843)
Financial liabilities at fair value through profit or loss	(3,236)
Tax payable	2,208
Lease liabilities	(234,153)
Bonds and notes issued	(11,045,288)
Contract liabilities	(376)
Other liabilities	(12,270,377)
Net assets	10,456,669
Attributable to:	
Equity holders of the Company	7,495,628
Non-controlling interests	2,961,041

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.3 Huarong Consumer Finance Co., Ltd.

On 27 December 2021, the Company entered into an Equity Transaction Contract with Bank of Ningbo Co., Ltd. to transfer 70% of its equity interests in Huarong Consumer Finance Co., Ltd. ("Huarong Consumer Finance", now renamed as BNB Consumer Finance Ltd.,) for RMB1,091 million. The Equity Transaction had been completed in May 2022, after which Huarong Consumer Finance ceased to be included into the Company's scope of consolidation as a subsidiary. As the consumer finance business is no longer a part of the Group's businesses, Huarong Consumer Finance has been classified as a discontinued operation.

(1) The results of Huarong Consumer Finance

	Period from 1 January 2022 to the date of disposal
Total revenue	354,124
Total expenses	(295,986)
Profit before tax	58,138
Income tax expense	(122)
Net profit for the year	58,016
Profit on disposal of the discontinued operation	408,300
Profit after tax for the year from the discontinued operation	466,316

(i) The Group's related party transactions had been deducted from the above amounts.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.3 Huarong Consumer Finance Co., Ltd. *(continued)*

(2) Net cash flows incurred by Huarong Consumer Finance

	Period from 1 January 2022 to the date of disposal
Net cash flow used in operating activities	(73,236)
Net cash flow used in investing activities	(622)
Net cash flow used in financing activities	(2,333)
Net cash flows	(76,191)

(3) Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	1,091,032
Less: Net assets disposed of	(567,474)
Tax effect of the discontinued operation	(115,258)
Gain on disposal of the discontinued operation	408,300

(4) Net cash flows in respect of the disposal of Huarong Consumer Finance

	At the date of disposal
Cash consideration received from disposal	1,091,032
Less: balances of cash and cash equivalents disposed of	(458,609)
Net cash flows in respect of the disposal	632,423

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.3 Huarong Consumer Finance Co., Ltd. *(continued)*

(5) Net assets of Huarong Consumer Finance at the date of disposal

	At the date of disposal
Deposits with financial institutions	458,609
Loans and advances to customers	5,393,157
Property and equipment	905
Right-of-use assets	5,797
Deferred tax assets	134,579
Other assets	75,631
Less: Placements from financial institutions	(945,146)
Financial assets sold under repurchase agreements	(754,634)
Financial liabilities at fair value through profit or loss	(3,534,419)
Deferred tax liabilities	(5,379)
Other liabilities	(18,423)
Net assets	810,677
Attributable to:	
Equity holders of the Company	567,474
Non-controlling interests	243,203

64.4 Huarong International Trust Co., Ltd.

On 16 August 2022, the Company entered into an Equity Transaction Contract with China Trust Protection Fund Co., Ltd. to transfer 76.79% of its equity interests in Huarong International Trust Co., Ltd. ("Huarong Trust") for RMB6,152 million. The Equity Transaction had been completed in December 2022, after which Huarong Trust ceased to be included into the Company's scope of consolidation as a subsidiary. As the Trust business is no longer a part of the Group's businesses, Huarong Trust has been classified as a discontinued operation.

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.4 Huarong International Trust Co., Ltd. *(continued)*

(1) The results of Huarong Trust

	Period from 1 January 2022 to the date of disposal
Total revenue	363,322
Total expenses	(477,625)
Change in net assets attributable to other holders of consolidated structured entities	2,924
Share of results of associates and joint ventures	—
Loss before tax	(111,379)
Income tax expense	(42,142)
Net loss for the year	(153,521)
Profit on disposal of the discontinued operation	2,988,981
Profit after tax for the year from the discontinued operation	2,835,460

(2) The Group's related party transactions had been deducted from the above amounts.

(2) Net cash flows incurred by Huarong Trust

	Period from 1 January 2022 to the date of disposal
Net cash flow used in operating activities	(180,634)
Net cash flow from investing activities	9,904,411
Net cash flow used in financing activities	(9,761,853)
Net cash flows	(38,076)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.4 Huarong International Trust Co., Ltd. *(continued)*

(3) Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	6,152,341
Less: Net assets disposed of	(2,668,182)
Tax effect of the discontinued operation	(495,178)
Gain on disposal of the discontinued operation	2,988,981

(4) Net cash flows in respect of the disposal of Huarong Trust

	At the date of disposal
Cash consideration received from disposal	6,152,341
Less: Balances of cash and cash equivalents disposed of	(234,408)
Net cash flows in respect of the disposal	5,917,933

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

64. Discontinued operations *(continued)*

64.4 Huarong International Trust Co., Ltd. *(continued)*

(5) Net assets of Huarong Trust at the date of disposal

	At the date of disposal
Deposits with financial institutions	238,046
Financial assets at fair value through profit or loss	743,202
Debt instruments at amortised cost	3,117,390
Investment properties	16,493
Property and equipment	11,922
Right-of-use assets	26,932
Deferred tax assets	428,849
Other assets	73,820
Less: Tax payable	(151)
Lease liabilities	(14,588)
Deferred tax liabilities	(384)
Other liabilities	(1,166,807)
Net assets	3,474,724
Attributable to:	
Equity holders of the Company	2,668,182
Non-controlling interests	806,542

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

65. Statement of financial position and changes in equity of the Company

Statement of Financial Position

	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
Assets			
Cash and balances with central bank	—	—	1,284
Deposits with financial institutions	35,882,456	58,083,297	88,081,045
Placements with financial institutions	6,507,049	1,751,527	18,606,934
Financial assets at fair value through profit or loss	251,714,185	228,205,231	230,932,543
Financial assets held under resale agreements	—	500,299	2,368,453
Debt instruments at fair value through other comprehensive income	13,514,706	17,479,541	22,222,092
Equity instruments at fair value through other comprehensive income	113,603	133,019	629,432
Debt instruments at amortised cost	223,860,752	243,155,139	295,561,774
Amounts due from subsidiaries	108,117,599	110,105,750	94,398,024
Interests in consolidated structured entities	80,238,764	67,704,135	35,943,651
Investment properties	2,110,715	2,426,881	2,607,646
Property and equipment	675,570	502,258	558,105
Right-of-use assets	438,085	695,841	879,760
Deferred tax assets	12,626,505	12,626,505	10,688,755
Interests in associates	68,545,652	2,302,348	982,793
Interests in subsidiaries	8,627,607	8,627,607	17,839,777
Assets held for sale	—	—	630,000
Other assets	5,543,699	4,222,709	3,998,806
Total assets	818,516,947	758,522,087	826,930,874
Liabilities			
Placements from financial institutions	10,125,312	5,954,788	3,109,192
Financial assets sold under repurchase agreements	5,817,792	5,598,883	—
Borrowings	563,950,192	530,113,470	629,861,916
Tax payable	—	1,999,903	196,565
Lease liabilities	376,778	661,889	807,417
Bonds and notes issued	113,994,964	97,771,978	76,396,505
Other liabilities	61,595,233	53,596,790	46,835,405
Total liabilities	755,860,271	695,697,701	757,207,000

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

65. Statement of financial position and changes in equity of the Company *(continued)*

Statement of Financial Position *(continued)*

	As at 31 December 2023	As at 31 December 2022 (Restated)	As at 1 January 2022 (Restated)
Equity			
Share capital	**80,246,679**	80,246,679	80,246,679
Other equity instruments	**19,900,000**	19,900,000	—
Capital reserve	**17,872,007**	17,876,601	17,960,135
Surplus reserve	**8,564,210**	8,564,210	8,564,210
General reserve	**11,353,388**	11,353,388	11,353,388
Other reserves	**863,800**	1,246,281	1,891,769
Accumulated losses	**(76,143,408)**	(76,362,773)	(50,292,307)
Total equity	**62,656,676**	62,824,386	69,723,874
Total equity and liabilities	**818,516,947**	758,522,087	826,930,874

(Amounts in thousands of Renminbi, unless otherwise stated)

V. EXPLANATORY NOTES *(continued)*

65. Statement of financial position and changes in equity of the Company *(continued)*

Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves: Investment revaluation reserve	Other reserves: Asset revaluation reserve	Others	Accumulated losses	Total
As at 31 December 2022	80,246,679	19,900,000	17,876,601	8,564,210	11,353,388	514,506	—	(35,370)	(77,142,933)	61,277,081
Changes of accounting policy	—	—	—	—	—	—	767,145	—	780,160	1,547,305
As at 1 January 2023 (restated)	80,246,679	19,900,000	17,876,601	8,564,210	11,353,388	514,506	767,145	(35,370)	(76,362,773)	62,824,386
Profit for the year	—	—	—	—	—	—	—	—	1,083,025	1,083,025
Other comprehensive (expenses)/income for the year	—	—	—	—	—	(381,172)	28,621	(29,930)	—	(382,481)
Total comprehensive (expenses)/income for the year	—	—	—	—	—	(381,172)	28,621	(29,930)	1,083,025	700,544
Others	—	—	(4,594)	—	—	—	—	—	(863,660)	(868,254)
As at 31 December 2023	80,246,679	19,900,000	17,872,007	8,564,210	11,353,388	133,334	795,766	(65,300)	(76,143,408)	62,656,676

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other reserves: Investment revaluation reserve	Other reserves: Asset revaluation reserve	Others	Accumulated losses	Total
As at 31 December 2021	80,246,679	—	17,960,135	8,564,210	11,353,388	1,166,881	—	(42,257)	(51,184,920)	68,064,116
Changes of accounting policy	—	—	—	—	—	—	767,145	—	892,613	1,659,758
As at 1 January 2022 (restated)	80,246,679	—	17,960,135	8,564,210	11,353,388	1,166,881	767,145	(42,257)	(50,292,307)	69,723,874
Loss for the year	—	—	—	—	—	—	—	—	(26,250,628)	(26,250,628)
Other comprehensive (expenses)/income for the year	—	—	—	—	—	(472,213)	—	6,887	—	(465,326)
Total comprehensive (expenses)/income for the year	—	—	—	—	—	(472,213)	—	6,887	(26,250,628)	(26,715,954)
Capital contribution from shareholders	—	19,900,000	—	—	—	—	—	—	—	19,900,000
Others	—	—	(83,534)	—	—	(180,162)	—	—	180,162	(83,534)
As at 31 December 2022 (restated)	80,246,679	19,900,000	17,876,601	8,564,210	11,353,388	514,506	767,145	(35,370)	(76,362,773)	62,824,386

VI. EVENTS AFTER THE BALANCE SHEET DATE

On 16 January 2024, the Company received the Approval of the National Financial Regulatory Administration on the Change of Name of China Huarong Asset Management Co., Ltd., (Jin Fu [2024] No.17). The NFRA approved the change of the Company's name to China CITIC Financial Asset Management Co., Ltd. as well as the change in the names of the Company's branch offices. On 25 January 2024, the Company completed changes of registration/filing procedures for the company name and articles of association with the company registration authority and obtained renewed business license from Beijing Municipal Administration for Market Regulation. The company name was changed from China Huarong Asset Management Co., Ltd. to China CITIC Financial Asset Management Co., Ltd., with other contents of the business license remaining unchanged.

VII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 28 March 2024.

19. List of Domestic and Overseas Entities

19.1 Corporate Headquarters

China CITIC Financial Asset Management Co., Ltd.
Address: No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59619088
Fax: 010-59618000

19.2 Branches

China CITIC Financial Asset Management Co., Ltd. — Beijing Branch
Address: No. 293 Fuchengmennei Main Street, Xicheng District, Beijing
Postal code: 100034
Tel: 010-66511186
Fax: 010-66512517

China CITIC Financial Asset Management Co., Ltd. — Tianjin Branch
Address: No. 1 Nanhai Road, Heping District, Tianjin
Postal code: 300211
Tel: 022-28310107
Fax: 022-28310013

China CITIC Financial Asset Management Co., Ltd. — Hebei Branch
Address: No. 368 Zhongshan East Road, Shijiazhuang, Hebei Province
Postal code: 050011
Tel: 0311-89291736
Fax: 0311-89291706

China CITIC Financial Asset Management Co., Ltd. — Shanxi Branch
Address: No. 52 Kangle Street, Yingze District, Taiyuan, Shanxi Province
Postal code: 030001
Tel: 0351-4602761
Fax: 0351-4602761

China CITIC Financial Asset Management Co., Ltd. — Inner Mongolia Branch
Address: 14–15/F, Block A, Greenland Tengfei Building, No. 45 Tengfei Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Postal code: 010020
Tel: 0471-6981022
Fax: 0471-6967697

China CITIC Financial Asset Management Co., Ltd. — Liaoning Branch
Address: No. 142 Ningshan Middle Road, Huanggu District, Shenyang, Liaoning Province
Postal code: 110036
Tel: 024-86284759
Fax: 024-86284760

19. List of Domestic and Overseas Entities

China CITIC Financial Asset Management Co., Ltd. — Jilin Branch
Address: 4/F, Building 2, Northeast Asia International Finance Center, No. 10606 People's Avenue, Nanguan District, Changchun, Jilin Province
Postal code: 130061
Tel: 0431-89291189
Fax: 0431-88948454

China CITIC Financial Asset Management Co., Ltd. — Heilongjiang Branch
Address: No. 55 Pinghuai Street, Nangang District, Harbin, Heilongjiang Province
Postal code: 150008
Tel: 0451-82718507
Fax: 0451-82718507

China CITIC Financial Asset Management Co., Ltd. — Shanghai Branch
Address: 10/F, No. 15 Zhongshan Dong Er Road, Huangpu District, Shanghai
Postal code: 200002
Tel: 021-63899900

China CITIC Financial Asset Management Co., Ltd. — Jiangsu Branch
Address: No. 42 Beijing East Road, Xuanwu District, Nanjing, Jiangsu Province
Postal code: 210008
Tel: 025-57710700
Fax: 025-83612051

China CITIC Financial Asset Management Co., Ltd. — Zhejiang Branch
Address: No. 19-1, 19-2 Kaiyuan Road, Shangcheng District, Hangzhou, Zhejiang Province
Postal code: 310001
Tel: 0571-87836703
Fax: 0571-87689535

China CITIC Financial Asset Management Co., Ltd. — Anhui Branch
Address: No. 211 Shouchun Road, Hefei, Anhui Province
Postal code: 230001
Tel: 0551-62619966
Fax: 0551-62662566

China CITIC Financial Asset Management Co., Ltd. — Jiangxi Branch
Address: 24–26/F, Zhongshun Building, No. 135, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Postal code: 330008
Tel: 0791-86648926
Fax: 0791-86648929

China CITIC Financial Asset Management Co., Ltd. — Fujian Branch
Address: No. 112 Gutian Road, Gulou District, Fuzhou, Fujian Province
Postal code: 350005
Tel: 0591-83820781
Fax: 0591-83320266

China CITIC Financial Asset Management Co., Ltd. — Shandong Branch
Address: No. 89 Jingsan Road, Jinan, Shandong Province
Postal code: 250001
Tel: 0531-86059702
Fax: 0531-86059731

China CITIC Financial Asset Management Co., Ltd. — Henan Branch
Address: No. 136 West Main Street, Zhengzhou, Henan Province
Postal code: 450000
Tel: 0371-55619117
Fax: 0371-55619100

China CITIC Financial Asset Management Co., Ltd. — Hubei Branch
Address: Te No. 1 Tiyu Street, Yuemachang, Wuchang District, Wuhan, Hubei Province (Yintai Building 16–22/F)
Postal code: 430060
Tel: 027-88318257
Fax: 027-88318257

China CITIC Financial Asset Management Co., Ltd. — Hunan Branch
Address: No. 976 Wuyi Avenue, Changsha, Hunan Province
Postal code: 410005
Tel: 0731-84845000
Fax: 0731-84845008

China CITIC Financial Asset Management Co., Ltd. — Guangdong Branch
Address: 8–12/F, Block B, Zhuguang International Business Center, No. 3 Qingyi Street, Machang Road, Tianhe District, Guangzhou, Guangdong Province
Postal code: 510627
Tel: 020-83283153
Fax: 020-83287052

China CITIC Financial Asset Management Co., Ltd. — Guangxi Branch
Address: No. 38-3 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region
Postal code: 530022
Tel: 0771-5858778
Fax: 0771-5871108

19. List of Domestic and Overseas Entities

China CITIC Financial Asset Management Co., Ltd. — Hainan Branch
Address: No. 53-1 Longkun North Road, Haikou, Hainan Province
Postal code: 570105
Tel: 0898-66700041
Fax: 0898-66700042

China CITIC Financial Asset Management Co., Ltd. — Sichuan Branch
Address: 19–21/F, Zongfu Building, No. 35 Zongfu Road, Jinjiang District, Chengdu, Sichuan Province
Postal code: 610016
Tel: 028-86516577

China CITIC Financial Asset Management Co., Ltd. — Chongqing Branch
Address: Block A1, Meiquan 22nd Century Office Building, No. 178 Haier Road, Jiangbei District, Chongqing
Postal code: 400025
Tel: 023-67719890
Fax: 023-67719840

China CITIC Financial Asset Management Co., Ltd. — Yunnan Branch
Address: No. 1 Jinjiang Road (No. 338 Wanhong Road), Panlong District, Kunming, Yunnan Province
Postal code: 650224
Tel: 0871-65700939
Fax: 0871-65700888

China CITIC Financial Asset Management Co., Ltd. — Guizhou Branch
Address: 20–23F, Fuzhong Business Building, No. 78 Xinhua Road, Nanming District, Guiyang, Guizhou Province
Postal code: 550002
Tel: 0851-85502443
Fax: 0851-85502443

China CITIC Financial Asset Management Co., Ltd. — Shaanxi Branch
Address: No. 92 Dongguan Main Street, Xi'an, Shaanxi Province
Postal code: 710048
Tel: 029-89539168
Fax: 029-89539168

China CITIC Financial Asset Management Co., Ltd. — Gansu Branch
Address: No. 225 Wudu Road, Chengguan District, Lanzhou, Gansu Province
Postal code: 730030
Tel: 0931-8500288
Fax: 0931-8500280

China CITIC Financial Asset Management Co., Ltd. — Ningxia Branch
Address: 13–15/F, Hongfeng Building, No. 33 Yuehai Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Postal code: 750002
Tel: 0951-3059503
Fax: 0951-3059556

China CITIC Financial Asset Management Co., Ltd. — Qinghai Branch
Address: 14–16/F, Changyuanrongxin Building, No. 102 Kunlun Center Road, Chengzhong District, Xining, Qinghai Province
Postal code: 810000
Tel: 0971-6116033
Fax: 0971-6116033

China CITIC Financial Asset Management Co., Ltd. — Xinjiang Branch
Address: 17–18/F, Kunlun Building, Green City Plaza, No. 888 Hongguangshan Road, Shuimogou District, Urumqi, Xinjiang Uygur Autonomous Region
Postal code: 830004
Tel: 0991-2377049
Fax: 0991-2826694

China CITIC Financial Asset Management Co., Ltd. — Dalian Branch
Address: No. 51 Gengxin Street, Xigang District, Dalian, Liaoning Province
Postal code: 116011
Tel: 0411-83682708
Fax: 0411-83696111

China CITIC Financial Asset Management Co., Ltd. — Shenzhen Branch
Address: 27/F and 46/F, Taiping Financial Building, No. 6001 Yitian Road, Futian District, Shenzhen, Guangdong Province
Postal code: 518017
Tel: 0755-83636068

China CITIC Financial Asset Management Co., Ltd. — Shanghai Pilot Free Trade Zone Branch
Address: 7/F, No. 15 Zhongshan Dong Er Road, Huangpu District, Shanghai
Postal code: 200002
Tel: 021-63265959
Fax: 021-63265700

19.3 Principal Platform Subsidiaries

China Huarong Financial Leasing Co., Ltd.
Address: Huazu Mansion, No. 88 Jiangjin Road, Shangcheng District, Hangzhou, Zhejiang Province
Postal code: 310016
Tel: 0571-87950988
Fax: 0571-87950511

19. List of Domestic and Overseas Entities

Huarong Jinshang Asset Management Co., Ltd.
Address: No. 282 Yingze Street, Taiyuan, Shanxi Province
Postal code: 030001
Tel: 0351-5695912
Fax: 0351-5695900

China Huarong International Holdings Limited
Address: China Huarong Tower, No. 60 Gloucester Road, Wanchai, Hong Kong
Tel: 00852-31985678

Huarong Rongde Asset Management Co., Ltd.
Address: 5/F, Block A, No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59400399
Fax: 010-59400399

Huarong Industrial Investment & Management Co., Ltd.
Address: 3/F & 5/F, Block C, No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100037
Tel: 010-57649165
Fax: 010-57649111

Huarong Zhiyuan Investment & Management Co., Ltd.
Address: 6/F, Block C, No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59618733

Huarong Huitong Asset Management Co., Ltd.
Address: 8/F, Block C, No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100037
Tel: 010-57809334
Fax: 010-57809374

Huarong Rongtong (Beijing) Technology Co., Ltd.
Address: 10/F & 11/F, Block C, No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100088
Tel: 010-59618249

中国中信金融资产
China CITIC Financial AMC

Address: No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59618888
Fax: 010-59618000
Website: http://www.chamc.com.cn