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中國華融資產管理股份有限公司

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

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

**(Stock Code: 2799)**

## **2021 Interim Results Announcement**

The board of directors (the “**Board**”) of China Huarong Asset Management Co., Ltd. (the “**Company**”) is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended June 30, 2021. The Audit Committee of the Board has reviewed the interim results. This results announcement complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the preliminary announcements of interim results. The printed version of the 2021 interim report of the Company will be delivered to the holders of the H Shares of the Company and will be available for viewing on the websites of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chamc.com.cn](http://www.chamc.com.cn)) in September 2021.

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# 1 Definitions

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

AMC(s)	the four asset management companies approved for establishment by the State Council, namely the Company, China Great Wall Asset Management Co., Ltd., China Orient Asset Management Co., Ltd. and China Cinda Asset Management Co., Ltd.
Articles of Association	the articles of association of China Huarong Asset Management Co., Ltd. as amended from time to time
Board or Board of Directors	the board of Directors of the Company
Board of Supervisors	the board of Supervisors of the Company
CBIRC	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
Company	China Huarong Asset Management Co., Ltd.
COVID-19	Coronavirus Disease 2019
Debt-to-equity swap(s) or DES	the practice of converting indebtedness owed by the obligors to equity
DES Assets	(1) the equity assets that the Company acquired as a result of equity swaps of distressed debt assets of a number of medium and large state-owned enterprises according to national policy prior to its restructuring; (2) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages it purchased; (3) additional investments by the Company in the aforementioned enterprises; (4) equities the Company received in satisfaction of debt through distressed debt asset management; (5) the small amount of equity the Company received as part of its share capital when it was established in 1999; and (6) assets formed by the Company through conducting market-oriented DES business
DES Companies	the companies and enterprises whose distressed indebtedness held by the AMCs were swapped for equity
Director(s)	director(s) of the Company

Domestic Share(s)	ordinary Share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
Group or our Group or China Huarong	China Huarong Asset Management Co., Ltd. and its subsidiaries
H Share(s)	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Hong Kong Stock Exchange
HK\$ or Hong Kong dollars	Hong Kong dollars, the lawful currency of Hong Kong
Hong Kong	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huarong Financial Leasing	China Huarong Financial Leasing Co., Ltd.
Huarong International	China Huarong International Holdings Limited
Huarong Industrial	Huarong Industrial Investment & Management Co., Ltd. (renamed on January 17, 2020; formally known as “Huarong Real Estate Co., Ltd.”)
Huarong Rongde	Huarong Rongde Asset Management Co., Ltd.
Huarong Trust	Huarong International Trust Co., Ltd.
Huarong Xiangjiang Bank	Huarong Xiangjiang Bank Corporation Limited
IFRS(s)	the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
MOF	the Ministry of Finance of the PRC (中華人民共和國財政部)

non-performing loan(s) or NPL(s)	loan(s) classified as substandard, doubtful and loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
PRC GAAP	generally accepted accounting principles in the PRC
Prospectus	the prospectus for the Company's listing in Hong Kong dated October 16, 2015
Relevant Persons	has the meaning as defined in the Prospectus
Reporting Period	the six months ended June 30, 2021
RMB or Renminbi	Renminbi, the lawful currency of the PRC
ROAA	return on average assets
ROAE	return on average equity attributable to equity holders
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
Share(s)	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including H Shares and Domestic 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
U.S. or United States	the United States of America

## 2 Corporate Information

Official Chinese name	中國華融資產管理股份有限公司
Chinese abbreviation	中國華融
Official English name	China Huarong Asset Management Co., Ltd.
English abbreviation	China Huarong
Legal representative	Wang Zhanfeng
Authorized representatives	Wang Wenjie, Xu Yongli
Secretary to the Board	Xu Yongli
Joint company secretaries	Xu Yongli, 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	40/F, Dai Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
Website of Hong Kong Stock Exchange for publishing the H Shares interim report	www.hkexnews.hk
Place for maintaining interim reports available for inspection	Board office of the Company
Place of listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock name	China Huarong
Stock code	2799
H Share registrar and office address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Registration number of financial license	J0001H111000001
Social Credit Code	911100007109255774

Legal advisor as to PRC Law and place of business	Haiwen & Partners 20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing, China
Legal advisor as to Hong Kong law and place of business	Clifford Chance 27th Floor, Jardine House, One Connaught Place, Hong Kong
International accounting firm and office address	Ernst & Young 27/F, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong
Domestic accounting firm and office address	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Changan Ave., Dongcheng District, Beijing, China

### 3 Financial Summary

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

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>(in millions of RMB)</i>	
Income from distressed debt assets	<b>15,268.0</b>	16,774.3
Fair value changes on distressed debt assets	<b>3,584.8</b>	4,295.6
Fair value changes on other financial assets and liabilities	<b>3,510.4</b>	565.8
Interest income	<b>18,468.7</b>	18,412.2
Finance lease income	<b>1,106.6</b>	2,046.5
Gains from derecognition of financial assets measured at amortised cost	<b>596.3</b>	274.2
Gains from derecognition of debt instruments at fair value through other comprehensive income (“FVTOCI”)	<b>143.4</b>	83.8
Commission and fee income	<b>1,234.4</b>	1,125.7
Net gains on disposals or deemed of disposals of subsidiaries, associates and joint ventures	<b>19.6</b>	111.4
Dividend income	<b>458.2</b>	603.2
Other income and other net gains or losses	<b>1,672.1</b>	1,395.1
<b>Total income</b>	<b>46,062.5</b>	45,687.8
Interest expenses	<b>(27,185.8)</b>	(27,992.3)
Commission and fee expenses	<b>(406.8)</b>	(1,172.7)
Operating expenses	<b>(5,249.3)</b>	(5,611.0)
Impairment losses under expected credit loss (“ECL”) model	<b>(7,920.2)</b>	(6,079.7)
Impairment losses on other assets	<b>(140.0)</b>	(198.9)
<b>Total expenses</b>	<b>(40,902.1)</b>	(41,054.6)
Change in net assets attributable to other holders of consolidated structured entities	<b>(1,057.3)</b>	(810.5)
Share of results of associates and joint ventures	<b>193.3</b>	64.2
<b>Profit before tax</b>	<b>4,296.4</b>	3,886.9
Income tax expense	<b>(2,672.2)</b>	(3,094.8)
<b>Profit for the period</b>	<b>1,624.2</b>	792.1
Profit attributable to:		
Equity holders of the Company	<b>158.3</b>	209.9
Holders of perpetual capital instruments	<b>631.5</b>	401.1
Non-controlling interests	<b>834.4</b>	181.1



	As at <b>June 30, 2021</b> (Unaudited) <i>(in millions of RMB)</i>	As at December 31, 2020 (Audited)
<b>Assets</b>		
Cash and balances with central bank	26,647.4	22,808.4
Deposits with financial institutions	133,767.3	123,875.0
Placements with financial institutions	4,466.6	5,740.8
Financial assets at fair value through profit or loss (“FVTPL”)	345,845.9	359,440.0
Financial assets held under resale agreements	15,449.1	15,224.6
Contract assets	5,198.5	5,307.0
Loans and advances to customers	243,340.4	232,500.2
Finance lease receivables	31,062.9	39,796.7
Debt instruments at FVTOCI	62,444.9	83,106.8
Equity instruments at FVTOCI	3,083.4	4,493.9
Inventories	21,617.5	20,112.4
Debt instruments at amortised cost	635,752.8	656,048.6
Interests in associates and joint ventures	15,527.4	14,358.0
Investment properties	4,055.9	4,001.0
Property and equipment	12,422.0	12,717.3
Right-of-use assets	2,662.5	2,447.2
Deferred tax assets	14,939.7	14,423.9
Goodwill	323.0	323.0
Other assets	27,010.0	24,742.2
<b>Total assets</b>	<b>1,605,617.2</b>	<b>1,641,467.0</b>
<b>Liabilities</b>		
Borrowings from central bank	21,280.9	23,182.8
Deposits from financial institutions	7,568.8	8,924.1
Placements from financial institutions	6,610.0	4,679.3
Financial assets sold under repurchase agreements	24,123.8	15,547.4
Borrowings	781,984.8	778,423.8
Financial liabilities at FVTPL	2,714.7	3,301.5
Due to customers	263,983.1	250,827.2
Tax payable	818.8	1,283.9
Contract liabilities	465.0	649.1
Lease liabilities	1,173.7	919.8
Deferred tax liabilities	488.7	408.8
Bonds and notes issued	284,967.2	336,971.8
Other liabilities	143,684.4	152,090.6
<b>Total liabilities</b>	<b>1,539,863.9</b>	<b>1,577,210.1</b>

	As at <b>June 30, 2021</b> (Unaudited) <i>(in millions of RMB)</i>	As at December 31, 2020 (Audited)
<b>Equity</b>		
Share capital	39,070.2	39,070.2
Capital reserve	17,217.2	17,241.5
Surplus reserve	8,564.2	8,564.2
General reserve	17,842.1	17,842.1
Other reserves	4,346.8	3,413.2
Accumulated losses	(67,828.3)	(67,976.5)
<b>Equity attributable to equity holders of the Company</b>	<b>19,212.2</b>	18,154.7
Perpetual capital instruments	25,490.3	25,475.9
Non-controlling interests	21,050.8	20,626.3
<b>Total equity</b>	<b>65,753.3</b>	64,256.9
<b>Total equity and liabilities</b>	<b>1,605,617.2</b>	1,641,467.0
<b>Financial ratios</b>		
Liabilities to total assets ratio <sup>(1)</sup>	95.9%	96.1%
	<b>For the six months ended June 30, 2021 (Unaudited)</b>	2020 (Unaudited)
Annualized ROAE <sup>(2)</sup>	1.7%	0.3%
Annualized ROAA <sup>(3)</sup>	0.2%	0.1%
Basic earnings per share <sup>(4)</sup> (RMB)	0.004	0.005
Diluted earnings per share <sup>(5)</sup> (RMB)	N/A	N/A

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

(2) Represents the percentage of the annualized net profit attributable to equity holders of the Company for the period in the average balance of equity attributable to equity holders of the Company as at the beginning and the end of the period.

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

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

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

## 4 Management Discussion and Analysis

### 4.1 Economic, Financial and Regulatory Environment

In the first half of 2021, the global economy stabilized and recovered. In April, the International Monetary Fund (IMF) released the annual economic growth forecast of 6%, which is 0.8 percentage point higher than the previous value. Affected by factors such as the speed of COVID-19 vaccination, economic policy support, and their own economic structure, the pace of economic recovery varied in different countries, and the problem of imbalance has become increasingly prominent.

In the first half of 2021, facing a more complex and severe external environment, China continued to consolidate and expand the results of epidemic prevention and control, solidify the outcome of economic and social development, and accurately implement macroeconomic policies. The economy continued to recover steadily and production demand continued to rise; employment and prices of commodities generally remained stable, and the new driving forces grew rapidly; economy quality and efficiency were steadily improved, with positive expectations of market entities and major macro indicators within a reasonable range; and economic development registered a solid stable performance with good momentum for growth. According to preliminary calculations of the National Bureau of Statistics, the GDP in the first half of 2021 increased by 12.7% year on year, and the two-year average growth rate was 5.3%.

In the first half of 2021, China's financial reform and innovation continued to deepen, and the ability of finance to serve the economic and social development was steadily improved. At the same time, the financial system has maintained steady operation, and important phased results have been achieved in preventing and resolving financial risks. Under such background, financial asset management companies increased resource investment in core business, actively acquired distressed assets, restructured problem enterprises and rescued enterprises in crises, and conducted market-oriented debt-to-equity swap business, which actively prevented and mitigated financial risks and strongly supported the development of the real economy.

In the first half of 2021, the CBIRC has issued a series of policies and measures to guide financial institutions to operate steadily and prevent and resolve financial risks. First, the Notice on the Pilot Program for the Transfer of Non-Performing Loans and the Implementation Plan for the Pilot Transfer of Non-Performing Loans of Banks were issued to formally approve the transfer of non-performing loans from personal customers to companies and batch transfer of personal non-performing loans; second, the Notice on Promoting the Cooperation between Trust Companies and Professional Institutions to Dispose of Risk Assets was issued to support the cooperation of the credit insurance funds, asset management companies and trust companies to dispose their distressed assets and trust risk assets; third, the Working Procedures for Creditors' Committees of Financial Institutions was printed and distributed to safeguard the legal rights and interests of creditors of financial institutions; fourth, the Guidelines for Corporate Governance of Banking and Insurance Institutions was issued to formally include the organic integration of party leadership and corporate governance into the regulatory system; fifth, the Interim Measures for the Implementation of Recovery and Disposal Plans by Banking and Insurance Institutions was introduced to prevent and defuse major risks. The continuous improvement of regulatory policies provided a good external environment for financial asset management companies to return to their source and focus on their core businesses. At the same time, it also clarified the development direction for the transformation of the distressed asset industry.

## 4.2 Analysis of Financial Statements

### 4.2.1 Operating Results of the Group

In the first half of 2021, in view of the postponed disclosure of 2020 annual results, suspension on trading of shares, and severe and complicated internal and external situations, under the guidance and support of the regulatory authorities, substantial shareholders and interbank financial institutions, the Group focused on the transformation development and risk management, acted proactively, insisted on refining and promoting the core business, accelerated disposal of risks, revitalized inefficient assets, maintained stable liquidity, and maintained normal operations.

In the first half of 2021, the Group's total revenue amounted to RMB46,062.5 million, representing an increase of 0.8% on a year-on-year basis; total expenditures amounted to RMB40,902.1 million, representing a decrease of 0.4% on a year-on-year basis; net profit amounted to RMB1,624.2 million, representing an increase of 105.0% on a year-on-year basis; net profit attributable to shareholders of the Company amounted to RMB158.3 million, representing a decrease of 24.6% on a year-on-year basis; the annualized ROAE was 1.7%, and the annualized ROAA was 0.2%. The main financial indicators of the Group showed positive changes.

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Income from distressed debt assets	<b>15,268.0</b>	16,774.3	(1,506.3)	(9.0%)
Fair value changes on distressed debt assets	<b>3,584.8</b>	4,295.6	(710.8)	(16.5%)
Fair value changes on other financial assets and liabilities	<b>3,510.4</b>	565.8	2,944.6	520.4%
Interest income	<b>18,468.7</b>	18,412.2	56.5	0.3%
Finance lease income	<b>1,106.6</b>	2,046.5	(939.9)	(45.9%)
Gains from derecognition of financial assets measured at amortised cost	<b>596.3</b>	274.2	322.1	117.5%
Gains from derecognition of debt instruments at FVTOCI	<b>143.4</b>	83.8	59.6	71.1%
Commission and fee income	<b>1,234.4</b>	1,125.7	108.7	9.7%
Net gains on disposals or deemed of disposals of subsidiaries, associates and joint ventures	<b>19.6</b>	111.4	(91.8)	(82.4%)
Dividend income	<b>458.2</b>	603.2	(145.0)	(24.0%)
Other income and other net gains or losses	<b>1,672.1</b>	1,395.1	277.0	19.9%
<b>Total income</b>	<b>46,062.5</b>	45,687.8	374.7	0.8%

For the six months ended June 30,			
	2021	2020	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>		
Interest expenses	(27,185.8)	(27,992.3)	806.5 (2.9%)
Commission and fee expenses	(406.8)	(1,172.7)	765.9 (65.3%)
Operating expenses	(5,249.3)	(5,611.0)	361.7 (6.4%)
Impairment losses under ECL model	(7,920.2)	(6,079.7)	(1,840.5) 30.3%
Impairment losses on other assets	(140.0)	(198.9)	58.9 (29.6%)
<b>Total expenses</b>	<b>(40,902.1)</b>	<b>(41,054.6)</b>	<b>152.5 (0.4%)</b>
Change in net assets attributable to other holders of consolidated structured entities	(1,057.3)	(810.5)	(246.8) 30.5%
Share of results of associates and joint ventures	193.3	64.2	129.1 201.1%
<b>Profit before tax</b>	<b>4,296.4</b>	<b>3,886.9</b>	<b>409.5 10.5%</b>
Income tax expense	(2,672.2)	(3,094.8)	422.6 (13.7%)
<b>Profit for the period</b>	<b>1,624.2</b>	<b>792.1</b>	<b>832.1 105.0%</b>
Profit attributable to:			
Equity holders of the Company	158.3	209.9	(51.6) (24.6%)
Holders of perpetual capital instruments	631.5	401.1	230.4 57.4%
Non-controlling interests	834.4	181.1	653.3 360.7%

#### 4.2.1.1 Total income

The table below sets forth the components of total income of the Group for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Income from distressed debt assets	<b>15,268.0</b>	16,774.3	(1,506.3)	(9.0%)
Fair value changes on distressed debt assets	<b>3,584.8</b>	4,295.6	(710.8)	(16.5%)
Fair value changes on other financial assets and liabilities	<b>3,510.4</b>	565.8	2,944.6	520.4%
Interest income	<b>18,468.7</b>	18,412.2	56.5	0.3%
Finance lease income	<b>1,106.6</b>	2,046.5	(939.9)	(45.9%)
Gains from derecognition of financial assets measured at amortised cost	<b>596.3</b>	274.2	322.1	117.5%
Gains from derecognition of debt instruments at fair value through other comprehensive income	<b>143.4</b>	83.8	59.6	71.1%
Commission and fee income	<b>1,234.4</b>	1,125.7	108.7	9.7%
Net gains on disposals or deemed of disposals of subsidiaries, associates and joint ventures	<b>19.6</b>	111.4	(91.8)	(82.4%)
Dividend income	<b>458.2</b>	603.2	(145.0)	(24.0%)
Other income and other net gains or losses	<b>1,672.1</b>	1,395.1	277.0	19.9%
<b>Total income</b>	<b><u>46,062.5</u></b>	<b><u>45,687.8</u></b>	<b><u>374.7</u></b>	<b><u>0.8%</u></b>

In the first half of 2021, the total income of the Group was generally stable and increased by 0.8% from RMB45,687.8 million in the first half of 2020 to RMB46,062.5 million in the first half of 2021. Specifically, the distressed assets management business and financial service business were still the main sources of income of the Group.

##### 4.2.1.1.1 Income from distressed debt assets

In the first half of 2021, the Group's acquisition-and-restructuring business continued to maintain a large contribution to income, and its income from distressed debt assets amounted to RMB15,268.0 million, accounting for 33.1% of total income with a decrease of 9.0% on a year-on-year basis. The decrease in income was mainly due to the Group's reduction of investment in non-financial real estate related projects. New acquisitions in the current period decreased on a year-on-year basis, and the distressed debt assets decreased by 5.8% from RMB393,850.6 million as of December 31, 2020 to RMB371,031.3 million as of June 30, 2021.

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

Fair value changes on distressed debt assets derive from the acquisition-and-disposal business of the Group, including the realized net income from disposal of acquisition-and-disposal distressed debt assets and the unrealized fair value changes on such assets. Any interest income generated from such assets is also included in the fair value changes. In the first half of 2021, the Group, on the one hand, took active measures to speed up the disposal of existing assets and devoted greater effort in asset recovery; on the other hand, while strictly controlling the new business risk access, the Group continued to promote business transformation, and completed the acquisition of the first individual-and-enterprise distressed assets and the distressed assets of individual loans. Positive results have been achieved in the transformation of the main business. In the first half of 2021, the Group's net income from acquisition-and-disposal distressed debt assets was RMB3,906.8 million, representing an increase of 24.0% on a year-on-year basis; the unrealized fair value change loss was RMB322.0 million, representing a decrease of 128.1% on a year-on-year basis. The acquisition-and-disposal distressed debt assets decreased from RMB189,056.7 million as of December 31, 2020 to RMB188,066.9 million as of June 30, 2021.

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

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed debt assets fair value changes				
—realized	<b>3,906.8</b>	3,151.6	755.2	24.0%
—unrealized	<b>(322.0)</b>	1,144.0	(1,466.0)	(128.1%)
<b>Total</b>	<b><u>3,584.8</u></b>	<b><u>4,295.6</u></b>	<b><u>(710.8)</u></b>	<b><u>(16.5%)</u></b>



#### 4.2.1.1.3 Fair value changes on other financial assets and liabilities

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

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Fair value changes on other financial assets and liabilities				
— realized	<b>3,924.2</b>	3,887.5	36.7	0.9%
— unrealized	<b>(413.8)</b>	(3,321.7)	2,907.9	87.5%
<b>Total</b>	<b><u>3,510.4</u></b>	<b><u>565.8</u></b>	<b><u>2,944.6</u></b>	<b><u>520.4%</u></b>

Fair value changes on other financial assets and liabilities derive from the financial assets and financial liabilities at FVTPL, excluding the acquisition-and-disposal business of the Group. The fair value changes comprise both realized gains or losses from disposal and settlement of other financial assets and liabilities and unrealized fair value changes on such assets and liabilities. Any interest income arising from such assets is also included in fair value changes. In the first half of 2021, the fair value changes on other financial assets and liabilities were RMB3,510.4 million, representing an increase of 520.4% on a year-on-year basis, mainly due to an increase in changes of fair value of listed and unlisted equity, equity investment-related funds and trust products resulting from the impact of continued capital market fluctuations on the Group.



#### 4.2.1.1.4 Interest income

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

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Debt instruments at amortised cost other than distressed debt assets	<b>6,406.6</b>	6,972.1	(565.5)	(8.1%)
Debt instruments at FVTOCI other than distressed debt assets	<b>651.7</b>	873.5	(221.8)	(25.4%)
Loans and advances to customers				
Corporate loans and advances and discounted bills	<b>4,016.4</b>	4,260.1	(243.7)	(5.7%)
Personal loans and advances	<b>3,340.3</b>	2,978.6	361.7	12.1%
Loans to margin clients	<b>135.1</b>	186.2	(51.1)	(27.4%)
Receivables arising from sales and leaseback arrangements	<b>2,272.4</b>	1,430.8	841.6	58.8%
Deposits with financial institutions	<b>1,020.0</b>	1,198.7	(178.7)	(14.9%)
Placements with financial institutions	<b>259.8</b>	36.4	223.4	613.7%
Financial assets held under resale agreements	<b>206.7</b>	294.7	(88.0)	(29.9%)
Balances with central bank	<b>159.7</b>	181.1	(21.4)	(11.8%)
<b>Total</b>	<b><u>18,468.7</u></b>	<b><u>18,412.2</u></b>	<b><u>56.5</u></b>	<b><u>0.3%</u></b>

Interest income derives from the Group's debt investment, which is measured at amortised cost and FVTOCI, excluding that from the acquisition-and-restructuring businesses of the Group. In the first half of 2021, the Group's interest income increased by 0.3% from RMB18,412.2 million in the first half of 2020 to RMB18,468.7 million in the first half of 2021. The total income basically remained unchanged, and the income structure showed positive changes. On the one hand, the Group's income from the banking business and sales and leaseback business maintained steady growth. Interest income from loans and advances to customers increased by 0.9% from RMB7,424.9 million in the first half of 2020 to RMB7,491.8 million in the first half of 2021; interest income of receivables arising from sales and leaseback arrangements increased by 58.8% from RMB1,430.8 million in the first half of 2020 to RMB2,272.4 million in the first half of 2021. On the other hand, the Group continued to reduce the non-core and non-advantages businesses; interest income from debt instruments at amortised cost other than distressed debt assets and interest income from debt instruments at FVTOCI other than distressed debt assets in aggregate decreased by 10.0% from RMB7,845.6 million in the first half of 2020 to RMB7,058.3 million in the first half of 2021.

#### 4.2.1.1.5 Finance lease income

The finance lease income of the Group mainly derives from Huarong Financial Leasing. The finance lease income decreased by 45.9% from RMB2,046.5 million in the first half of 2020 to RMB1,106.6 million in the first half of 2021. Considering that interest income of receivables arising from sales and leaseback arrangements is presented in interest income upon the adoption of the New Lease Standards in 2019, the income from the financial leasing business of the Group decreased by 2.8% from RMB3,477.3 million in the first half of 2020 to RMB3,379.0 million in the first half of 2021, remaining basically stable.

#### 4.2.1.1.6 Commission and fee income

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

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Securities and futures brokerage business	498.7	416.3	82.4	19.8%
Banking and consumer finance business	383.3	364.4	18.9	5.2%
Trust business	172.3	231.4	(59.1)	(25.5%)
Asset management business	171.6	102.8	68.8	66.9%
Fund management business	8.5	10.8	(2.3)	(21.3%)
<b>Total</b>	<b>1,234.4</b>	<b>1,125.7</b>	<b>108.7</b>	<b>9.7%</b>

Commission and fee income of the Group increased by 9.7% from RMB1,125.7 million in the first half of 2020 to RMB1,234.4 million in the first half of 2021, mainly due to the increase in commission and fee income from the securities and futures brokerage business and asset management business of the Group.

#### 4.2.1.1.7 Other income and other net gains or losses

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

For the six months ended June 30,			
	2021	2020	Change in percentage
	(in millions of RMB, except for percentages)		
Income arising from operating leases	588.0	524.4	63.6 12.1%
Revenue from properties development	484.8	194.2	290.6 149.6%
Government grants	41.6	24.3	17.3 71.2%
Net (losses)/gains on exchange differences	(81.3)	262.3	(343.6) (131.0%)
Others	639.0	389.9	249.1 63.9%
<b>Total</b>	<b>1,672.1</b>	<b>1,395.1</b>	<b>277.0 19.9%</b>

Other income and other net gains or losses of the Group increased by 19.9% from RMB1,395.1 million in the first half of 2020 to RMB1,672.1 million in the first half of 2021, mainly due to the increase in the relevant revenue from properties development of the Group.

#### 4.2.1.2 Total expenses

Total expenses of the Group decreased by 0.4% from RMB41,054.6 million in the first half of 2020 to RMB40,902.1 million in the first half of 2021.

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

For the six months ended June 30,			
	2021	2020	Change in percentage
	(in millions of RMB, except for percentages)		
Interest expenses	(27,185.8)	(27,992.3)	806.5 (2.9%)
Commission and fee expenses	(406.8)	(1,172.7)	765.9 (65.3%)
Operating expenses	(5,249.3)	(5,611.0)	361.7 (6.4%)
Impairment losses under ECL model	(7,920.2)	(6,079.7)	(1,840.5) 30.3%
Impairment losses on other assets	(140.0)	(198.9)	58.9 (29.6%)
<b>Total expenses</b>	<b>(40,902.1)</b>	<b>(41,054.6)</b>	<b>152.5 (0.4%)</b>

#### 4.2.1.2.1 Interest expenses

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

For the six months ended June 30,				
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Borrowings	(17,105.0)	(17,385.0)	280.0	(1.6%)
Bonds and notes issued	(6,155.8)	(7,149.2)	993.4	(13.9%)
Due to customers	(2,922.5)	(2,824.8)	(97.7)	3.5%
Financial assets sold under repurchase agreements	(282.2)	(263.4)	(18.8)	7.1%
Borrowings from central bank	(280.7)	(66.8)	(213.9)	320.2%
Lease liabilities	(164.9)	(34.9)	(130.0)	372.5%
Deposits from financial institutions	(143.0)	(163.8)	20.8	(12.7%)
Placements from financial institutions	(41.6)	(6.9)	(34.7)	502.9%
Other liabilities	(90.1)	(97.5)	7.4	(7.6%)
<b>Total</b>	<b>(27,185.8)</b>	<b>(27,992.3)</b>	<b>806.5</b>	<b>(2.9%)</b>

In the first half of 2021, the interest expenses of the Group decreased by 2.9% from RMB27,992.3 million in the first half of 2020 to RMB27,185.8 million in the first half of 2021, mainly due to the decrease in the interest expenses of borrowings and bonds and notes issued. The interest expenses of borrowings of the Group decreased by 1.6% from RMB17,385.0 million in the first half of 2020 to RMB17,105.0 million in the first half of 2021 and the interest expenses of bonds and notes issued decreased by 13.9% from RMB7,149.2 million in the first half of 2020 to RMB6,155.8 million in the first half of 2021.

#### 4.2.1.2.2 Operating expenses

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

For the six months ended June 30,			
	2021	2020	Change in percentage
	(in millions of RMB, except for percentages)		
Employee benefits	(2,049.4)	(2,381.5)	332.1 (13.9%)
Turnover tax and surcharges	(334.3)	(319.5)	(14.8) 4.6%
Others	(2,865.6)	(2,910.0)	44.4 (1.5%)
Including:			
Depreciation of property and equipment	(476.7)	(463.2)	(13.5) 2.9%
Depreciation of right-of-use assets	(354.5)	(364.0)	9.5 (2.6%)
Cost of properties development and sales	(344.2)	(109.9)	(234.3) 213.2%
Amortisation	(120.1)	(153.1)	33.0 (21.6%)
Depreciation of investment properties	(70.4)	(105.3)	34.9 (33.1%)
Management fee for leases	(47.2)	(94.7)	47.5 (50.2%)
Rental for short-term leases	(38.8)	(94.3)	55.5 (58.9%)
<b>Total</b>	<b>(5,249.3)</b>	<b>(5,611.0)</b>	<b>361.7 (6.4%)</b>

Operating expenses of the Group decreased by 6.4% from RMB5,611.0 million in the first half of 2020 to RMB5,249.3 million in the first half of 2021, mainly due to the decrease of employee benefits.

#### 4.2.1.2.3 Impairment losses under ECL model

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

For the six months ended June 30,			
	2021	2020	Change in percentage
	(in millions of RMB, except for percentages)		
Debt instruments at amortised cost	(4,157.8)	(3,385.2)	(772.6) 22.8%
Loans and advances to customers	(2,652.7)	(1,789.4)	(863.3) 48.2%
Debt instruments at FVTOCI	(1,025.2)	(573.5)	(451.7) 78.8%
Financial assets held under resale agreements	324.2	233.8	90.4 38.7%
Financial lease receivables	(269.7)	(247.0)	(22.7) 9.2%
Other financial assets	(139.0)	(318.4)	179.4 (56.3%)
<b>Total</b>	<b>(7,920.2)</b>	<b>(6,079.7)</b>	<b>(1,840.5) 30.3%</b>

In the first half of 2021, the impairment losses under ECL model of the Group were RMB7,920.2 million, increased by 30.3% year-on-year, mainly due to the Group made provision of impairment loss for acquisition-and-restructuring distressed debt assets, loans and advances to customers, as well as financial assets at amortised cost and at FVTOCI other than distressed debt assets based on their risk conditions and ECL model.

#### 4.2.1.2.4 Impairment losses on other assets

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

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Interests in associates and joint ventures	(129.4)	(189.3)	59.9	(31.6%)
Others	(10.6)	(9.6)	(1.0)	10.4%
<b>Total</b>	<b>(140.0)</b>	<b>(198.9)</b>	<b>58.9</b>	<b>(29.6%)</b>

Impairment losses on other assets of the Group decreased by 29.6% from RMB198.9 million in the first half of 2020 to RMB140.0 million in the first half of 2021.

#### 4.2.1.3 Income tax expense

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

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Current income tax				
PRC enterprise income tax	(3,248.2)	(1,274.5)	(1,973.7)	154.9%
PRC land appreciation tax	(11.6)	—	(11.6)	—
Hong Kong and Macao profits tax	(19.7)	(57.3)	37.6	(65.6%)
Deferred income tax	607.3	(1,763.0)	2,370.3	(134.4%)
<b>Total</b>	<b>(2,672.2)</b>	<b>(3,094.8)</b>	<b>422.6</b>	<b>(13.7%)</b>

Income tax expense of the Group decreased by 13.7% from RMB3,094.8 million in the first half of 2020 to RMB2,672.2 million in the first half of 2021. On the one hand, the profit before tax of the Group increased in the first half of 2021, and corresponding taxable income and income tax expense for the current period also increased; on the other hand, the Group recognized deferred income tax assets arising from deductible temporary differences. Despite a mild decrease in the first half of 2021, the effective tax rate stayed above 25% as certain subsidiaries suffered losses.

#### 4.2.1.4 Segment operating results

Each business segment of the Group is subject to different risks and returns. The Group reports financial results in three segments:

- (1) distressed asset management segment: mainly includes distressed debt asset management business of the Company, policy-based DES asset management business based on commercial buy-out of the Company, distressed asset management business, distressed asset-based special situations investment business and distressed asset-based property development business conducted by our subsidiaries as well as market-oriented DES business of the Group.
- (2) financial services segment: mainly includes financial leasing business, banking services business, futures business, consumer finance business and others.
- (3) asset management and investment segment: mainly includes trust business, private equity funds business, international business and other businesses.

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

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	27,045.5	28,015.3	(969.8)	(3.5%)
Financial services segment	16,743.5	16,597.9	145.6	0.9%
Asset management and investment segment	4,840.3	4,539.4	300.9	6.6%
Inter-segment elimination	(2,566.8)	(3,464.8)	898.0	25.9%
<b>Total</b>	<b>46,062.5</b>	<b>45,687.8</b>	<b>374.7</b>	<b>0.8%</b>

The table below sets forth the profit before tax of each of the Group's segments for the periods indicated.

	For the six months ended June 30,			
	2021	2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	5,766.5	7,593.0	(1,826.5)	(24.1%)
Financial services segment	3,496.3	3,649.4	(153.1)	(4.2%)
Asset management and investment segment	(4,189.5)	(5,626.6)	1,437.1	25.5%
Inter-segment elimination	(776.9)	(1,728.9)	952.0	55.1%
<b>Total</b>	<b>4,296.4</b>	<b>3,886.9</b>	<b>409.5</b>	<b>10.5%</b>



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

	As at June 30, 2021	As at December 31, 2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed asset management segment	<b>828,495.5</b>	837,605.2	(9,109.7)	(1.1%)
Financial services segment	<b>608,489.6</b>	611,064.5	(2,574.9)	(0.4%)
Asset management and investment segment	<b>256,001.5</b>	276,060.8	(20,059.3)	(7.3%)
Inter-segment elimination	<b>(102,309.1)</b>	(97,687.3)	(4,621.8)	(4.7%)
<b>Total</b>	<b><u>1,590,677.5</u></b>	<u>1,627,043.2</u>	<u>(36,365.7)</u>	<u>(2.2%)</u>

The distressed asset management business is the core business of the Group and a main source of income and profit of the Group. In the first half of 2021, the total income from the distressed asset management segment of the Group decreased by 3.5% from RMB28,015.3 million in the first half of 2020 to RMB27,045.5 million in the first half of 2021; the profit before tax decreased by 24.1% from RMB7,593.0 million in the first half of 2020 to RMB5,766.5 million in the first half of 2021; and the total assets decreased by 1.1% from RMB837,605.2 million on December 31, 2020 to RMB828,495.5 million on June 30, 2021.

The fundamentals of the financial services business remain stable. In the first half of 2021, the total income from the financial services segment of the Group increased by 0.9% from RMB16,597.9 million in the first half of 2020 to RMB16,743.5 million in the first half of 2021; the profit before tax decreased by 4.2% from RMB3,649.4 million in the first half of 2020 to RMB3,496.3 million in the first half of 2021; and the total assets decreased by 0.4% from RMB611,064.5 million on December 31, 2020 to RMB608,489.6 million on June 30, 2021.

The pre-tax losses of asset management and investment business decreased and the financial indicators of some subsidiaries were improved. In the first half of 2021, the total income from asset management and investment segment of the Group increased by 6.6% from RMB4,539.4 million in the first half of 2020 to RMB4,840.3 million in the first half of 2021; the loss before tax decreased by 25.5% from RMB5,626.6 million in the first half of 2020 to RMB4,189.5 million in the first half of 2021; and the total assets decreased by 7.3% from RMB276,060.8 million on December 31, 2020 to RMB256,001.5 million on June 30, 2021.

#### **4.2.2 Financial Positions of the Group**

As at June 30, 2021, the total assets and total liabilities of the Group both decreased slightly as compared with the end of last year; the total equity and equity attributable to equity holders of the Company increased as compared with the end of last year; positive changes appeared in downsizing and risk resolution and financial indicators. As at December 31, 2020 and June 30, 2021, the total assets of the Group amounted to RMB1,641,467.0 million and RMB1,605,617.2 million,



respectively, representing a decrease of 2.2%; total liabilities amounted to RMB1,577,210.1 million and RMB1,539,863.9 million, respectively, representing a decrease of 2.4%; total equity amounted to RMB64,256.9 million and RMB65,753.3 million, respectively, representing an increase of 2.3%; and the total equity attributable to equity holders of the Company amounted to RMB18,154.7 million and RMB19,212.2 million, respectively, representing an increase of 5.8%.

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

	As at <b>June 30, 2021</b>	As at December 31, 2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Cash and balances with central bank	<b>26,647.4</b>	22,808.4	3,839.0	16.8%
Deposits with financial institutions	<b>133,767.3</b>	123,875.0	9,892.3	8.0%
Placements with financial institutions	<b>4,466.6</b>	5,740.8	(1,274.2)	(22.2%)
Financial assets at FVTPL	<b>345,845.9</b>	359,440.0	(13,594.1)	(3.8%)
Financial assets held under resale agreements	<b>15,449.1</b>	15,224.6	224.5	1.5%
Contract assets	<b>5,198.5</b>	5,307.0	(108.5)	(2.0%)
Loans and advances to customers	<b>243,340.4</b>	232,500.2	10,840.2	4.7%
Finance lease receivables	<b>31,062.9</b>	39,796.7	(8,733.8)	(21.9%)
Debt instruments at FVTOCI	<b>62,444.9</b>	83,106.8	(20,661.9)	(24.9%)
Equity instruments at FVTOCI	<b>3,083.4</b>	4,493.9	(1,410.5)	(31.4%)
Inventories	<b>21,617.5</b>	20,112.4	1,505.1	7.5%
Debt instruments at amortised cost	<b>635,752.8</b>	656,048.6	(20,295.8)	(3.1%)
Interests in associates and joint ventures	<b>15,527.4</b>	14,358.0	1,169.4	8.1%
Investment properties	<b>4,055.9</b>	4,001.0	54.9	1.4%
Property and equipment	<b>12,422.0</b>	12,717.3	(295.3)	(2.3%)
Right-of-use assets	<b>2,662.5</b>	2,447.2	215.3	8.8%
Deferred tax assets	<b>14,939.7</b>	14,423.9	515.8	3.6%
Goodwill	<b>323.0</b>	323.0	—	—
Other assets	<b>27,010.0</b>	24,742.2	2,267.8	9.2%
<b>Total assets</b>	<b><u>1,605,617.2</u></b>	<b><u>1,641,467.0</u></b>	<b><u>(35,849.8)</u></b>	<b><u>(2.2%)</u></b>

	As at <b>June 30, 2021</b>	As at December 31, 2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Borrowings from central bank	<b>21,280.9</b>	23,182.8	(1,901.9)	(8.2%)
Deposits from financial institutions	<b>7,568.8</b>	8,924.1	(1,355.3)	(15.2%)
Placements from financial institutions	<b>6,610.0</b>	4,679.3	1,930.7	41.3%
Financial assets sold under repurchase agreements	<b>24,123.8</b>	15,547.4	8,576.4	55.2%
Borrowings	<b>781,984.8</b>	778,423.8	3,561.0	0.5%
Financial liabilities at FVTPL	<b>2,714.7</b>	3,301.5	(586.8)	(17.8%)
Due to customers	<b>263,983.1</b>	250,827.2	13,155.9	5.2%
Tax payable	<b>818.8</b>	1,283.9	(465.1)	(36.2%)
Contract liabilities	<b>465.0</b>	649.1	(184.1)	(28.4%)
Lease liabilities	<b>1,173.7</b>	919.8	253.9	27.6%
Deferred tax liabilities	<b>488.7</b>	408.8	79.9	19.5%
Bonds and notes issued	<b>284,967.2</b>	336,971.8	(52,004.6)	(15.4%)
Other liabilities	<b>143,684.4</b>	152,090.6	(8,406.2)	(5.5%)
<b>Total liabilities</b>	<b><u>1,539,863.9</u></b>	<u>1,577,210.1</u>	<u>(37,346.2)</u>	<u>(2.4%)</u>
Share capital	<b>39,070.2</b>	39,070.2	—	—
Capital reserve	<b>17,217.2</b>	17,241.5	(24.3)	(0.1%)
Surplus reserve	<b>8,564.2</b>	8,564.2	—	—
General reserve	<b>17,842.1</b>	17,842.1	—	—
Other reserves	<b>4,346.8</b>	3,413.2	933.6	27.4%
Accumulated losses	<b>(67,828.3)</b>	(67,976.5)	148.2	0.2%
<b>Equity attributable to equity holders of the Company</b>	<b><u>19,212.2</u></b>	<u>18,154.7</u>	<u>1,057.5</u>	<u>5.8%</u>
Perpetual capital instruments	<b>25,490.3</b>	25,475.9	14.4	0.1%
Non-controlling interests	<b>21,050.8</b>	20,626.3	424.5	2.1%
<b>Total equity</b>	<b><u>65,753.3</u></b>	<u>64,256.9</u>	<u>1,496.4</u>	<u>2.3%</u>
<b>Total equity and liabilities</b>	<b><u>1,605,617.2</u></b>	<u>1,641,467.0</u>	<u>(35,849.8)</u>	<u>(2.2%)</u>

#### 4.2.2.1 Assets

As at December 31, 2020 and June 30, 2021, the total assets of the Group amounted to RMB1,641,467.0 million and RMB1,605,617.2 million, respectively. As at June 30, 2021, the Group's major assets consist of: (i) deposits with financial institutions; (ii) financial assets at FVTPL; (iii) loans and advances to customers; (iv) finance lease receivables; (v) debt instruments at FVTOCI; and (vi) debt instruments at amortised cost.

##### 4.2.2.1.1 Deposits with financial institutions

As at December 31, 2020 and June 30, 2021, the Group's deposits with financial institutions amounted to RMB123,875.0 million and RMB133,767.3 million, respectively, representing an increase of 8.0%.

##### 4.2.2.1.2 Financial assets at FVTPL

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

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

	As at June 30, 2021	As at December 31, 2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Distressed debt assets	188,066.9	189,056.7	(989.8)	(0.5%)
Equity instruments				
— Listed	39,956.1	41,392.7	(1,436.6)	(3.5%)
— Unlisted	21,663.7	22,128.1	(464.4)	(2.1%)
Funds	35,320.5	38,657.0	(3,336.5)	(8.6%)
Debt securities				
— Corporate bonds	12,161.7	12,665.9	(504.2)	(4.0%)
— Government bonds	1,727.4	586.8	1,140.6	194.4%
— Financial institution bonds	338.0	948.5	(610.5)	(64.4%)
— Public sector and quasi-government bonds	172.9	90.3	82.6	91.5%
Trust products	11,399.7	11,733.7	(334.0)	(2.8%)
Asset management plans	10,223.2	10,216.3	6.9	0.1%
Wealth management products	8,405.2	10,023.6	(1,618.4)	(16.1%)
Derivatives and structured products	6,414.1	6,545.9	(131.8)	(2.0%)
Other debt assets	4,471.2	5,143.4	(672.2)	(13.1%)
Convertible bonds	2,608.8	3,236.2	(627.4)	(19.4%)
Entrusted loans	1,386.2	2,381.4	(995.2)	(41.8%)
Negotiable certificates of deposit	1,300.7	4,333.9	(3,033.2)	(70.0%)
Asset-backed securities	229.6	299.6	(70.0)	(23.4%)
<b>Total</b>	<b>345,845.9</b>	<b>359,440.0</b>	<b>(13,594.1)</b>	<b>(3.8%)</b>

As at December 31, 2020 and June 30, 2021, the financial assets at FVTPL of the Group amounted to RMB359,440.0 million and RMB345,845.9 million, respectively, representing a decrease of 3.8%.

Distressed debt assets at FVTPL are the distressed debt assets of the Group's acquisition-and-disposal business. In the first half of 2021, the Group devoted greater effort in the disposal and recovery of existing distressed debt assets, with a decrease in the balance of acquisition-and-disposal distressed debt assets. As at December 31, 2020 and June 30, 2021, the acquisition-and-disposal distressed debt assets of the Group amounted to RMB189,056.7 million and RMB188,066.9 million, respectively, representing a decrease of 0.5%.

#### 4.2.2.1.3 Loans and advances to customers

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

	As at <b>June 30, 2021</b>	As at December 31, 2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Loans and advances to customers measured at amortised cost				
Corporate loans and advances	<b>130,146.1</b>	124,036.8	6,109.3	4.9%
Personal loans and advances				
— Personal consumption loans	<b>44,149.1</b>	35,059.3	9,089.8	25.9%
— Mortgages	<b>36,516.5</b>	31,664.9	4,851.6	15.3%
— Loans for business operations	<b>18,133.1</b>	28,671.0	(10,537.9)	(36.8%)
— Others	<b>2,503.2</b>	2,480.7	22.5	0.9%
<b>Subtotal</b>	<b>101,301.9</b>	97,875.9	3,426.0	3.5%
Loans to margin clients	<b>4,397.0</b>	4,091.2	305.8	7.5%
<b>Gross loans and advances to customers measured at amortised cost</b>	<b>235,845.0</b>	226,003.9	9,841.1	4.4%

	As at <b>June 30, 2021</b>	As at December 31, 2020	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Less: Allowance for ECL				
— 12-month ECL	<b>(1,748.4)</b>	(2,012.9)	264.5	(13.1%)
— Lifetime ECL	<b>(7,184.6)</b>	(5,653.2)	(1,531.4)	27.1%
<b>Subtotal</b>	<b>(8,933.0)</b>	(7,666.1)	(1,266.9)	16.5%
<b>Net loans and advances to customers measured at amortised cost</b>	<b>226,912.0</b>	218,337.8	8,574.2	3.9%
Loans and advances to customers at FVTOCI				
— Discounted bills	<b>16,428.4</b>	14,162.4	2,266.0	16.0%
<b>Net loans and advances to customers</b>	<b>243,340.4</b>	232,500.2	10,840.2	4.7%

Loans and advances to customers mainly derive from Huarong Xiangjiang Bank. As at December 31, 2020 and June 30, 2021, the loans and advances to customers of the Group amounted to RMB232,500.2 million and RMB243,340.4 million, respectively, representing an increase of 4.7%.

As at December 31, 2020 and June 30, 2021, based on the ECL model, the allowances for impairment for loans and advances to customers at amortised cost of the Group were RMB7,666.1 million and RMB8,933.0 million, respectively, representing an increase of 16.5%.

#### 4.2.2.1.4 Finance lease receivables

The table below sets forth the major components of finance lease receivables of the Group as at the dates indicated.

	As at June 30, 2021	As at December 31, 2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Minimum finance lease receivables including:				
Within 1 year (inclusive)	16,195.3	21,520.6	(5,325.3)	(24.7%)
1 year to 5 years (inclusive)	19,672.5	23,842.0	(4,169.5)	(17.5%)
Over 5 years	2,631.0	2,803.5	(172.5)	(6.2%)
Gross amount of finance lease receivables	38,498.8	48,166.1	(9,667.3)	(20.1%)
Less: Unearned finance income	(4,736.0)	(5,469.7)	733.7	(13.4%)
Net amount of finance lease receivables	33,762.8	42,696.4	(8,933.6)	(20.9%)
Less: Allowance for ECL				
— 12-month ECL	(248.6)	(296.6)	48.0	(16.2%)
— Lifetime ECL	(2,451.3)	(2,603.1)	151.8	(5.8%)
Subtotal	(2,699.9)	(2,899.7)	199.8	(6.9%)
Carrying amount of finance lease receivables	31,062.9	39,796.7	(8,733.8)	(21.9%)
Present value of minimum finance lease receivables:				
Within 1 year (inclusive)	14,236.6	19,076.3	(4,839.7)	(25.4%)
1 year to 5 years (inclusive)	17,224.6	21,138.9	(3,914.3)	(18.5%)
Over 5 years	2,301.6	2,481.2	(179.6)	(7.2%)
Total	33,762.8	42,696.4	(8,933.6)	(20.9%)

Finance lease receivables of the Group mainly derive from Huarong Financial Leasing. As at December 31, 2020 and June 30, 2021, the Group's net amount of finance lease receivables amounted to RMB42,696.4 million and RMB33,762.8 million, respectively, representing a decrease of 20.9%. Considering that the receivables arising from sales and leaseback agreements is presented in debt instruments at amortised cost since the implementation of the New Lease Standards in 2019, the balance of assets in financial leasing business was RMB109,425.3 million as at June 30, 2021, representing a decrease of 3.2% as compared with December 31, 2020.

As at December 31, 2020 and June 30, 2021, the Group's allowances for impairment for finance lease receivables based on the risk conditions and ECL model were RMB2,899.7 million and RMB2,699.9 million, respectively, representing a decrease of 6.9%.

#### 4.2.2.1.5 Debt instruments at FVTOCI

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

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

	As at June 30, 2021	As at December 31, 2020	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Distressed debt assets	<b>31,322.7</b>	36,654.3	(5,331.6)	(14.5%)
Debt securities				
— Corporate bonds	<b>14,404.8</b>	23,285.8	(8,881.0)	(38.1%)
— Government bonds	<b>5,478.3</b>	6,783.0	(1,304.7)	(19.2%)
— Financial institution bonds	<b>2,092.3</b>	5,434.2	(3,341.9)	(61.5%)
— Public sector and quasi-government bonds	<b>2,057.3</b>	2,084.9	(27.6)	(1.3%)
Asset management plans	<b>2,971.8</b>	3,022.4	(50.6)	(1.7%)
Entrusted loans	<b>2,661.9</b>	2,758.4	(96.5)	(3.5%)
Debt instruments	<b>1,102.3</b>	2,213.5	(1,111.2)	(50.2%)
Asset-backed securities	<b>283.8</b>	592.8	(309.0)	(52.1%)
Trust products	<b>69.7</b>	277.5	(207.8)	(74.9%)
<b>Total</b>	<b><u>62,444.9</u></b>	<b><u>83,106.8</u></b>	<b><u>(20,661.9)</u></b>	<b><u>(24.9%)</u></b>

As at December 31, 2020 and June 30, 2021, debt instruments at FVTOCI of the Group were RMB83,106.8 million and RMB62,444.9 million, respectively, representing a decrease of 24.9%.

The distressed debt assets at FVTOCI were acquisition-and-restructuring distressed debt assets of the Group. In the first half of 2021, regarding the acquisition-and-restructuring business, the Group reduced investment in non-financial real estate related projects and other projects, resulting in a decrease in the balance of distressed debt assets. As at December 31, 2020 and June 30, 2021, the Group's distressed debt assets at FVTOCI amounted to RMB36,654.3 million and RMB31,322.7 million, respectively, representing a decrease of 14.5%.



Other debt instruments at FVTOCI included various bonds, asset management plans and entrusted loans invested by the Group. As at December 31, 2020 and June 30, 2021, the Group's other debt instruments at FVTOCI amounted to RMB46,452.5 million and RMB31,122.2 million, respectively, representing a decrease of 33.0%.

Debt instruments at FVTOCI are measured at fair value in the financial statements, and the allowance for impairment based on the ECL model for such debt instruments is recognised in other comprehensive income ("OCI") and accumulated under the heading of investment revaluation reserve, the allowance for impairment recognised in profit or loss with corresponding adjustments to OCI would not reduce the carrying amounts of these debt instruments. As at December 31, 2020 and June 30, 2021, the allowance for impairment for debt instruments at FVTOCI presented under the investment revaluation reserve amounted to RMB11,220.1 million and RMB12,018.8 million, respectively, representing an increase of 7.1%.

#### 4.2.2.1.6 Debt instruments at amortised cost

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

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

	As at June 30, 2021	As at December 31, 2020	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Distressed debt assets				
Loans acquired from financial institutions	26,407.1	30,726.5	(4,319.4)	(14.1%)
Other debt assets acquired from non-financial institutions	313,301.5	326,469.8	(13,168.3)	(4.0%)
<b>Subtotal</b>	<b>339,708.6</b>	<b>357,196.3</b>	<b>(17,487.7)</b>	<b>(4.9%)</b>
Less: Allowance for ECL				
— 12-month ECL	(2,322.8)	(3,543.7)	1,220.9	(34.5%)
— Lifetime ECL	(38,474.2)	(37,353.0)	(1,121.2)	3.0%
<b>Subtotal</b>	<b>(40,797.0)</b>	<b>(40,896.7)</b>	<b>99.7</b>	<b>(0.2%)</b>
<b>Carrying amount of distressed debt assets</b>	<b>298,911.6</b>	<b>316,299.6</b>	<b>(17,388.0)</b>	<b>(5.5%)</b>



	As at <b>June 30, 2021</b>	As at December 31, 2020	Change	Change in percentage
	<i>(in millions of RMB, except for percentages)</i>			
Other debt assets				
Debt instruments	<b>113,498.5</b>	110,856.8	2,641.7	2.4%
Debt securities	<b>96,903.8</b>	96,867.6	36.2	0.0%
Receivables arising from sales and leaseback arrangements	<b>75,662.5</b>	70,362.6	5,299.9	7.5%
Trust products	<b>68,444.5</b>	74,562.6	(6,118.1)	(8.2%)
Entrusted loans	<b>60,104.8</b>	66,186.5	(6,081.7)	(9.2%)
Asset management plans	<b>8,335.9</b>	8,331.8	4.1	0.0%
Asset-backed securities	<b>2,130.9</b>	2,782.1	(651.2)	(23.4%)
Others	<b>2,047.4</b>	1,936.2	111.2	5.7%
<b>Subtotal</b>	<b>427,128.3</b>	431,886.2	(4,757.9)	(1.1%)
Less: Allowance for ECL				
— 12-month ECL	<b>(1,340.2)</b>	(1,343.5)	3.3	(0.2%)
— Lifetime ECL	<b>(88,946.9)</b>	(90,793.7)	1,846.8	(2.0%)
<b>Subtotal</b>	<b>(90,287.1)</b>	(92,137.2)	1,850.1	(2.0%)
<b>Carrying amount of other debt assets</b>	<b>336,841.2</b>	339,749.0	(2,907.8)	(0.9%)
<b>Total</b>	<b>635,752.8</b>	656,048.6	(20,295.8)	(3.1%)

As at December 31, 2020 and June 30, 2021, the Group's debt instruments at amortised cost were RMB656,048.6 million and RMB635,752.8 million, respectively, representing a decrease of 3.1%, basically flat.

The distressed debt assets at amortised cost were acquisition-and-restructuring distressed debt assets of the Group. In the first half of 2021, regarding the acquisition-and-restructuring business, the Group reduced investment in non-financial real estate related and other projects, and thus the balance of distressed debt assets was reduced. As at December 31, 2020 and June 30, 2021, the Group's distressed debt assets at amortised cost amounted to RMB316,299.6 million and RMB298,911.6 million, respectively, representing a decrease of 5.5%.

Other debt instruments at amortised cost included various debt securities, asset management plans, trust products and entrusted loans invested by the Group. As at December 31, 2020 and June 30, 2021, the Group's other debt instruments at amortised cost amounted to RMB339,749.0 million and RMB336,841.2 million, respectively, representing a decrease of 0.9%.

As at December 31, 2020 and June 30, 2021, based on the asset risk situations and ECL model, the Group's balance of allowances for impairment for debt instruments at amortised cost amounted to RMB133,033.9 million and RMB131,084.1 million, representing a decrease of 1.5%. In particular, the allowances for impairment for distressed debt assets at amortised cost amounted to RMB40,896.7 million and RMB40,797.0 million, respectively; the allowances for impairment for other debt assets at amortised cost amounted to RMB92,137.2 million and RMB90,287.1 million.

#### 4.2.2.2 Liabilities

Liabilities of the Group mainly include: (i) borrowings, including those from banks and other financial institutions; (ii) due to customers; (iii) bonds and notes payable; and (iv) other liabilities.

##### 4.2.2.2.1 Borrowings

As at December 31, 2020 and June 30, 2021, the balance of borrowings of the Group amounted to RMB778,423.8 million and RMB781,984.8 million, respectively, remaining stable with an increase of 0.5%.

##### 4.2.2.2.2 Due to customers

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

	As at June 30, 2021	As at December 31, 2020	Change	Change in percentage
<i>(in millions of RMB, except for percentages)</i>				
Demand deposits				
Corporate customers	84,271.7	76,769.4	7,502.3	9.8%
Individual customers	24,111.2	23,510.5	600.7	2.6%
Time deposits				
Corporate customers	71,894.4	68,018.8	3,875.6	5.7%
Individual customers	58,514.7	64,490.7	(5,976.0)	(9.3%)
Pledged deposits	8,662.0	7,408.9	1,253.1	16.9%
Others	16,529.1	10,628.9	5,900.2	55.5%
<b>Total</b>	<b>263,983.1</b>	<b>250,827.2</b>	<b>13,155.9</b>	<b>5.2%</b>

Due to customers of our Group mainly derives from Huarong Xiangjiang Bank. As at December 31, 2020 and June 30, 2021, the balance of due to customers for our Group were RMB250,827.2 million and RMB263,983.1 million, respectively, representing an increase of 5.2%.

#### ***4.2.2.2.3 Bonds and notes issued***

As at December 31, 2020 and June 30, 2021, the balance of the Group's bonds and notes issued amounted to RMB336,971.8 million and RMB284,967.2 million, respectively, representing a decrease of 15.4%, mainly due to the maturity of bonds payable.

#### ***4.2.3 Contingent Liabilities***

Due to the nature of business, the Group is involved in certain legal proceedings in the normal business operations, including litigation and arbitration. The Group will make provision timely 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 will 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 the legal liabilities is remote or that any resulting legal liabilities will not have a material adverse effect on our financial condition or operating results.

As at June 30, 2021, total claim amount of pending litigations was RMB3,887 million (December 31, 2020: RMB610 million) for the Group (as defendant). No provision for estimated liabilities was made by the Group based on court judgments and lawyer's opinions (December 31, 2020: nil). The Board of the Company believes that the final arbitration result of these lawsuits will not have a material impact on the financial position or operations of the Group.

#### ***4.2.4 Difference between Financial Statements Prepared under the PRC GAAP and IFRSs***

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

### 4.3 Business Overview

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

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

	For the six months ended June 30,			
	2021		2020	
	(in millions of RMB, except for percentages)			
	Amount	Percentage	Amount	Percentage
<b>Total income</b>				
Distressed asset management segment	27,045.5	58.7%	28,015.3	61.3%
Financial services segment	16,743.5	36.3%	16,597.9	36.3%
Asset management and investment segment	4,840.3	10.5%	4,539.4	10.0%
Inter-segment elimination	(2,566.8)	(5.5%)	(3,464.8)	(7.6%)
<b>Total</b>	<b>46,062.5</b>	<b>100.0%</b>	<b>45,687.8</b>	<b>100.0%</b>
<b>Profit before tax</b>				
Distressed asset management segment	5,766.5	134.2%	7,593.0	195.4%
Financial services segment	3,496.3	81.4%	3,649.4	93.9%
Asset management and investment segment	(4,189.5)	(97.5%)	(5,626.6)	(144.8%)
Inter-segment elimination	(776.9)	(18.1%)	(1,728.9)	(44.5%)
<b>Total</b>	<b>4,296.4</b>	<b>100.0%</b>	<b>3,886.9</b>	<b>100.0%</b>

In the first half of 2021, total income from the Group's distressed asset management segment, financial services segment and asset management and investment segment was RMB27,045.5 million, RMB16,743.5 million and RMB4,840.3 million, respectively. Profit before tax was RMB5,766.5 million, RMB3,496.3 million and RMB-4,189.5 million, respectively.

#### 4.3.1 Distressed Asset Management

The Group's distressed asset management business is mainly comprised of: (i) distressed debt asset management business of the Company; (ii) policy-oriented debt-to-equity swap business of the Company; (iii) market-oriented debt-to-equity swap business; (iv) distressed debt asset management business conducted by our subsidiaries; (v) distressed asset-based special situations investments business conducted by our subsidiaries; and (vi) distressed asset-based property development business conducted by our subsidiaries.

Distressed asset management business is the core business of the Group and the primary source of income and profit of the Group. In the first half of 2021, the Group deepened its transformation of core business of distressed assets and accelerated asset recovery, with operating fundamentals remaining stable.

In the first half of 2020 and the first half of 2021, total income from the distressed asset management segment was RMB28,015.3 million and RMB27,045.5 million, accounting for 61.3% and 58.7% of the Group's total income, respectively, and its profit before tax was RMB7,593.0 million and RMB5,766.5 million, accounting for 195.4% and 134.2% of the total profit before tax of the Group, respectively.

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

	<b>For the six months ended June 30, 2021                      2020 (in millions of RMB)</b>	
<b>Distressed debt asset management business of the Company</b>		
Acquisition cost of newly added distressed debt assets	<b>48,548.3</b>	93,769.4
Total income from distressed debt assets		
Operating income from distressed debt assets <sup>(1)</sup>	<b>18,788.5</b>	20,923.0
Financial advisory income from acquisition-and-restructuring business	<b>4.5</b>	8.5
<b>Total</b>	<b><u>18,793.0</u></b>	<b><u>20,931.5</u></b>
<b>Policy-based DES business of the Company</b>		
Dividend income from DES Assets	<b>43.0</b>	32.4
Net gains from the disposal of DES Assets	<b>273.2</b>	(170.9)
<b>Market-oriented DES business<sup>(2)</sup></b>		
Income from market-oriented DES business <sup>(3)</sup>	<b>1,263.0</b>	(1,720.4)
<b>Distressed debt asset management business conducted by our subsidiaries</b>		
Income from distressed debt assets	<b>60.7</b>	107.3
<b>Distressed asset-based special situations investment business conducted by our subsidiaries<sup>(4)</sup></b>		
Income from Huarong Rongde	<b>1,076.1</b>	945.5
<b>Distressed asset-based property development business conducted by our subsidiaries</b>		
Income from property sales of Huarong Industrial	<b>303.2</b>	194.2

	As at <b>June 30,</b> <b>2021</b> <i>(in millions of RMB)</i>	As at December 31, 2020
<b>Distressed debt asset management business of the Company</b>		
Gross amount of distressed debt assets <sup>(5)</sup>	<b>529,137.3</b>	551,409.6
Less: Allowance for impairment losses for distressed debt assets <sup>(6)</sup>	<b>33,871.0</b>	33,016.1
Net carrying amount of distressed debt assets	<b>502,219.4</b>	524,657.8

#### **Policy-based DES business of the Company**

Carrying amount of DES Assets	<b>13,871.9</b>	14,628.6
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#### **Market-oriented DES business**

Total accumulative investment in market-oriented DES business	<b>36,099.2</b>	34,188.5
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- (1) Operating income from distressed debt assets equals the sum of the Company's (i) fair value changes on distressed debt assets (acquisition-and-disposal model); and (ii) income from distressed debt assets (acquisition-and-restructuring model), as shown in the consolidated financial statements.
- (2) Market-oriented debt-to-equity swap is primarily conducted by the Company and Huarong Ruitong Equity Investment Management Co., Ltd. (華融瑞通股權投資管理有限公司) ("Huarong Ruitong") and other subsidiaries.
- (3) Income from market-oriented debt-to-equity swap includes realized income and unrealized income arising from market-oriented debt-to-equity swap business.
- (4) Distressed asset-based special situations investments business conducted by our subsidiaries was primarily conducted by Huarong Rongde and other subsidiaries.
- (5) Gross amount of distressed debt assets equals the sum of the Company's balance of (i) distressed debt assets presented under financial assets at FVTPL (acquisition-and-disposal model); and (ii) distressed debt assets presented under debt instruments at amortised costs and at FVTOCI (acquisition-and-restructuring model), as shown in the consolidated financial statements.
- (6) Allowance for impairment losses for distressed debt assets equals the Company's allowance for impairment losses for distressed debt assets presented under debt instruments at amortised costs and at FVTOCI, as shown in the consolidated financial statements, of which, the allowance for impairment losses for distressed debt assets is presented under the debt instruments at FVTOCI as a part of the investment revaluation reserve, which has no effect on the net carrying amount of distressed debt assets.

#### **4.3.1.1 Distressed debt asset management business of the Company**

The Company acquires distressed debt assets from financial institutions and non-financial enterprises through competitive biddings, 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 realizes value preservation and appreciation of these assets through disposal or restructuring, and obtains cash proceeds or assets with operational value. The Company primarily finances its acquisition of distressed debt assets through its own fund, commercial bank borrowings and bond issuances.

#### 4.3.1.1.1 Sources for acquisition of distressed debt assets

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

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

	For the six months ended June 30,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
	(in millions of RMB, except for percentages)			
<b>Acquisition cost of newly added distressed debt assets</b>				
FI Distressed Assets	10,105.3	20.8%	21,988.9	23.4%
NFE Distressed Assets	38,443.0	79.2%	71,780.5	76.6%
<b>Total</b>	<b>48,548.3</b>	<b>100.0%</b>	<b>93,769.4</b>	<b>100.0%</b>
<b>Operating income from distressed debt assets for the period<sup>(1)</sup></b>				
FI Distressed Assets	4,262.8	22.7%	4,472.7	21.4%
NFE Distressed Assets	14,525.7	77.3%	16,450.3	78.6%
<b>Total</b>	<b>18,788.5</b>	<b>100.0%</b>	<b>20,923.0</b>	<b>100.0%</b>
	<b>As at June 30, 2021</b>		<b>As at December 31, 2020</b>	
	(in millions of RMB, except for percentages)			
<b>Gross amount of distressed debt assets at the end of the period<sup>(2)</sup></b>				
FI Distressed Assets	188,244.6	35.6%	194,181.0	35.2%
NFE Distressed Assets	340,892.7	64.4%	357,228.6	64.8%
<b>Total</b>	<b>529,137.3</b>	<b>100.0%</b>	<b>551,409.6</b>	<b>100.0%</b>

(1) Operating income from distressed debt assets equals the sum of the Company's (i) fair value changes on distressed debt assets (acquisition-and-disposal model); and (ii) income from distressed debt assets (acquisition-and-restructuring model), as shown in the consolidated financial statements.

(2) Gross amount of distressed debt assets equals the sum of the Company's (i) distressed debt assets presented under financial assets at FVTPL (acquisition-and-disposal model); and (ii) balance of distressed debt assets presented under debt instruments at amortised cost and at FVTOCI (acquisition-and-restructuring model), as shown in the consolidated financial statements.



#### 4.3.1.1.1.1 FI Distressed Assets

The FI Distressed Assets acquired by the Company primarily include NPLs and other distressed debt assets 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 newly acquired from each type of financial institution based on acquisition costs as at the dates indicated.

	For the six months ended June 30,			
	2021		2020	
	Amount	Percentage	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
<b>Banking</b>				
Large commercial banks	3,324.2	32.9%	3,953.7	18.0%
Joint stock commercial banks	5,835.5	57.7%	7,930.9	36.1%
City and rural commercial banks	510.6	5.1%	429.4	2.0%
Other banks	—	—	514.0	2.3%
<b>Subtotal</b>	<b>9,670.3</b>	<b>95.7%</b>	<b>12,828.0</b>	<b>58.4%</b>
<b>Non-banking financial institutions</b>	<b>435.0</b>	<b>4.3%</b>	<b>9,160.9</b>	<b>41.6%</b>
<b>Total</b>	<b>10,105.3</b>	<b>100.0%</b>	<b>21,988.9</b>	<b>100.0%</b>

#### 4.3.1.1.1.2 NFE Distressed Assets

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



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

For the six months ended June 30,			
2021		2020	
Amount	Percentage	Amount	Percentage
(in millions of RMB, except for percentages)			

<b>Income from distressed debt assets</b>				
<b>for the period</b>				
Acquisition-and-disposal <sup>(1)</sup>	<b>3,582.1</b>	<b>19.1%</b>	4,295.3	20.5%
Acquisition-and-restructuring <sup>(2)</sup>	<b>15,210.9</b>	<b>80.9%</b>	16,636.2	79.5%
<b>Total</b>	<b>18,793.0</b>	<b>100.0%</b>	20,931.5	100.0%

	As at June 30, 2021		As at December 31, 2020	
	(in millions of RMB, except for percentages)			
<b>Gross amount of distressed debt assets at the end of the period</b>				
Acquisition-and-disposal <sup>(3)</sup>	185,473.7	35.1%	186,785.5	33.9%
Acquisition-and-restructuring <sup>(4)</sup>	343,663.6	64.9%	364,624.1	66.1%
<b>Total</b>	<b>529,137.3</b>	<b>100.0%</b>	<b>551,409.6</b>	<b>100.0%</b>

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#### 4.3.1.1.2.1 Acquisition-and-disposal model

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 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 price and professionally dispose of distressed assets, which has been accumulated from the long-term market operation.

In the first half of 2021, regarding the acquisition-and-disposal model, while speeding up the disposal of existing assets to achieve benefits, the Company applied stricter access standards for new businesses and front-loaded the prevention and control of risks. The realized revenue from the acquisition-and-disposal model increased by 77.9% from RMB2,190.1 million in the first half of 2020 to RMB3,895.8 million in the first half of 2021. The additional acquisition costs for the period decreased by 52.1% year-on-year and total assets disposed exceeded the additional acquisition costs, resulting in a 0.7% decrease in total assets from RMB186,785.5 million as at December 31, 2020 to RMB185,473.7 million as at June 30, 2021.

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

	For the six months ended June 30, 2021                      2020 (in millions of RMB, except for percentages)	
Gross amount of distressed debt assets at the beginning of the period	<b>186,785.5</b>	172,403.3
Acquisition cost of newly added distressed debt assets	<b>11,418.0</b>	23,828.6
Gross amount of distressed debt assets disposed	<b>12,416.1</b>	17,901.5
Gross amount of distressed debt assets at the end of the period <sup>(1)</sup>	<b>185,473.7</b>	180,435.6
Net gains or losses from distressed debt assets <sup>(2)</sup>		
Realized gain	<b>3,895.8</b>	2,190.1
Unrealized fair value changes	<b>(313.7)</b>	2,105.2
<b>Total</b>	<b><u>3,582.1</u></b>	<u>4,295.3</u>
IRR on completed projects <sup>(3)</sup>	<b>14.5%</b>	15.2%

(1) Gross amount 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 gains or losses from distressed debt assets are the Company's fair value changes on distressed debt assets, as shown in the consolidated financial statements.

- (3) IRR on completed projects is the discount rate that makes the net present value of all cash inflows and outflows from all the acquisition-and-disposal projects completed in the current period from the time of acquisition to the time of disposal equal to zero.

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

	As at June 30, 2021		As at December 31, 2020	
	Amount	Percentage	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Yangtze River Delta <sup>(1)</sup>	43,314.0	23.4%	46,017.2	24.7%
Pearl River Delta <sup>(2)</sup>	26,946.3	14.5%	26,991.9	14.5%
Bohai Rim Region <sup>(3)</sup>	31,772.4	17.1%	29,766.6	15.9%
Central Region <sup>(4)</sup>	23,326.5	12.6%	23,408.0	12.5%
Western Region <sup>(5)</sup>	44,930.5	24.2%	46,587.5	24.9%
Northeastern Region <sup>(6)</sup>	15,184.0	8.2%	14,014.3	7.5%
<b>Total</b>	<b>185,473.7</b>	<b>100.0%</b>	<b>186,785.5</b>	<b>100.0%</b>

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

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

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

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

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

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

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

#### 4.3.1.1.2.2 Acquisition-and-restructuring model

Focusing on enterprises with temporary liquidity issues, the Company adopts personalized and professional customized restructuring approaches to reassess the debtors' credit risks, front-loads the elimination of credit risks, redeploys distressed debt assets with operational value and restores the debtors' enterprise credit profile. The Company carries out assessments on the value of the customers' core assets and operational value in order to realize value discovery and enhancement for these assets and achieve considerable returns with controlled risks. The Company's core competitive advantage under the acquisition-and-restructuring model is the ability to discover, reassess and enhance the overall value of the debts for the debtors through professional operating.

In the first half of 2021, regarding acquisition-and-restructuring business, the Company reduced investment in non-financial real estate related and other projects, resulting in a 46.9% year-over-year decrease in additional acquisition costs for the current period. The gross amount of distressed debt assets decreased by 5.7% from RMB364,624.1 million as at December 31, 2020 to RMB343,663.6 million as at June 30, 2021. Income from distressed debt assets decreased by 8.6% from RMB16,636.2 million in the first half of 2020 to RMB15,210.9 million in the first half of 2021.

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

	<b>For the six months ended June 30, 2021                      2020</b>	
	<i>(in millions of RMB, except for percentages)</i>	
Acquisition cost of newly added distressed debt assets	<b>37,130.3</b>	69,940.8
Income from distressed debt assets		
Operating income from distressed debt assets <sup>(1)</sup>	<b>15,206.4</b>	16,627.7
Financial advisory income	<b>4.5</b>	8.5
<b>Total</b>	<b><u>15,210.9</u></b>	<b><u>16,636.2</u></b>
Annualized return on monthly average gross amount of distressed debt assets (excluding financial advisory income) <sup>(2)</sup>	<b>8.4%</b>	8.6%
	<b>As at June 30, 2021</b>	<b>As at December 31, 2020</b>
	<i>(in millions of RMB, except for percentages)</i>	
Number of existing projects as of the end of the period (quantity)	<b>1,501</b>	1,553
Gross amount of distressed debt assets <sup>(3)</sup>	<b>343,663.6</b>	364,624.1
Allowance for impairment losses <sup>(4)</sup>	<b>(33,871.0)</b>	(33,016.1)
Net carrying amount of distressed debt assets <sup>(5)</sup>	<b>316,745.7</b>	337,872.3
Allowance to distressed debt assets ratio <sup>(6)</sup>	<b>9.9%</b>	9.1%
Gross amount of stage 3 distressed debt assets <sup>(7)</sup>	<b>51,461.7</b>	43,616.5
Allowance for impairment losses for stage 3 distressed debt assets <sup>(8)</sup>	<b>(25,718.7)</b>	(24,233.0)
Distressed debt assets collateral ratio <sup>(9)</sup>	<b>42.2%</b>	45.5%

- (1) The operating income from distressed debt assets equals the Company's income from distressed debt assets, as shown in the consolidated financial statements.
- (2) Annualized return on monthly average gross amount of distressed debt assets equals the operating income from distressed assets divided by the average gross amount of distressed assets at the end of each month of that year.
- (3) Gross amount of distressed debt assets is the sum of the Company's balance of distressed debt assets presented under debt instruments at amortised cost and at FVTOCI, as shown in the consolidated financial statements.
- (4) Allowance for impairment losses equals the Company's allowance for impairment losses for distressed debt assets presented under debt instruments at amortised cost and at FVTOCI, as shown in the consolidated financial statements, of which, allowance for impairment losses for 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 gross amount of the Company's net amount of distressed debt assets presented under debt instruments at amortised costs and balance of distressed debt assets presented under debt instruments at FVTOCI.
- (6) Allowance to distressed debt assets ratio equals the allowance for impairment losses divided by the gross amount of distressed debt assets.
- (7) Gross amount of stage 3 distressed debt assets is the balance of distressed debt assets which are classified as stage 3 based on the stage division model.

- (8) Allowance for impairment losses for stage 3 distressed debt assets is the allowance for impairment losses for distressed debt assets which are classified as stage 3.
- (9) Distressed debt assets collateral ratio equals the percentage of the total amount of collateralized distressed debt assets to the total appraised value of the collateral securing these assets.

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

	As at June 30, 2021		As at December 31, 2020	
	Amount	Percentage	Amount	Percentage
<i>(in millions of RMB, except for percentages)</i>				
Yangtze River Delta <sup>(1)</sup>	61,380.8	17.9%	62,005.5	17.0%
Pearl River Delta <sup>(2)</sup>	54,473.8	15.9%	57,926.1	15.9%
Bohai Rim Region <sup>(3)</sup>	49,977.5	14.5%	55,603.0	15.2%
Central Region <sup>(4)</sup>	73,585.8	21.4%	76,868.9	21.1%
Western Region <sup>(5)</sup>	87,979.2	25.6%	95,409.1	26.2%
Northeastern Region <sup>(6)</sup>	16,266.5	4.7%	16,811.5	4.6%
<b>Total</b>	<b>343,663.6</b>	<b>100.0%</b>	<b>364,624.1</b>	<b>100.0%</b>

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

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

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

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

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

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

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

	As at June 30, 2021		As at December 31, 2020	
	Total	Percentage	Total	Percentage
<i>(in millions of RMB, except for percentages)</i>				
Real estate	165,112.8	48.0%	188,354.7	51.7%
Construction	32,168.1	9.4%	29,100.3	8.0%
Leasing and commercial services	31,616.7	9.2%	31,726.2	8.7%
Manufacturing	31,236.4	9.1%	32,298.3	8.9%
Water, environment and public utilities management	25,770.5	7.5%	25,622.7	7.0%
Mining	6,447.8	1.9%	6,119.2	1.7%
Transportation, logistics and postal services	1,994.3	0.6%	1,622.1	0.4%
Others	49,317.0	14.3%	49,780.6	13.6%
<b>Total</b>	<b>343,663.6</b>	<b>100.0%</b>	<b>364,624.1</b>	<b>100.0%</b>

### 4.3.1.2 Policy-based DES business 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 DES Companies (Unlisted DES Assets) and shares of listed DES Companies (Listed DES Assets). As at June 30, 2021, the Company held Unlisted DES Assets in 107 DES Companies, with carrying amount of RMB9,440.4 million; and Listed DES Assets in 13 DES Companies, with carrying amount of RMB4,431.5 million.

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

	<b>As at June 30, 2021</b>	<b>As at December 31, 2020</b>
	<i>(in millions of RMB, except for number of companies)</i>	
Composition of existing DES Assets portfolio		
Number of DES companies	<b>120</b>	122
Unlisted	<b>107</b>	108
Listed	<b>13</b>	14
Carrying amount	<b>13,871.9</b>	14,628.6
Unlisted	<b>9,440.4</b>	9,630.9
Listed	<b>4,431.5</b>	4,997.7

In the first half of 2020 and the first half of 2021, the Company's net gains on policy-based DES Assets disposed were RMB-170.9 million and RMB273.2 million.

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

	<b>For the six months ended June 30, 2021</b>	<b>2020</b>
	<i>(in millions of RMB, except for number of companies)</i>	
Number of DES Companies disposed	<b>31</b>	17
Net gains on DES Assets disposed	<b>273.2</b>	(170.9)
Acquisition cost of DES Assets disposed	<b>3,955.9</b>	1,824.0
Exit multiple of DES Assets disposed <sup>(1)</sup>	<b>1.1 times</b>	0.9 times
Dividend income from DES Companies	<b>43.0</b>	32.4

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



### 4.3.1.3 Market-oriented DES business

The Group conducts the market-oriented DES business through the Company and its subsidiaries including Huarong Ruitong. The Group's market-oriented DES business mainly includes the following three business models:

- (1) The model of “issuing shares for repaying debts”: By participating in the private placement of listed companies for repayment of bank loans, the Group increased the efficiency of DES implementation and effectively supported the development of real economy.
- (2) 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.
- (3) The model of “offsetting debts with equity”: An enterprise helps real enterprises reduce debts and ease liquidity problems through debt restructuring, i.e. offsetting debts with high-quality equities including equity of listed companies.

The table below sets forth the accumulative investment for market-oriented DES business conducted by the Group as at the dates indicated.

	As at <b>June 30, 2021</b>	As at December 31, 2020
	<i>(in millions of RMB)</i>	
Issuing shares for repaying debts	<b>16,149.8</b>	15,928.9
Changing debt collection to equity	<b>11,952.0</b>	11,800.0
Offsetting debts with equity	<b>7,997.4</b>	6,459.6
<b>Total</b>	<b><u>36,099.2</u></b>	<b><u>34,188.5</u></b>

Market-oriented DES business supported by the national policy is one of the core businesses of the Group. The Group actively seized the market opportunities, continuously optimized business layout in accordance with national industry orientation, and strengthened the development and reserve of strategic emerging industries and technological innovation enterprises such as information technology, high-end equipment, new material, new energy, energy saving and environmental protection as well as biological medicine. In the first half of 2020 and the first half of 2021, an income of RMB-1,720.4 million and RMB1,263.0 million was recorded from the market-oriented DES business of the Group, respectively.

### 4.3.1.4 Distressed debt asset management business conducted by our subsidiaries

The Group conducts distressed debt asset management business through Huarong Huitong Asset Management Co., Ltd. (“Huarong Huitong”) and its subsidiaries. In the first half of 2020 and the first half of 2021, Huarong Huitong and its subsidiaries recorded an income of RMB107.3 million and RMB60.7 million from distressed debt assets, respectively.

#### 4.3.1.5 Distressed asset-based special situations investment business conducted by our subsidiaries

The Group's distressed asset-based special situations investment business invests through debt, equity or mezzanine capital in assets with value appreciation potential and enterprises with short-term liquidity issues, which the Group has identified during the course of its distressed asset management business. Through debt restructuring, asset restructuring, business restructuring and management restructuring, 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.

The Group primarily conducts our distressed asset-based special situations investment business through Huarong Rongde and other subsidiaries.

The table below sets forth the basic operating information of Huarong Rongde for the periods and as at the dates indicated.

	<b>For the six months ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(in millions of RMB)</i>	
Total income	<b>1,076.1</b>	945.5
Net profit	<b>151.5</b>	210.1
	<b>As at</b>	<b>As at</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
	<i>(in millions of RMB)</i>	
Total assets	<b>25,037.6</b>	24,356.5

#### 4.3.1.6 Distressed asset-based property development business conducted by our subsidiaries

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

The Group conducts distressed asset-based property development business through Huarong Industrial. In the first half of 2020 and the first half of 2021, revenue from property development business of Huarong Industrial amounted to RMB194.2 million and RMB303.2 million, respectively.



### 4.3.2 Financial Services

The financial services segment of the Group comprises Huarong Financial Leasing, Huarong Xiangjiang Bank and other subsidiaries. In the first half of 2020 and the first half of 2021, total income from the financial services segment was RMB16,597.9 million and RMB16,743.5 million, respectively, and the profit before tax was RMB3,649.4 million and RMB3,496.3 million, respectively, basically the same as compared to the corresponding period of last year.

The table below sets forth the key financial data of the business lines of the Group's financial services segment for the periods and as at the dates indicated.

	For the six months ended June 30, 2021                      2020 (in millions of RMB)	
<b>Financial leasing</b>		
Total income	<b>4,015.6</b>	4,095.2
Profit before tax	<b>977.6</b>	1,211.7
<b>Banking</b>		
Total income	<b>11,100.2</b>	10,196.4
Profit before tax	<b>2,415.3</b>	2,156.3
	As at                      As at June 30, December 31, 2021                      2020 (in millions of RMB)	
<b>Financial leasing</b>		
Total assets	<b>136,407.5</b>	138,280.4
Total equity	<b>17,442.4</b>	16,648.2
<b>Banking</b>		
Total assets	<b>415,644.4</b>	405,975.6
Total equity	<b>31,767.6</b>	31,002.3

### 4.3.2.1 Financial leasing business

The Group operates its financial leasing business through Huarong Financial Leasing. As at December 31, 2020 and June 30, 2021, the total assets of Huarong Financial Leasing amounted to RMB138,280.4 million and RMB136,407.5 million, respectively; in the first half of 2020 and the first half of 2021, the profit before tax of Huarong Financial Leasing amounted to RMB1,211.7 million and RMB977.6 million, respectively. Both the operating results and management level have maintained the leading position in the industry.

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

	<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Profitability indicators</b>		
Annualized ROAA <sup>(1)</sup>	<b>1.1%</b>	1.4%
Annualized ROAE <sup>(2)</sup>	<b>8.9%</b>	11.2%
	<b>As at</b>	<b>As at</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>Asset quality indicators</b>		
Distressed asset ratio <sup>(3)</sup>	<b>1.60%</b>	1.53%
Provision coverage ratio <sup>(4)</sup>	<b>182.7%</b>	185.4%
<b>Capital adequacy indicators</b>		
Core capital adequacy ratio <sup>(5)</sup>	<b>13.0%</b>	12.0%
Capital adequacy ratio <sup>(5)</sup>	<b>14.1%</b>	13.0%

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

(2) Annualized ROAE equals the annualized net profit attributable to equity holders for the period as a percentage of the average balance of equity attributable to equity holders as at the beginning and the end of the period.

(3) Distressed asset ratio equals the balance of distressed assets divided by 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 that can be reliably estimated.

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

(5) Disclosed by the means reported to CBIRC.

The business of Huarong 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 Huarong Financial Leasing by industry as at the dates indicated.

	As at June 30, 2021		As at December 31, 2020	
	Amount	Percentage	Amount	Percentage
	<i>(in millions of RMB, except for percentages)</i>			
Manufacturing	14,599.1	13.5%	16,584.5	14.8%
Water, environment and public utilities management	48,920.0	45.2%	48,247.7	43.1%
Transportation, logistics and postal services	10,603.6	9.8%	11,505.2	10.3%
Construction	5,500.8	5.1%	5,742.1	5.1%
Mining	1,502.1	1.4%	1,967.5	1.8%
Leasing and commercial services	8,073.3	7.5%	7,296.7	6.5%
Others	19,067.5	17.5%	20,552.9	18.4%
<b>Total</b>	<b>108,266.4</b>	<b>100.0%</b>	<b>111,896.6</b>	<b>100.0%</b>

#### 4.3.2.2 Banking services business

The Group conducts its banking services business through Huarong Xiangjiang Bank. As at December 31, 2020 and June 30, 2021, total assets of Huarong Xiangjiang Bank were RMB405,975.6 million and RMB415,644.4 million, respectively. In the first half of 2020 and the first half of 2021, the profit before tax of Huarong Xiangjiang Bank was RMB2,156.3 million and RMB2,415.3 million, respectively.

As at June 30, 2021, the non-performing loan ratio and provision coverage ratio of Huarong Xiangjiang Bank were 1.83% and 177.4%, respectively. Its core tier-1 capital adequacy ratio was 8.5% and its capital adequacy ratio was 13.2%, and all major businesses indicators of Huarong Xiangjiang Bank either satisfied or outperformed regulatory requirements.

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

	<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Profitability indicators</b>		
Annualized ROAA <sup>(1)</sup>	<b>0.9%</b>	0.9%
Annualized ROAE <sup>(2)</sup>	<b>11.1%</b>	12.5%
	<b>As at</b>	<b>As at</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
<b>Asset quality indicators</b>		
Non-performing loan ratio <sup>(3)</sup>	<b>1.83%</b>	1.84%
Provision coverage ratio <sup>(4)</sup>	<b>177.4%</b>	158.3%
Allowance to total loans <sup>(5)</sup>	<b>3.2%</b>	2.9%
<b>Capital adequacy indicators</b>		
Core tier-1 capital adequacy ratio <sup>(6)</sup>	<b>8.5%</b>	8.6%
Capital adequacy ratio <sup>(6)</sup>	<b>13.2%</b>	13.1%

- (1) Annualized ROAA equals the annualized net profit for the period divided by the average of total assets as at the beginning and the end of the period.
- (2) Annualized ROAE equals the annualized net profit attributable to equity holders for the period as a percentage of the average balance of equity attributable to equity holders as at the beginning and the end of the period.
- (3) Non-performing loan ratio equals the balance of non-performing loans divided by total loans and advances to customers.
- (4) Provision coverage ratio equals the balance of allowance for impairment losses divided by the balance of non-performing loans.
- (5) Allowance to total loans equals the balance of allowance for impairment losses divided by total loans and advances to customers.
- (6) Core tier-1 capital adequacy ratio and capital adequacy ratio are calculated according to CBIRC regulations.

### ***4.3.3 Asset Management and Investment Business***

In the first half of 2020 and the first half of 2021, the income from asset management and investment segment was RMB4,539.4 million and RMB4,840.3 million, respectively, and the total amount of loss before tax was RMB5,626.6 million and RMB4,189.5 million, respectively. The financial indicators of Huarong Trust and Huarong International were gradually repaired.

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

	<b>For the six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
	<i>(in millions of RMB)</i>	
<b>Trust business</b>		
Total trust income	<b>566.3</b>	(1,611.2)
Including: trust commission and fee income	<b>172.3</b>	231.4
<b>International business</b>		
Total income of Huarong International	<b>3,771.7</b>	3,155.6
	<b>As at</b>	<b>As at</b>
	<b>June 30,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
	<i>(in millions of RMB)</i>	
<b>Trust business</b>		
Outstanding trust AUM	<b>108,011.3</b>	120,870.9
<b>International business</b>		
Total assets of Huarong International	<b>154,734.8</b>	164,858.1

#### **4.3.3.1 Trust business**

The Group is engaged in trust business through Huarong Trust. The business of Huarong Trust mainly involves: (1) acting as a trustee to manage, operate and dispose of trust assets and receiving trust business income; and (2) providing financial advisory and other consulting services and receiving commission and fee income.

As at December 31, 2020 and June 30, 2021, the outstanding trust assets under management were RMB120,870.9 million and RMB108,011.3 million.

The table below sets forth the breakdown of the distribution of trust products of Huarong Trust by industry as at the dates indicated.

	As at <b>June 30, 2021</b> <i>(in millions of RMB)</i>	As at December 31, 2020
Industry and commerce enterprise	<b>39,340.3</b>	43,235.8
Financial institutions	<b>15,447.4</b>	16,420.5
Securities investment	<b>7,819.1</b>	10,442.1
Infrastructure	<b>16,207.0</b>	19,068.4
Real estate	<b>22,539.3</b>	24,931.0
Others	<b>6,658.2</b>	6,773.1
<b>Total</b>	<b><u>108,011.3</u></b>	<b><u>120,870.9</u></b>

#### **4.3.3.2 International business**

The Group conducts its international business mainly through Huarong International and other overseas subsidiaries. As at December 31, 2020 and June 30, 2021, the total assets of Huarong International amounted to RMB164,858.1 million and RMB154,734.8 million, respectively. The total income for the first half of 2020 and the first half of 2021 of Huarong International amounted to RMB3,155.6 million and RMB3,771.7 million, respectively.

#### **4.3.4 Business Synergy**

Focusing on the strategic deployment of “returning to the source and focusing on the core business”, the Group has established a sound coordinated development mechanism, promoted coordinated informatization construction, strengthened coordination in products, customers, information, and risk management and control, and continuously deepened the synergy in the core business areas of distressed assets such as the acquisition and disposal of distressed assets, restructuring businesses, and market-oriented debt-to-equity swaps to maximize the Group’s interests.

In the first half of 2021, the Group actively promoted business cooperations between the headquarters and its branches and subsidiaries. The value of projects implemented amounted to RMB22,303.81 million, and the revenue from all projects under synergetic cooperation amounted to RMB2,028.79 million.

### 4.3.5 Human Resources Management

In the first half of 2021, the Group strived to build teams of high quality and professional talents, thus providing a solid talent guarantee for the construction of a new Huarong with high-quality development. The Group has been establishing a correct direction for the personnel selection and employment and rectifying bad practices in this regard to optimize the structure of the employees' team, constantly improving the construction of the organization and personnel mechanism, and continuously improving the positive incentive and restraint mechanism featuring openness, transparency, scientificity and rationality. The Group closely focused on business operation and development, strengthened efforts in training, made innovation in methods, expanded training channels, and improved the ability of cadres and employees to perform their duties and their professional quality. Caring for cadres and employees, the Group actively responded to employees' concerns, protected employees' individual interests, and constantly enhanced the cohesiveness and effectiveness of our team.

#### 4.3.5.1 Employees

As of June 30, 2021, the Group had a total of 11,013 employees, including 2,628 employees working for the Company and 8,385 employees working for subsidiaries at various levels.

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 table below sets forth the number of employees of the Group by age as of June 30, 2021.

	Number	Proportion (%)
Aged 35 and below	5,160	46.9%
Age 36–45	3,092	28.1%
Age 46–55	2,186	19.8%
Aged above 56	575	5.2%
<b>Total</b>	<b>11,013</b>	<b>100%</b>

The table below sets forth the number of employees of the Group by education level as of June 30, 2021.

	Number	Proportion (%)
Doctoral degree or doctoral candidate, and above	171	1.6%
Master's degree or master candidate	3,477	31.6%
Bachelor's degree or undergraduate	6,393	58.0%
Junior college and below	972	8.8%
<b>Total</b>	<b>11,013</b>	<b>100%</b>

#### **4.3.5.2 Remuneration policy**

The Group's remuneration management is combined with the Group's strategies, business development and talent introduction. It adhered to the efficiency-centric principle and optimized the distribution system where work efficiency links to wages to promote the realization of the Group's operation objectives. The Group adhered to the employee remuneration management mechanism with remuneration based on the post and bonus based on performance, and reasonably allocated employee remuneration according to post duties, capabilities and performance contribution. The Group continued to strengthen the incentive and restraint mechanism oriented to 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 principle of matching revenue and risk, and coordinating long-term and short-term incentives.

#### **4.3.5.3 Education and training**

In the first half of 2021, the Group strengthened the overall planning of education and training, and comprehensively promoted the transformation and upgrading of training. The first is to focus on the Company's central work, comprehensively coordinate the Company's systematic education and training, and formulate and implement annual training plans. The second is to adopt flexible training methods, and carry out training at different levels, professions, and lines to improve the performance capacity and business quality of cadres and employees. The third is to strengthen the construction of the online learning platform, improve the internal and external curriculum system, and carry out online special training.

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

Save as disclosed in last annual results announcement, there are no material events affecting the Company's performance which are required to be disclosed under Appendix 16 of the Listing Rules.

### **4.4 Risk Management**

In the first half of 2021, the Group focused on risk tackling, strictly managed and controlled new risks, solidly resolved existing risks, strengthened risk warning, monitoring and analyzing, improved risk management system, mechanism and measures, and improved comprehensive risk management system, and strived to increase the quality of risk management.

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

Comprehensive risk management refers to processes and methods of, centering on the overall operational objectives, the establishment of a risk governance structure with effective checks and balances, the fosterage 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 both qualitative and quantitative methods to effectively identify, measure, assess, monitor, report, control or mitigate various risks taken, in order to provide security for achieving the Group's operational and strategical objectives.



In the first half of 2021, in view of the complex risk prevention and control situation, the Group placed greater importance on risk management, and steadily initiated the construction of a comprehensive risk management system; developed annual risk appetite policies and improved the management mechanism for implementation and monitoring of risk appetite transmission; strengthened business entry management and project review and approval, refined the conditions of authorization execution, further tightened the management of customer limits and large risk exposures, improved the risk assessment mechanism, enhanced the management of connected transactions, and gave full play to the guiding and restraining role of the Group's risk management policies; tightened risk prevention, control and resolution, strengthened risk warning, prompting and prevention, carried out in-depth risk identification, monitoring and reporting, and made every effort to promote the disposal of existing risks; enhanced the Group's consolidated risk management and risk management supervision and guidance for subsidiaries; further promoted the construction of the risk management information system and propelled better implementation of risk control requirements by enhancing the level of information technology.

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

Credit risk refers to the risk of loss due to the failure of debtors or counterparties to perform their contractual obligations or deterioration of its credit condition. Credit risk of the Group mainly involves the distressed debt asset management business, trust business, securities business, financial leasing business, banking business and consumer finance business.

In the first half of 2021, the Group further strengthened credit risk management, enhanced business access and examination and approval management, and improved relevant systems and mechanisms; developed the authorization plan for 2021, further subdivided the authorization levels based on classification management and refined the authorization execution conditions; further strengthened concentration management, tightened the management requirements for customer risk limits and large risk exposures, established a management mechanism for the list of customers with frozen limits (restricted), and strengthened early warning control over the status of the "largest creditor", so as to practically control customer concentration risks; strengthened risk warning and prevention, enhanced customer risk identification and warning capability, and realized normalization of warning prompts; actively responded to internal and external risk challenges, continuously strengthened risk monitoring and analysis, and enhanced risk control over key units and key projects; continued to optimize our internal rating model and impairment measurement model and made reasonable provision for impairment.

In the first half of 2021, the Group actively carried out the disposal and resolution work for assets with hidden risks, strengthened the construction of risk resolution mechanism, continuously enriched and improved risk resolution policies and measures, increased efforts for the coordination of risk disposal work, and made every effort to promote the disposal and resolution of risk assets. The whole Group worked in concert and achieved positive effect in risk disposal.

### **4.4.3 Market Risk Management**

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

In the first half of 2021, the Group actively responded to the impact of market fluctuations, continuously monitored the situation of risk assets in the market, such as stocks and bonds, and strengthened research and judgement as well as analysis of the impact; enhanced risk warning, prompting and reporting of new market risk assets; strengthened the monitoring for daily volatility of market risk relying on market risk system construction and data collection, to improve the quality and efficiency of market risk monitoring; continuously identified, evaluated, monitored and measured the Group's stock, interest rate and foreign exchange risks to accurately provide for market risk capital.

Regarding stock risks, the Group conducted comprehensive research and judgment on the capital market and the development trend of listed companies based on the analysis and forecast of various factors such as macroeconomic situation, market capital fundamental, policy direction, regulatory requirements, industry development trend and enterprise operation status, implemented risk and compliance management on the existing stocks of listed companies and strictly followed the relevant regulatory requirements for disposal operations and public information disclosure in order to achieve the Group's overall operation and investment strategies and objectives. Meanwhile, through various means such as real-time monitoring of market value and public opinion, regular stress tests, and improvement of the mechanism for unexpected risk handling, the Group effectively controlled risks and promoted the preservation and appreciation of state-owned assets.

With regard to interest rate risk, the Group continuously improved the interest risk management framework, standardized and improved the interest rate risk management mechanism, defined the organizational structure, responsibility system, management process and method, and measured and analyzed interest rate risks on a regular basis according to relevant systems to continuously improve its capability to cope with interest rate risks.

In terms of exchange rate risk, the Group has improved the foreign exchange risk identification, measurement, monitoring and control mechanism in accordance with the relevant requirements of the Administrative Measures on Foreign Exchange Risk (《外匯風險管理辦法》). The Group adopts Renminbi as the recording currency. The foreign exchange funds raised from listing were settled flexibly according to use of funds and exchange rate fluctuations. The Group continuously monitored its foreign exchange risk exposure and exchange rate changes, and hedged foreign exchange risks through foreign exchange forwards, currency swaps and other methods.

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

Liquidity risk refers to the risks associated with the failure to obtain sufficient funds promptly or at reasonable cost to repay mature debts or fulfil other payment obligations or support the asset growth or other business development, including financing liquidity risks and market liquidity risks. Financing liquidity risk refers to the risk where the Company fails to meet the funding requirement effectively without affecting the daily operations or financial conditions. Market liquidity risk refers to the risk where the Group fails to dispose of assets at a reasonable market price to obtain funds due to the limited depth of the market or market fluctuations. The Group's liquidity risks arise primarily from the delay in payment by its debtors, mismatch of asset and liability structure, difficulty in asset monetization, operational loss, lack of liquidity reserves and financing capacity that is unable to meet the needs of business development.

In the first half of 2021, 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 assets and liabilities is maintained within an acceptable liquidity risk level. The Group effectively controlled the degree of leverage and guaranteed its long-term liquidation safety through the setup of target leverage ratio complying with regulatory requirements. The Group established a working capital planning system and made full use of the fund transfer pricing system to speed up turnover of funds and improve the fund utilization efficiency. Besides, the Group constantly expanded financing channels and established multi-term, multi-variety and market-oriented financing methods, which were mainly based on interbank borrowings, bond issuance and other types of financing, and complemented with interbank borrowing and pledge-style repo, to reasonably arrange debt term and improve debt structure.

The methods for monitoring and controlling liquidity risks of the Group include indicator monitoring, alert management, stress tests and contingency plans. The Group set up and monitored liquidity risk monitoring indicators according to regulatory requirements and its actual situation to dynamically monitor, analyze and control liquidity risks. The Group also conducted regular stress tests for liquidity risk, established sound hypothetical scenarios and test models, developed and improved liquidity risk contingency plans, and continuously optimized early-warning management of liquidity risk and risk resolution mechanisms.

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

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

In the first half of 2021, the Group further strengthened operational risk appetite and limits management, improved internal systems, strengthened process management and control, conducted identification and evaluation work of operational risk, and promoted the realization of the Group's management objectives for operational risks by centering on source management and process control and focusing on risk prevention and quality improvement.

The Group attached great importance to the building of a prevention and control system of legal risks covering all processes, all systems and all directions, continuously improved the legal work system and kept optimizing the legal review process and strengthening contract management, enhanced legal risk prevention and control, promoted the innovation of case management mechanism, and comprehensively prevented and controlled legal risks in business management activities.

The Group continuously improved the prevention mechanism for information technology risks, strengthened the monitoring of daily technology risks, conducted network security self-examination, the construction of application-level disaster backup and recovery system, the security grading protection filing of the information system, problem rectification and other work, and continuously strengthened the management and control capabilities for technology risks. In the first half of 2021, the Group did not have any significant event in relation to information security and technology risk.

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

Reputation risk refers to the risk of negative comments of relevant interested parties on the Group resulting from the Group's operations, management and other activities or external events.

In the first half of 2021, the Company delayed release of 2020 Annual Results. Trading in the H Shares of the Company on The Stock Exchange of Hong Kong Limited has been suspended, which drew attention of the market and media reports, and therefore the reputation of the Group has been affected. The Group took swift action and made an orderly deployment based on the management principles of proactive, prudent, full process and full coverage, effectively enhanced the public opinion monitoring and emergency handling work of the Group, actively took a number of measures to control and mitigate reputation risks, relieve the influence of public opinions, respond to market concerns and maintain a stable environment for public opinions.

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

The Group has adopted an internal audit system and has professional auditors responsible for independent and objective supervision, evaluation and suggestions of conditions such as financial revenues and expenditures, business activities, risk conditions and internal control. The auditors shall report to the Party committee, Board or the Audit Committee of the Board and the Board of Supervisors of the Company if material problems are discovered during audits.

In the first half of 2021, the Group duly performed its internal audit duties, enhanced daily audit management, strengthened the basic work of internal audit to continuously deepen the construction of internal audit system. The Group carried out routine audits and special audits on its branches and subsidiaries in such aspects as corporate governance, major businesses, financial management, risk management, internal control, etc., and conducted economic responsibility audits of the middle and senior management of the Group with regard to their performance. The Group paid attention to the construction of its audit talent team, and continuously improved the internal audit training system, to enhance its internal audit team's ability in performing duties and give full play to the role of internal audit.

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

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

In the first half of 2021, the Company completed the submission of work report on anti-money laundering in 2020 in a timely manner; actively implemented the latest regulatory regulations of anti-money laundering, studied and formulated the self-assessment system for money laundering and terrorist financing risks, and promoted and conducted the preparatory work on self-assessment; continually strengthened the construction of anti-money laundering system, further optimized and improved system functions; conducted anti-money laundering training, and promoted all employees to enhance awareness of anti-money laundering and ability to prevent and control risks in relation to money laundering.

#### **4.5 Capital Management**

In accordance with the regulatory requirements, the Company “returning to the source and focusing on the core business”, continued to accelerate its business transformation by reducing the proportion of non-core business and homogeneous business. At the same time, according to the Measures on Management of Financial Asset Management Companies (Provisional) (Yin Jian Fa [2017] No. 56) and other relevant regulations, the Company continuously deepened the concept of capital constraint, kept optimizing the capital management system, and strived to increase capital efficiency. In the first half of 2021, the Company’s capital adequacy level increased comparing with the beginning of the year. The Company will work on and promote the capital replenishment plan and strive to achieve a sound and compliant capital position taking into account the regulatory requirements, development strategies and its actual situation.

As at December 31, 2020 and June 30, 2021, the capital adequacy ratio of the Company was 4.16% and 6.32%, respectively.

As at December 31, 2020 and June 30, 2021, the leverage ratio<sup>1</sup> of the Company was 1,333.0:1 and 37.1:1, respectively.

#### **4.6 Development Outlook**

Looking forward to the second half of 2021, the growth of global economy showed a significant differentiation due to the desynchrony of inflection point for the epidemic in various countries and the repeated epidemic in some countries. There was a greater impact on the emerging market economies and low-income developing countries. The subsequent impact of ultra-loose macro policies of developed economies also needs close concern.

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



In the second half of 2021, the internal and external challenges faced by China's economic development have been amplified, and economic operations will return from rapid recovery to normalization. The period of the "14th Five-Year Plan" is the first five-year period to start a new journey of building a modern socialist country in an all-round way, while the year 2021 is the first year of the "14th Five-Year Plan". It is expected that continuity, stability and sustainability will be maintained in macro policies to promote economic operation within a reasonable range. The quality, efficiency and sustainability of proactive fiscal policy will be improved by providing more support to ensure employment, improve people's livelihoods and protect market players and establishing a system for the regular transfer of direct fiscal funds. Stability and effectiveness shall be maintained for monetary policy by mastering the intensity and pace of policy implementation, taking into account of internal and external balance to further strengthen the support for the real economy.

In terms of distressed asset industry, it is expected that bank non-performing loans will still face upward pressure in the future, due to the combined impact of the epidemic and the lag of the financial cycle. Meanwhile, with the further deepening of supply-side structural reforms, the policy for real estate financing, local debt financing, and shadow banking financing will continue to be structurally adjusted, the potential supply of non-banking distressed assets such as trusts, default bonds and local financing platforms will continue to increase, the demand expansion for relief from real enterprises will also give rise to a large number of business restructuring opportunities, and the demand for distressed assets in the market will become increasingly diversified. New trends in the development of the industry require financial asset management companies to focus on the core business of distressed assets, flexibly apply the "diversification and investment banking" approach, revitalize existing assets, actively exert counter-cyclical tools and financial assistance functions and escort the stable operation of the real economy.

In the second half of 2021, the Group will continue to follow the work arrangements of the Party Central Committee, the State Council and the Party Committee of the CBIRC, seize the trend and opportunities, actively implement the idea of "returning to the source and focusing on the core business" based on the functional positioning of AMC and the requirement of the Company to provide liquidity to the existing assets, accelerate the transformation of business, strengthen the endogenous development momentum, promote the capital replenishment arrangement orderly and strive to achieve high quality and sustainable development.

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

### 5.1 Changes in Share Capital

As at June 30, 2021, the share capital of the Company was as follows:

Class of Shares	Number of Shares	Approximate percentage to the total issued Share capital
H Share(s)	25,043,852,918	64.10%
Domestic Share(s)	14,026,355,544	35.90%
Total	39,070,208,462	100.00%

### 5.2 Substantial Shareholders

#### 5.2.1 Interests and Short Positions Held by the Substantial Shareholders and Other Parties

As at June 30, 2021, the Company received notices from the following persons about their notifiable interests or short positions held in the Company's Shares and underlying Shares pursuant to Divisions 2 and 3 of Part XV of the SFO, which were recorded in the register pursuant to Section 336 of the SFO as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held or deemed to be held	Approximate percentage to the same class of share capital of the Company (%) <sup>(8)</sup>	Approximate percentage to the total share capital of the Company (%) <sup>(9)</sup>
MOF	Domestic Share(s) <sup>(1)</sup>	Beneficial Owner	9,901,084,435 (L)	70.59 (L)	25.34 (L)
	H Shares <sup>(1)</sup>	Beneficial Owner	12,376,355,544 (L)	49.42 (L)	31.68 (L)
	H Shares <sup>(2)</sup>	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
National Council for Social Security Fund <sup>(3)</sup>	Domestic Share(s)	Beneficial Owner	2,475,271,109 (L)	17.65 (L)	6.34 (L)
China Life Insurance (Group) Company	Domestic Share(s)	Beneficial Owner	1,650,000,000 (L)	11.76 (L)	4.22 (L)
Central Huijin Investment Ltd. <sup>(2)</sup>	H Share(s)	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
Warburg Pincus & Co. <sup>(4)</sup>	H Share(s)	Interest of controlled corporation	2,060,000,000 (L) <sup>(5)</sup>	8.23 (L)	5.27 (L)
Warburg Pincus Financial International Ltd <sup>(4)</sup>	H Share(s)	Beneficial Owner	2,060,000,000 (L) <sup>(5)</sup>	8.23 (L)	5.27 (L)
Sino-Ocean Group Holding Limited <sup>(6)</sup>	H Share(s)	Interest of controlled corporation	1,771,410,000 (L)	7.07 (L)	4.53 (L)
Ko Kwong Woon Ivan <sup>(7)</sup>	H Share(s)	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
Siu Lai Sheung <sup>(7)</sup>	H Share(s)	Interest of controlled corporation	1,716,504,000 (L)	6.85 (L)	4.39 (L)
Fabulous Treasure Investments Limited <sup>(2), (6), (7)</sup>	H Share(s)	Beneficial Owner	1,716,504,000 (L)	6.85 (L)	4.39 (L)



Note: (L) refers to long position

Notes:

- (1) The information is based on the Corporate Substantial Shareholder Notices from the MOF filed with the Hong Kong Stock Exchange on December 1, 2015 and January 22, 2020.
- (2) According to the Corporate Substantial Shareholder Notices from the MOF and Central Huijin Investment Ltd. filed with the Hong Kong Stock Exchange, respectively, on December 17, 2015, Fabulous Treasure Investments Limited directly holds 1,716,504,000 H Shares of the Company. As Agricultural Bank of China Limited, ABC International Holdings Limited, ABCI Investment Management Limited, Glorious Align Limited, SOL Investment Fund LP and Fabulous Treasure Investments Limited are all corporations directly or indirectly controlled by the MOF and Central Huijin Investment Ltd., for the purpose of the SFO, the MOF, Central Huijin Investment Ltd., Agricultural Bank of China Limited, ABC International Holdings Limited, ABCI Investment Management Limited, Glorious Align Limited and SOL Investment Fund LP are deemed to be interested in the long positions held by Fabulous Treasure Investments Limited.
- (3) According to the Corporate Substantial Shareholder Notices from the National Council for Social Security Fund filed with the Hong Kong Stock Exchange on January 7, 2020 and the Corporate Substantial Shareholder Notices from the MOF filed with the Hong Kong Stock Exchange on January 22, 2020, these Shares were transferred to the National Council for Social Security Fund at one time by the MOF.
- (4) According to the Corporate Substantial Shareholder Notices from Warburg Pincus & Co., Warburg Pincus Private Equity XI, L.P., Warburg Pincus XI, L.P., WP Global LLC and WP XI International II Ltd filed with the Hong Kong Stock Exchange, respectively, on November 30, 2018, 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., 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.
- (5) The Shares are under pledge for the purpose of financing from the bank.
- (6) According to the Corporate Substantial Shareholder Notices from Sino-Ocean Group Holding Limited filed with the Hong Kong Stock Exchange on September 13, 2016, Fabulous Treasure Investments Limited and Shining Grand Limited directly hold 1,716,504,000 and 54,906,000 H Shares of the Company, respectively. As Shine Wind Development Limited, Faith Ocean International Limited, Sino-Ocean Land (Hong Kong) Limited, Team Sources Holdings Limited, SOL GP Limited, Profit Raise Partner 1 Limited, SOL Investment Fund GP Limited, SOL Investment Fund LP, Fabulous Treasure Investments Limited and Shining Grand Limited are all corporations directly or indirectly controlled by Sino-Ocean Group Holding Limited, for the purpose of the SFO, Sino-Ocean Group Holding Limited, Shine Wind Development Limited, Faith Ocean International Limited, Sino-Ocean Land (Hong Kong) Limited, Team Sources Holdings Limited, SOL GP Limited, Profit Raise Partner 1 Limited, SOL Investment Fund GP Limited and SOL Investment Fund LP are deemed to be interested in the long positions of 1,716,504,000 H Shares of the Company held by Fabulous Treasure Investments Limited, and for the purpose of the SFO, Sino-Ocean Group Holding Limited, Shine Wind Development Limited, Faith Ocean International Limited and Sino-Ocean Land (Hong Kong) Limited are deemed to be interested in the long positions of 54,906,000 H Shares of the Company held by Shining Grand Limited.
- (7) According to the Individual Substantial Shareholder Notices from Ko Kwong Woon Ivan and Siu Lai Sheung filed with the Hong Kong Stock Exchange, respectively, on December 16, 2015, Fabulous Treasure Investments Limited directly holds 1,716,504,000 H Shares of the Company. As RECAS Global Limited, SOL Investment Fund GP Limited, SOL Investment Fund LP and Fabulous Treasure Investments Limited are all corporations directly or indirectly controlled by Ko Kwong Woon Ivan and Siu Lai Sheung, for the purpose of the SFO, Ko Kwong Woon Ivan, Siu Lai Sheung, RECAS Global Limited, SOL Investment Fund GP Limited and SOL Investment Fund LP are deemed to be interested in the long positions held by Fabulous Treasure Investments Limited.
- (8) Calculated based on 14,026,355,544 Domestic Shares or 25,043,852,918 H Shares in issue of the Company as at June 30, 2021.
- (9) Calculated based on a total of 39,070,208,462 Shares in issue of the Company as at June 30, 2021.

### **5.2.2 Substantial Shareholders**

During the Reporting Period, the substantial Shareholders holding more than 5% of class of Shares of the Company remained unchanged comparing to the last period. Details are as follows:

#### **MOF**

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

#### **National Council for Social Security Fund**

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

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

It is a wholly state-owned financial insurance company under the MOF. China Life Insurance (Group) Company and its subsidiaries constitute China's largest commercial insurance group. The business scope of China Life Insurance (Group) Company and its subsidiaries covers life insurance, property insurance, pension insurance (annuity business), asset management, alternative investment, overseas business, e-commerce and other fields.

#### **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, pharmaceuticals and healthcare, technology, media and telecommunication (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.

#### **Sino-Ocean Group Holding Limited**

In pursuit of the strategic vision of being the creator of “building health and creating social value”, Sino-Ocean Group is committed to becoming a pragmatic comprehensive corporation focusing on investment and development while exploring related new businesses. Its core businesses include residential development, real estate development and operation, customer service and product construction, while its non-core businesses include real estate finance, logistics real estate, data real estate and elderly care services. Sino-Ocean Group has built up the reputation of “Sino-Ocean” brand in China based on its constant quality products and professional services.

## **6 Directors, Supervisors and Senior Management**

### **6.1 Basic Information**

#### **6.1.1 Directors**

As of the publication date of this Interim Results Announcement, the Board of Directors of the Company comprised Mr. Wang Zhanfeng (chairman), Mr. Liang Qiang and Mr. Wang Wenjie as executive Directors; Ms. Zhao Jiangping, Mr. Zheng Jiangping, Mr. Xu Nuo and Mr. Zhou Langlang as non-executive Directors; and Mr. Tse Hau Yin, Mr. Shao Jingchun, Mr. Zhu Ning and Ms. Chen Yuanling as independent non-executive Directors.

#### **6.1.2 Supervisors**

As of the publication date of this Interim Results Announcement, the Board of Supervisors comprised Mr. Hu Jianzhong (chairman) as a Shareholder representative Supervisor; Mr. Cheng Fengchao and Mr. Han Xiangrong as external Supervisors; and Ms. Sun Hongbo and Ms. Guo Jinghua as employee representative Supervisors.

#### **6.1.3 Senior Management**

As of the publication date of this Interim Results Announcement, the senior management of the Company comprised Mr. Liang Qiang (president), Mr. Pang Xuefeng, Mr. Wang Wenjie, Mr. Xu Yongli, Mr. Chen Yanqing, Ms. Yang Pei and Mr. Gao Gan.

### **6.2 Changes**

#### **6.2.1 Directors**

On March 23, 2021, Mr. Tse Hau Yin resigned as an independent non-executive Director of the Company. His resignation shall take effect after the commencement of terms of office of the new independent non-executive Director and the chairman of the Audit Committee of the Board. For details, please refer to the announcement of the Company dated March 23, 2021.

On June 29, 2021, the Board of the Company nominated Mr. Liang Qiang to be an executive Director of the Company. On August 17, 2021, Mr. Liang Qiang was appointed as an executive Director of the Company at the first extraordinary general meeting of Shareholders for 2021. Please refer to the Company's relevant announcements and circulars published on June 29, 2021, July 2, 2021 and August 17, 2021, respectively, for details.

#### **6.2.2 Supervisors**

On May 13, 2021, Ms. Zheng Shengqin, an employee representative Supervisor of the third session of the Board of Supervisors, had resigned as an employee representative Supervisor of the Company due to change of her work arrangements, Ms. Guo Jinghua was elected as an employee representative Supervisor of the third session of the Board of Supervisors at the ninth meeting of the third session of the employee representative meeting of the Company. For details, please refer to the announcement of the Company dated May 13, 2021.

### ***6.2.3 Senior Management***

On June 29, 2021, the Board of the Company appointed Mr. Liang Qiang as president of the Company. For details, please refer to the announcement of the Company dated June 29, 2021.

### **6.3 Material Changes during the Reporting Period**

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

On June 3, 2021, Mr. Tse Hau Yin, the independent non-executive Director of the Company, ceased to serve as the independent non-executive director of OCBC Wing Hang Bank Limited.

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

## **7 Significant Events**

### **7.1 Corporate Governance**

In strict compliance with the Company Law of the PRC, the Securities Law of the PRC, the Listing Rules and other relevant laws, regulations, regulatory documents and the Articles of Association, and in line with its actual conditions, the Company deepened the reform of corporate governance, striving to build a corporate governance mechanism that features respective performance of duties and responsibilities, coordinated operations, and effective checks and balances. Efforts were also made to continuously enhance the effectiveness of corporate governance.

During the Reporting Period, the Company continued improving the system, mechanism and culture of corporate governance, unifying the strengthening of Party leadership with the improvement of corporate governance, and integrating Party leadership into all aspects of corporate governance, strictly implemented the resolutions of the general meeting of Shareholders, actively exerted the strategic leading role of the Board of Directors and the supervisory role of the Board of Supervisors, promoted the legal and compliant operation and sustainable and stable development of the Company, expedited investor relations management, strengthened information disclosure management, continuously improved the information transmission mechanism, and protected Shareholders' right to know, so as to treat its domestic and foreign investors on an equal basis, maintain the market value stable and protect the interests of all Shareholders.

### **7.2 Board**

As of the publication date of this Interim Results Announcement, the Board comprised 11 members, including 3 executive Directors, 4 non-executive Directors and 4 independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the Board members.

During the Reporting Period, the Company held two Board meetings in total, at which 15 resolutions were considered and passed, including the implementation of CBIRC regulatory opinions for 2020, 2021 Risk Management Strategies and Risk Appetite Policy (2021 年度風險管理策略和風險偏好政策) and 2021 Risk Limits Plan (2021 年度風險限額方案), appointment of Mr. Liang Qiang as the President and Ms. Yang Pei as Chief Risk Officer of the Company, Remuneration Settlement Scheme of the Company's Directors for the Year of 2019, Remuneration Settlement Scheme of the Company's Senior Management for the Year of 2019, the fixed assets budget for 2021, appointment of annual audit and interim review agencies for 2021. Meanwhile, 14 reports were debriefed, including the risk management for 2020, related party transaction management for 2020, anti-money laundering work for 2020 and work plan for 2021.

### **7.3 Board of Supervisors**

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

During the Reporting Period, the Board of Supervisors of the Company continuously strengthened the supervision of the performance of duties, financial management, internal control and risk management of the Board of Directors, the senior management and their members in accordance with the national laws, regulations, regulatory provisions and the Articles of Association to optimize the direction of daily supervision, improve key supervision content, continue to strengthen self-construction, continuously improved the quality and effectiveness of supervision, effectively gave play to the supervisory organization function of the Board of Supervisors, and safeguarded the legitimate rights and interests of the Company, Shareholders, employees and other stakeholders in accordance with the law.

During the Reporting Period, the Board of Supervisors of the Company held 2 meetings in total, at which 7 resolutions were considered and passed.

## **7.4 Senior Management**

During the Reporting Period, the senior management of the Company organized and implemented the Company's management and operation within the scope of authorities delegated by the Articles of Association and the Board of Directors. The Company's senior management actively responded to the complex and severe internal and external situation, focused closely on the overall deployment of the "transformation year and breakthrough year" of the Company's Party committee, insisted on strengthening the core business, speeding up providing liquidity for the existing assets, continuously optimizing the business structure, and exploring and conducting innovative business and continuously promoting business transformation; promoting risk defusing, speeding up the defusing of existing risks, strictly controlling liquidity risks, strengthening liquidity monitoring and management, and maintaining existing financing stability; strengthening corporate governance, strengthening internal control and compliance management, and consolidating internal management foundation; enhancing the Company's transparency, and shaping a good corporate image; performing duties faithfully and diligently, strengthening implementation, and promoting various operations in a smooth and orderly manner.

During the Reporting Period, the Company held 13 presidential office meetings and 7 special meetings to review and approve 48 resolutions on the Company's important management and operation.

## **7.5 Corporate Governance Code**

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

## **7.6 Internal Control**

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

The Group earnestly implemented various regulatory requirements for internal control, continuously improved the internal control organization structure, strengthened system management, strengthened control measures, and continued to optimize the internal control system.



In the first half of 2021, the Company continued to improve its institutional system and formed the compilation of new Huarong's institutional system to show the hierarchical logical relationship of the Company's system in the form of visual charts. The Company earnestly implemented the regulatory requirements, actively arranged the activity of the "Internal Control and Compliance Management Construction Year", and advanced various tasks in an orderly manner. The 2021 system self-assessment work was completed, and the system improvement plan for this year was formulated and implemented. The Group initiated the self-assessment of the internal control system for this year to comprehensively sort out the various business and management activities by the corresponding processes and evaluate the applicability of internal control process framework, the rationality of management and control responsibilities, the adequacy of risk identification, and the effectiveness of control measures to realize the Company's internal control objectives.

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

In order to ensure that the Group complies with the commitments to the Hong Kong Stock Exchange disclosed in the Prospectus not to expose the Group or related parties to sanctions risks, the Group has improved the internal control policies and procedures and implemented the following measures:

1. The Internal Control Compliance Department of the Group took the lead in the prevention and control of sanctions risks in the Company, and produced the Due Diligence Questionnaire for Sanctions, the Due Diligence Questionnaire for Export Controls and the Commitment Letter on Sanctions Risk Control (reference template) as the basic tools for due diligence, prevention and control of sanctions risks in subsidiaries of the Group, further strengthening the professionalism of related work.
2. The Group invited international legal advisers to review the internal control policies and procedures related to sanctions laws, and updated the relevant internal control measures according to the legal advisers' opinions.
3. The Group established a blacklist database of sanctions risks and updated the blacklist information daily.
4. The Group has engaged lawyers to assist in the assessment of the Group's exposure to sanctions every six months, and to provide the necessary training to relevant staff on the risks of being subject to sanctions.

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

The Company does not declare any interim dividend for 2021.

#### **7.8 Use of Proceeds**

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

As of June 30, 2021, the Group has used HK\$16,223.9 million (equivalent to RMB13,700 million) of the proceeds from the listing, of which RMB9,600 million was used to develop the distressed asset management business of the Group; RMB2,500 million was used to develop the financial



services business of the Group; and RMB1,600 million was used to develop the asset management and investment business of the Group. The actual use of proceeds was consistent with the committed use of proceeds set out in the Prospectus.

As of the publication date of this Interim Results Announcement, the aggregate balance of the unutilized proceeds was HK\$3,003.2 million, among which, HK\$2,843.9 million for the development of financial services business was remained unutilized, and HK\$159.3 million was remained unutilized neither after the payment of overseas listing fees. In order to enhance the efficiency of the utilization of the proceeds and reduce the financial costs, thereby enabling more effective deployment of financial resources and promoting the Company's business development, upon the review and pass on the 2021 first extraordinary general meeting of the Company, the Company proposed to change the remaining proceeds of HK\$3,003.2 million in total to provide capital contribution and fund support to major subsidiaries. For details, please refer to the relevant announcements and circular of the Company date August 2, 2021, August 3, 2021 and August 17, 2021. As of the publication date of this Interim Results Announcement, no specific timetable for the utilization of proceeds was available.

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

The disposal of policy-based DES is revitalized. The Company focused on key areas of deepened reform of state-owned enterprises, and seized the opportunities of enterprise restructuring and M&A to realize asset liquidity and achieve gains from equity restructuring. In addition, the Company stepped up efforts for disposing and revitalizing of DES Assets, proactively disinvested from highly competitive industries or such equities with limited potential for asset appreciation with a view to achieving better economic benefits.

Market-oriented DES business expansion. The Company closely followed the national strategies and the Company's development plan orientation, strengthened market research and industry analysis, further focused on key industries and fields, optimized industrial layout, actively carried out and reserved the market-oriented DES projects, and improved the return on equity investments of the Company while giving play to the rescue financial service function.

## **7.10 Material Litigation and Arbitration**

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

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

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

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

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

## **7.13 Major Connected Transactions**

During the Reporting Period, the Company did not have any connected transaction(s) required to be disclosed pursuant to Chapter 14A of the Listing Rules.

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

### ***7.14.1 Major Custodies, Underwriting and Leasing***

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

### ***7.14.2 Material Guarantees***

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

## **7.15 Events after the Reporting Period**

For details of events after the Reporting Period, please refer to “8. Review Report and Interim Condensed Consolidated Financial Information — V. Events after the Reporting Period”.

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

During the Reporting Period, none of the Company or its subsidiaries purchased, sold or redeemed any listed securities of the Company.

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

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”) set out in Appendix 10 to the Listing Rules. The Company has made enquiries to all Directors and Supervisors who all confirmed that they had complied with the Model Code and the requirements therein during the Reporting Period.

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

As of June 30, 2021, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares or underlying Shares of the Company or other associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register of interests kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

The interim condensed consolidated financial information for the six months ended June 30, 2021 prepared by the Company according to the IFRSs was reviewed by Ernst & Young.

This results announcement has been reviewed and approved by the Board and the Audit Committee of the Board.

## **7.20 Continued Suspension of Trading**

Reference is made to the announcement of the Company dated March 31, 2021. As a relevant transaction of the Company was still being finalized, the auditor would need more information and time to complete the audit procedures for the 2020 annual results. As of the date of the Announcement, the auditor has completed the audit procedures for the 2020 annual results.

At the request of the Company, trading in the Shares of the Company on Hong Kong Stock Exchange has been suspended with effect from 9:00 a.m. on April 1, 2021 pending the satisfaction of resumption conditions and will remain suspended until further notice. The Company will make further announcement(s) as and when appropriate. The Company will keep the Company's Shareholders and potential investors informed of the latest progress as and when appropriate and will announce quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

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

FOR THE SIX MONTHS ENDED 30 JUNE 2021

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# **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**TO THE BOARD OF DIRECTORS OF CHINA HUARONG ASSET MANAGEMENT CO., LTD.**  
(Established in the People's Republic of China with limited liability)

## **Introduction**

We have reviewed the interim condensed consolidated financial information of China Huarong Asset Management Co., Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the condensed consolidated statement of financial position as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board.

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

## **Scope of Review**

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

# **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION — continued**

## **Basis for Qualified Conclusion**

*Comparability of the current period's figures and the corresponding figures for the Group's consolidated financial performance and consolidated cash flows*

As stated in our Independent Auditor's Report on the Group's financial statements for the year ended 31 December 2020 dated 28 August 2021, regarding the matters described in Note III.2 to the consolidated financial statements for the year ended 31 December 2020, we were unable to make reasonable judgement on whether any of the associated gains and losses recognised by the Group in 2020 should have been recorded in the consolidated statement of profit or loss and the consolidated statement of comprehensive income of previous years. This matter has a possible effect on the comparability of the current period's figures and the corresponding figures in the interim condensed consolidated statements of profit or loss, comprehensive income and cash flows for the six months ended 30 June 2021.

## **Conclusion**

Except for the possible effects mentioned above, based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

28 August 2021

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
Income from distressed debt assets	2	15,267,983	16,774,284
Fair value changes on distressed debt assets	3	3,584,810	4,295,614
Fair value changes on other financial assets and liabilities	4	3,510,442	565,783
Interest income	5	18,468,660	18,412,153
Finance lease income		1,106,604	2,046,452
Gains from derecognition of financial assets measured at amortised cost		596,294	274,179
Gains from derecognition of debt instruments at fair value through other comprehensive income		143,431	83,756
Commission and fee income	6	1,234,412	1,125,655
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures		19,647	111,518
Dividend income		458,224	603,338
Other income and other net gains or losses	7	1,671,958	1,395,113
<b>Total</b>		<b>46,062,465</b>	<b>45,687,845</b>
Interest expenses	8	(27,185,843)	(27,992,335)
Commission and fee expenses		(406,817)	(1,172,693)
Operating expenses	9	(5,249,287)	(5,611,028)
Impairment losses under expected credit loss model	10	(7,920,203)	(6,079,679)
Impairment losses on other assets	11	(139,950)	(198,867)
<b>Total</b>		<b>(40,902,100)</b>	<b>(41,054,602)</b>
Change in net assets attributable to other holders of consolidated structured entities		(1,057,251)	(810,490)
Share of results of associates and joint ventures		193,247	64,119
Profit before tax		4,296,361	3,886,872
Income tax expense	12	(2,672,134)	(3,094,770)
<b>Profit for the period</b>		<b>1,624,227</b>	<b>792,102</b>
Profit attributable to:			
Equity holders of the Company		158,304	209,919
Holders of perpetual capital instruments		631,502	401,079
Non-controlling interests		834,421	181,104
		<b>1,624,227</b>	<b>792,102</b>
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	13		
— Basic		0.004	0.005
— Diluted		0.004	0.005

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



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Profit for the period	<b>1,624,227</b>	792,102
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Actuarial gains /(losses) on defined benefit obligations	<b>1,525</b>	(9,792)
Fair value losses on investments in equity instruments at fair value through other comprehensive income	<b>(42,031)</b>	(373,593)
Share of other comprehensive income of associates	<b>57</b>	—
Income tax effect	<b>5,742</b>	43,745
	<b>(34,707)</b>	(339,640)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<b>527,224</b>	(56,538)
Fair value changes on hedging instruments designated in cash flow hedges	<b>101,169</b>	(389,117)
Financial assets measured at fair value through other comprehensive income		
— fair value changes	<b>(323,659)</b>	134,024
— reclassification of losses to profit or loss on disposals	<b>113,149</b>	55,940
— impairment provided	<b>798,728</b>	340,675
Income tax effect	<b>(161,563)</b>	106,227
	<b>1,055,048</b>	191,211
Other comprehensive income/(expense) for the period, net of income tax	<b>1,020,341</b>	(148,429)
Total comprehensive income for the period	<b>2,644,568</b>	643,673
Total comprehensive income for the period attributable to:		
Equity holders of the Company	<b>1,081,783</b>	75,195
Holders of perpetual capital instruments	<b>631,502</b>	401,079
Non-controlling interests	<b>931,283</b>	167,399
	<b>2,644,568</b>	643,673

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
<b>Assets</b>			
Cash and balances with central bank	15	26,647,359	22,808,362
Deposits with financial institutions	16	133,767,284	123,875,031
Placements with financial institutions		4,466,587	5,740,804
Financial assets at fair value through profit or loss	17	345,845,879	359,439,987
Financial assets held under resale agreements	18	15,449,086	15,224,623
Contract assets		5,198,504	5,306,994
Loans and advances to customers	19	243,340,435	232,500,179
Finance lease receivables	20	31,062,891	39,796,700
Debt instruments at fair value through other comprehensive income	21	62,444,881	83,106,848
Equity instruments at fair value through other comprehensive income	22	3,083,353	4,493,861
Inventories	23	21,617,464	20,112,360
Debt instruments at amortised cost	24	635,752,831	656,048,582
Interests in associates and joint ventures	25	15,527,384	14,357,953
Investment properties	26	4,055,882	4,001,006
Property and equipment	26	12,422,036	12,717,276
Right-of-use assets		2,662,491	2,447,155
Deferred tax assets		14,939,662	14,423,850
Goodwill		322,971	322,971
Other assets	27	27,010,170	24,742,494
<b>Total assets</b>		<b>1,605,617,150</b>	<b>1,641,467,036</b>
<b>Liabilities</b>			
Borrowings from central bank		21,280,930	23,182,829
Deposits from financial institutions	28	7,568,804	8,924,141
Placements from financial institutions		6,610,036	4,679,266
Financial assets sold under repurchase agreements	29	24,123,780	15,547,448
Borrowings	30	781,984,794	778,423,768
Financial liabilities at fair value through profit or loss	17	2,714,666	3,301,527
Due to customers	31	263,983,139	250,827,219
Tax payable	32	818,763	1,283,897
Contract liabilities		465,004	649,052
Lease liabilities		1,173,746	919,817
Deferred tax liabilities		488,719	408,771
Bonds and notes issued	33	284,967,192	336,971,821
Other liabilities	34	143,684,250	152,090,616
<b>Total liabilities</b>		<b>1,539,863,823</b>	<b>1,577,210,172</b>

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

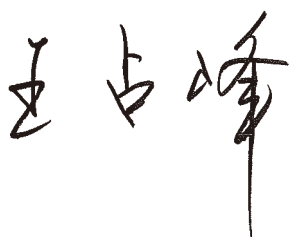
AS AT 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

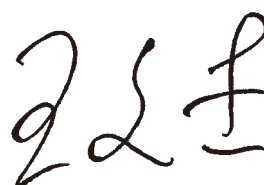
	Notes IV	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Equity			
Share capital	35	39,070,208	39,070,208
Capital reserve		17,217,217	17,241,496
Surplus reserve		8,564,210	8,564,210
General reserve	36	17,842,051	17,842,051
Other reserves		4,346,801	3,413,228
Accumulated losses		(67,828,256)	(67,976,466)
Equity attributable to equity holders of the Company		19,212,231	18,154,727
Perpetual capital instruments		25,490,343	25,475,878
Non-controlling interests		21,050,753	20,626,259
Total equity		65,753,327	64,256,864
Total equity and liabilities		1,605,617,150	1,641,467,036

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

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



CHAIRMAN



EXECUTIVE DIRECTOR

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to equity holders of the Company										Perpetual capital instruments	Non-controlling interests	Total
	Other reserves												
	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Hedging reserve	Others	Accumulated losses	Subtotal			
As at 1 January 2021 (audited)	39,070,208	17,241,496	8,564,210	17,842,051	2,288,475	1,593,515	(425,673)	(43,089)	(67,976,466)	18,154,727	25,475,878	20,626,259	64,256,864
Profit for the period	—	—	—	—	—	—	—	—	158,304	158,304	631,502	834,421	1,624,227
Other comprehensive income for the period	—	—	—	—	353,245	467,483	101,169	1,582	—	923,479	—	96,862	1,020,341
Total comprehensive income for the period	—	—	—	—	353,245	467,483	101,169	1,582	158,304	1,081,783	631,502	931,283	2,644,568
Dividends declared	—	—	—	—	—	—	—	—	—	—	—	(521,968)	(521,968)
Distribution relating to perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	(617,037)	—	(617,037)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	15,179	15,179
Change in ownership interests in subsidiaries	—	(6,051)	—	—	—	—	—	—	—	(6,051)	—	—	(6,051)
Realised losses of equity instruments at fair value through other comprehensive income	—	—	—	—	10,094	—	—	—	(10,094)	—	—	—	—
Others	—	(18,228)	—	—	—	—	—	—	—	(18,228)	—	—	(18,228)
As at 30 June 2021 (unaudited)	39,070,208	17,217,217	8,564,210	17,842,051	2,651,814	2,060,998	(324,504)	(41,507)	(67,828,256)	19,212,231	25,490,343	21,050,753	65,753,327

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Equity attributable to equity holders of the Company										Perpetual capital instruments	Non- controlling interests	Total
	Other reserves												
	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Hedging reserve	Others	Retained earnings	Subtotal			
As at 1 January 2020	39,070,208	18,405,019	8,564,210	16,681,256	2,739,804	(485,921)	(426,303)	(20,649)	36,731,157	121,258,781	18,430,576	23,787,125	163,476,482
Profit for the period	—	—	—	—	—	—	—	—	209,919	209,919	401,079	181,104	792,102
Other comprehensive income for the period	—	—	—	—	255,792	(34,186)	(346,538)	(9,792)	—	(134,724)	—	(13,705)	(148,429)
Total comprehensive income for the period	—	—	—	—	255,792	(34,186)	(346,538)	(9,792)	209,919	75,195	401,079	167,399	643,673
Dividends declared	—	—	—	—	—	—	—	—	(429,773)	(429,773)	—	(932,972)	(1,362,745)
Issuance of perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	5,297,694	—	5,297,694
Distribution relating to perpetual capital instruments	—	—	—	—	—	—	—	—	—	—	(383,223)	—	(383,223)
Appropriation to general reserve	—	—	—	1,142,540	—	—	—	—	(1,142,540)	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	459,391	459,391
Disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(214,619)	(214,619)
Change in ownership interests in subsidiaries	—	(425,398)	—	—	—	—	—	—	8,810	(416,588)	—	545,366	128,778
Realised losses of equity instruments at fair value through other comprehensive income	—	—	—	—	249,253	—	—	—	(249,253)	—	—	—	—
Others	—	(18,146)	—	—	—	—	—	—	—	(18,146)	—	—	(18,146)
As at 30 June 2020 (unaudited)	39,070,208	17,961,475	8,564,210	17,823,796	3,244,849	(520,107)	(772,841)	(30,441)	35,128,320	120,469,469	23,746,126	23,811,690	168,027,285

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
OPERATING ACTIVITIES			
Cash generated from operations		33,504,711	52,033,134
Income tax paid		(3,127,583)	(6,281,120)
NET CASH FLOWS FROM OPERATING ACTIVITIES		30,377,128	45,752,014
INVESTING ACTIVITIES			
Cash receipts from interest income arising from investment other than held for trading		11,212,831	12,162,553
Cash receipts from dividend income		472,342	677,507
Cash receipts from disposals/liquidation of associates and joint ventures		589,561	3,769,393
Cash receipts from disposals of property and equipment, and other assets		344,611	368,143
Cash payments for pledge deposits in bank		1,037,782	951,030
Net cash inflow on acquisitions of subsidiaries		3,412	1,293,105
Net cash inflow on disposals of subsidiaries		—	639,285
Net decrease / (increase) in investment securities		23,890,284	(33,132,334)
Cash payments for investments in associates and joint ventures		(1,864,596)	(496,176)
Cash payments for purchases of property and equipment, investment properties and other assets		(261,691)	(618,748)
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		35,424,536	(14,386,242)

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — continued

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Notes IV	For the six months ended 30 June	
		2021 (Unaudited)	2020 (Unaudited)
<b>FINANCING ACTIVITIES</b>			
Cash payments for consolidated structured entities		(8,165,384)	2,081,262
Issurance of perpetual capital instruments		—	5,297,694
Proceeds of borrowings of non-financial institution subsidiaries		9,303,754	32,227,779
Repayment of borrowings of non-financial institution subsidiaries		(6,922,559)	(51,001,587)
Repayments of leases liabilities		(473,516)	(480,050)
Cash receipts from bonds and notes issued		30,792,276	53,384,885
Cash payments for transaction costs of bonds and notes issued		(5,637)	(29,382)
Cash repayments for bonds and notes redeemed		(80,837,583)	(76,959,534)
Interest paid for bonds and notes issued and other borrowings		(7,916,797)	(14,356,086)
Dividends paid		—	(98,169)
Cash payments for distribution to holders of perpetual capital instruments		(617,037)	(383,223)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>		<b>(64,842,483)</b>	<b>(50,316,411)</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>959,181</b>	<b>(18,950,639)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>		<b>140,313,631</b>	<b>159,234,357</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>(13,006)</b>	<b>29,913</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	37	<b>141,259,806</b>	<b>140,313,631</b>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES INCLUDE:</b>			
Interest received		31,309,705	25,539,958
Interest paid		(14,335,442)	(21,110,991)
		<b>16,974,263</b>	<b>4,428,967</b>

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



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

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## I. GENERAL INFORMATION

China Huarong Asset Management Co., Ltd. (the “Company”) was transformed from the former China Huarong Asset Management Corporation (the “Former Huarong”) which was a wholly state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) on 1 November 1999 as approved by the State Council of the PRC (the “State Council”). On 28 September 2012, the Company was established after the completion of the financial restructuring of the Former Huarong as approved by the State Council. Its registered office is located at No. 8, Finance Street, Xicheng District, Beijing 100033, PRC. The ultimate controlling party of the Company is the MOF.

The Company has financial services certificate No. J0001H111000001 issued by the China Banking and Insurance Regulatory Commission (the “CBIRC”), and business licence No. 911100007109255774 issued by the State Administration of Industry and Commerce of the PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 30 October 2015. The Company and its subsidiaries are collectively referred to as the “Group”.

The principal activities of the Group comprise acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets, including debt-to-equity swap assets; bankruptcy management; investment; securities dealing; financial bonds issuance, inter-bank borrowing and lending, commercial financing for other financial institutions; approved asset securitisation business, financial institutions custody, closing and liquidation of business; consulting and advisory business on finance, investment, legal and risk management; assets and project evaluation; deposits taking from customers, lending to corporates and individuals; clearing and settlement services; financial leasing service; securities and futures services; fund management and asset management services; trust services; real estate and industrial investments and other businesses approved by the CBIRC or other regulatory bodies.

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

## II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 1. Basis of preparation

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* (“IAS 34”) issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The interim condensed consolidated financial information of the Group should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020.

#### *Going concern basis*

As affected by significant decline in operating performance and financial condition of 2020, the Company’s certain regulatory indicators, such as capital adequacy ratio and leverage ratio, failed to reach the minimum levels required by the regulators as at 30 June 2021. In accordance with regulatory requirements, the regulators could impose a range of restrictive measures on the Group.

In addition, as at 30 June 2021, the Group’s bond payables amounted to RMB285.0 billion, of which included domestic bond payables of RMB168.2 billion and overseas bond payables of RMB116.8 billion. Specifically, bond payables falling due within one year amounted to RMB107.5 billion. As at 30 June 2021, the Group’s borrowings amounted to RMB782.0 billion, of which borrowings falling due within one year amounted to RMB577.9 billion. The significant decline in operating performance and financial condition may trigger immediate repayment of part of the borrowings, which amounted to RMB17.9 billion.

The above matters or conditions may cast significant doubt on the Group’s ability to continuing as a going concern.

Based on the above circumstances, the Group’s management has prudently considered and assessed the Group’s future capital replenishment plan, operating conditions, available liquid funds and possible sources of finance to ensure the Group’s continued operation in the next 12 months. These actions include:

- 1) Implementing capital replenishment plan. With support from all relevant parties, the board of directors of the Company (“the Board”) intends to proactively introduce strategic investors to effectively replenish capital, improve risk compensation capacities and ensure the foundation for sustainable operations. On 18 August 2021, the Company signed investment framework agreements with potential strategic investors, namely, CITIC Group Corporation, China Insurance Investment Co., Ltd., China Life Asset Management Company Limited, China Cinda Asset Management Co., Ltd. (“China Cinda”) and Sino-Ocean Capital Holding Limited, which will make strategic investments in the Company by subscribing to new shares to be issued by the Company.

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

### **1. Basis of preparation — continued**

#### ***Going concern basis — continued***

- 2) In accordance with the requirements from regulatory authorities on financial asset management companies of gradual exit from the non-core businesses, the Group plans to dispose of subsidiaries with non-core business activities in the near future to increase internally generated fund inflows and to replenish capital.
- 3) Maintaining stable liquidity. The Group grasped the monetary policy and regulatory policy guidance, closely monitored market liquidity, strictly implemented risk monitoring and control, maintained normal and stable exchange of funds with financial institutions, timely redeemed domestic and overseas bonds falling due on a timely basis, and therefore the Company's liquidity risk is under control.
- 4) Constantly promote the development strategy of returning to core business and defusing risks. Under the support of all relevant parties, the Group closely focused on the state's functional positioning of asset management companies, and continued to promote the reduction of risks in accordance with the established development strategy. The Group accelerated transformation of core business and resolution of legacy risks, improved corporate governance, and strengthened risk internal control mechanisms to enhance endogenous development momentum and constantly deepen the high-quality development of New Huarong.

Based on the Company's proposed measures and future operating plan, the Company prepared cash flow forecast for the next 12 months. The Company's senior management have already reviewed such forecasts. The Company's management are of the view that the Company is capable of ensuring the Group's continued operation in the next 12 months, by implementing the above measures to improve regulatory indicators, resolve liquidity risk and obtain sufficient working capital. Accordingly, the Company considers it appropriate to adopt the going concern basis for the preparation of the Company's financial statements.

### **2. Changes in accounting policies**

Except as described below, the accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2021 are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

In the current interim period, the Group has applied the following new standards, amendments and interpretations to IFRSs that are effective for the Group's annual period beginning on 1 January 2021:

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

### 2. Changes in accounting policies — continued

Amendments to IFRS 9, IAS 39, IFRS 7,  
IFRS 4 and IFRS 16

*Interest Rate Benchmark Reform — Phase 2*

Amendments to IFRS 16

*COVID-19-Related Rent Concessions beyond  
30 June 2021*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (“IBOR”) is replaced with an alternative nearly risk-free interest rate (“RFR”). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

On 28 May 2020, the IASB issued COVID-19-Related Rent Concessions — amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The adoption of the above standards, amendments and interpretations did not have any significant impact on the operating results, financial position and comprehensive income of the Group.

### **III. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

The types of significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preparation of the Group's consolidated financial statements for the year ended 31 December 2020.

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

### **1. Segment information**

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance 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 business operated by the Company and certain of its subsidiaries, including distressed asset management, debt equity swap asset management, distressed asset management business conducted by subsidiaries, distressed asset-based special situations investment and distressed asset-based property development.

#### ***Financial services operations***

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as banking, securities and futures, finance lease and consumer finance. These operations are mainly carried out by the subsidiaries of the Company.

#### ***Asset management and investment operations***

The asset management and investment segment comprises relevant business operated by the Company and certain of its subsidiaries, mainly including trusts, private equity fund, financial investment, 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 Mainland China and Hong Kong. There is no significant customer concentration of the Group's business with no customer contributing 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.

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

### 1. Segment information — continued

<u>For the six months ended 30 June 2021</u>	<u>Distressed asset management</u>	<u>Financial services</u>	<u>Asset management and investment</u>	<u>Elimination</u>	<u>Consolidated</u>
Income from distressed debt assets	15,267,983	—	—	—	15,267,983
Fair value changes on distressed debt assets	3,584,810	—	—	—	3,584,810
Fair value changes on other financial assets and liabilities	2,748,957	201,754	559,731	—	3,510,442
Interest income	4,098,744	13,764,225	2,718,159	(2,112,468)	18,468,660
Finance lease income	—	1,076,596	30,008	—	1,106,604
Gains from derecognition of financial assets measured at amortised cost	162,935	74,675	358,684	—	596,294
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income	100,215	61,883	(18,667)	—	143,431
Commission and fee income	184,525	808,125	246,597	(4,835)	1,234,412
Net gains on disposals of subsidiaries, associates and joint ventures	9	—	19,638	—	19,647
Dividend income	51,844	1,055	808,400	(403,075)	458,224
Other income and other net gains or losses	845,464	755,221	117,713	(46,440)	1,671,958
Total	27,045,486	16,743,534	4,840,263	(2,566,818)	46,062,465
Interest expenses	(15,828,551)	(7,544,963)	(5,596,640)	1,784,311	(27,185,843)
Commission and fee expenses	(18,173)	(327,842)	(64,188)	3,386	(406,817)
Operating expenses	(2,310,689)	(2,180,916)	(760,733)	3,051	(5,249,287)
Impairment losses under expected credit loss model	(1,999,487)	(3,399,983)	(2,519,882)	(851)	(7,920,203)
Impairment losses on other assets	60,794	(61,645)	(139,099)	—	(139,950)
Total	(20,096,106)	(13,515,349)	(9,080,542)	1,789,897	(40,902,100)
Change in net assets attributable to other holders of consolidated structured entities	(1,305,990)	268,105	(19,366)	—	(1,057,251)
Share of results of associates and joint ventures	123,117	—	70,130	—	193,247
Profit before tax	5,766,507	3,496,290	(4,189,515)	(776,921)	4,296,361
Income tax expense					(2,672,134)
Profit for the period					1,624,227



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

### 1. Segment information — continued

	<u>Distressed asset management</u>	<u>Financial services</u>	<u>Asset management and investment</u>	<u>Elimination</u>	<u>Consolidated</u>
As at 30 June 2021					
Segment assets	828,495,480	608,489,568	256,001,547	(102,309,107)	1,590,677,488
Including: Interests in associates and joint ventures	1,672,743	—	13,854,641	—	15,527,384
Deferred tax assets					14,939,662
Total assets					<u>1,605,617,150</u>
Segment liabilities	798,894,762	557,339,194	281,120,415	(98,798,030)	1,538,556,341
Deferred tax liabilities					488,719
Tax payable					818,763
Total liabilities					<u>1,539,863,823</u>

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

### 1. Segment information — continued

For the six months ended 30 June 2020	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	16,774,284	—	—	—	16,774,284
Fair value changes on distressed debt assets	4,295,614	—	—	—	4,295,614
Fair value changes on other financial assets and liabilities	1,626,718	728,270	(1,789,205)	—	565,783
Interest income	3,893,233	12,304,759	4,209,118	(1,994,957)	18,412,153
Finance lease income	—	2,013,675	32,777	—	2,046,452
Gains/(losses) from derecognition of financial assets measured at amortised cost	267,523	122,917	(116,261)	—	274,179
(Losses)/gains from derecognition of debt instruments at fair value through other comprehensive income	(13,360)	127,906	(30,790)	—	83,756
Commission and fee income	77,938	773,222	283,569	(9,074)	1,125,655
Net gains/(losses) on disposals of subsidiaries, associates and joint ventures	113,402	—	(1,884)	—	111,518
Dividend income	322,158	4,950	1,640,673	(1,364,443)	603,338
Other income and other net gains or losses	657,820	522,167	311,387	(96,261)	1,395,113
<b>Total</b>	<b>28,015,330</b>	<b>16,597,866</b>	<b>4,539,384</b>	<b>(3,464,735)</b>	<b>45,687,845</b>
Interest expenses	(15,282,663)	(7,218,398)	(7,269,115)	1,777,841	(27,992,335)
Commission and fee expenses	(52,645)	(1,058,679)	(61,369)	—	(1,172,693)
Operating expenses	(2,242,140)	(2,479,856)	(909,987)	20,955	(5,611,028)
Impairment losses under expected credit loss model	(1,658,786)	(1,469,222)	(2,951,671)	—	(6,079,679)
Impairment losses on other assets	(54)	(4,846)	(193,967)	—	(198,867)
<b>Total</b>	<b>(19,236,288)</b>	<b>(12,231,001)</b>	<b>(11,386,109)</b>	<b>1,798,796</b>	<b>(41,054,602)</b>
Change in net assets attributable to other holders of consolidated structured entities	(1,270,938)	(717,447)	1,177,895	—	(810,490)
Share of results of associates and joint ventures	84,864	—	42,248	(62,993)	64,119
Profit before tax	7,592,968	3,649,418	(5,626,582)	(1,728,932)	3,886,872
Income tax expense					(3,094,770)
<b>Profit for the period</b>					<b>792,102</b>
As at 31 December 2020					
Segment assets	837,605,232	611,064,450	276,060,848	(97,687,344)	1,627,043,186
Including: Interests in associates and joint ventures	1,846,871	—	12,511,082	—	14,357,953
Deferred tax assets					14,423,850
<b>Total assets</b>					<b>1,641,467,036</b>
Segment liabilities	807,801,030	561,312,933	300,689,134	(94,285,593)	1,575,517,504
Deferred tax liabilities					408,771
Tax payable					1,283,897
<b>Total liabilities</b>					<b>1,577,210,172</b>

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

### 2. Income from distressed debt assets

The amount represents interest income arising from distressed debt assets classified as debt instruments at fair value through other comprehensive income (“FVOCI”) and debt instruments at amortised cost, which include loans acquired from financial institutions and other debt assets acquired from non-financial institutions (see Notes IV.21 and IV.24).

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

The amount represents fair value changes on distressed debt assets measured at fair value through profit or loss (“FVTPL”) during the period (see Note IV.17).

The fair value changes comprise both realised gains or losses from disposal of distressed debt assets measured at FVTPL and unrealised fair value changes on such assets. Any interest income arising from such assets is also included in fair value changes.

### 4. Fair value changes on other financial assets and liabilities

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Listed and unlisted shares and funds	1,860,292	1,484,159
Trust products	1,265,133	(2,572,268)
Debt instruments	440,391	1,063,490
Wealth management products	82,779	323,641
Derivatives and structured products	(37,394)	(131,261)
Other investments and financial liabilities	(100,759)	398,022
Total	<u>3,510,442</u>	<u>565,783</u>

The fair value changes comprise both realised gains or losses from disposal/settlement of other financial assets/liabilities measured at FVTPL and unrealised fair value changes on such assets/liabilities. Any interest income arising from such assets is also included in fair value changes.

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

### 5. Interest income

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Debt instruments at amortised cost other than distressed debt assets	<b>6,406,596</b>	6,972,149
Debt instruments at FVOCI other than distressed debt assets	<b>651,669</b>	873,497
Loans and advances to customers		
— Corporate loans and advances and discounted bills	<b>4,016,381</b>	4,260,129
— Personal loans and advances	<b>3,340,267</b>	2,978,600
— Loans to margin clients	<b>135,056</b>	186,197
Receivables arising from sales and leaseback arrangements	<b>2,272,444</b>	1,430,824
Deposits with financial institutions	<b>1,019,973</b>	1,198,724
Placements with financial institutions	<b>259,758</b>	36,295
Financial assets held under resale agreements	<b>206,727</b>	294,673
Balances with central bank	<b>159,789</b>	181,065
Total	<b><u>18,468,660</u></b>	<b><u>18,412,153</u></b>

### 6. Commission and fee income

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Securities and futures brokerage business	<b>498,740</b>	416,303
Banking and consumer finance business	<b>383,293</b>	364,419
Trust business	<b>172,261</b>	231,351
Asset management business	<b>171,610</b>	102,758
Fund management business	<b>8,508</b>	10,824
Total	<b><u>1,234,412</u></b>	<b><u>1,125,655</u></b>

Relationship between disaggregation of revenue and revenue information disclosed in segment:

The Group provides asset management services (excluding trust and fund management) in “Distress asset management” and “Asset management and investment” segments. The revenue from trust is recorded in “Asset management and investment” segment. For securities and futures brokerage, banking and consumer finance and fund management, they are recorded in “Financial services” segment as disclosed in Note IV.1.

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

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Income arising from operating leases	588,012	524,402
Revenue from properties development <sup>(i)</sup>	484,839	194,212
Government grants	41,628	24,347
Net (losses)/gains on exchange differences	(81,339)	262,311
Others	638,818	389,841
Total	<u>1,671,958</u>	<u>1,395,113</u>

(i) Revenue from property development is recorded in “Distressed asset management” segment and “Asset management and investment” segment as disclosed in Note IV.1.

### 8. Interest expenses

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Borrowings	(17,105,039)	(17,385,005)
Bonds and notes issued	(6,155,763)	(7,149,224)
Due to customers	(2,922,528)	(2,824,805)
Financial assets sold under repurchase agreements	(282,196)	(263,413)
Borrowings from central bank	(280,731)	(66,846)
Lease liabilities	(164,930)	(34,855)
Deposits from financial institutions	(142,962)	(163,833)
Placements from financial institutions	(41,553)	(6,913)
Other liabilities	(90,141)	(97,441)
Total	<u>(27,185,843)</u>	<u>(27,992,335)</u>

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

### 9. Operating expenses

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Employee benefits	(2,049,404)	(2,381,489)
Turnover tax and surcharges	(334,261)	(319,512)
Others	(2,865,622)	(2,910,027)
Including:		
Depreciation of property and equipment	(476,735)	(463,241)
Depreciation of right-of-use assets	(354,533)	(363,953)
Cost of properties development and sales	(344,232)	(109,850)
Amortisation	(120,059)	(153,105)
Depreciation of investment properties	(70,424)	(105,288)
Management fee for leases	(47,179)	(94,731)
Rental for short-term leases	(38,796)	(94,291)
Total	<u>(5,249,287)</u>	<u>(5,611,028)</u>

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Debt instruments at amortised cost	(4,157,845)	(3,385,199)
Loans and advances to customers	(2,652,720)	(1,789,426)
Debt instruments at FVOCI	(1,025,240)	(573,469)
Financial assets held under resale agreements	324,209	233,751
Financial lease receivables	(269,747)	(247,032)
Other financial assets	(138,860)	(318,304)
Total	<u>(7,920,203)</u>	<u>(6,079,679)</u>

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

### 11. Impairment losses on other assets

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Interests in associates and joint ventures	(129,360)	(189,318)
Others	(10,590)	(9,549)
Total	<u>(139,950)</u>	<u>(198,867)</u>

### 12. Income tax expense

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Current income tax		
PRC enterprise income tax	(3,248,159)	(1,274,467)
PRC Land appreciation tax	(11,601)	—
Hong Kong and Macau profits tax	(19,740)	(57,270)
Deferred income tax	<u>607,366</u>	<u>(1,763,033)</u>
Total	<u>(2,672,134)</u>	<u>(3,094,770)</u>

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended 30 June 2020: 25%).

The preferential income tax rate applicable to PRC enterprises within the scope of the western development area was 15% for the period (for the six months ended 30 June 2020: 15%).

The preferential income tax rate applicable to PRC high-tech enterprises was 15% for the period (for the six months ended 30 June 2020: 15%).

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the interim condensed consolidated financial information.



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

### 13. Earnings per share

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to equity holders of the Company	<u>158,304</u>	<u>209,919</u>
Number of shares:		
Weighted average number of shares in issue (in thousand)	<u>39,070,208</u>	<u>39,070,208</u>
Basic earnings per share (RMB Yuan)	0.004	0.005
Diluted earnings per share (RMB Yuan)	<u>0.004</u>	<u>0.005</u>

### 14. Dividends

On 30 June 2021, the Company did not declare a cash dividend for the period ended 31 December 2020. The Company did not declare any interim dividend for the period ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

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

### 15. Cash and balances with central bank

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Cash	555,139	480,745
Mandatory reserve deposits with central bank <sup>(i)</sup>	18,558,448	18,408,034
Surplus reserve deposits with central bank <sup>(ii)</sup>	7,083,794	3,700,102
Other deposits with central bank	449,978	219,481
Total	<u>26,647,359</u>	<u>22,808,362</u>

The balance of the Group mainly arises from its banking business.

- (i) Mandatory reserve deposits are placed with the People's Bank of China (the "PBOC"). They include RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve deposits are not available for the Group's daily operations.

As at 30 June 2021, the RMB and foreign currency mandatory reserve deposits placed with the PBOC were mainly based on 7.00% (31 December 2020: 7.00%) and 7.00% (31 December 2020: 5.00%) of eligible RMB and foreign currency deposits of Huarong Xiangjiang Bank Corporation Limited ("Huarong Xiangjiang Bank"), a subsidiary of the Company. The foreign currency reserve deposits placed with the PBOC are non-interest-bearing.

- (ii) The surplus reserve deposits are deposits maintained with the PBOC in addition to the mandatory reserve deposits and mainly for the purpose of clearing.

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

### 16. Deposits with financial institutions

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Banks <sup>(i)</sup>	127,406,549	115,363,730
Clearing settlement funds <sup>(ii)</sup>	5,210,849	6,909,093
Other financial institutions	1,181,056	1,627,524
Subtotal	<u>133,798,454</u>	<u>123,900,347</u>
Less: Allowance for ECL <sup>(iii)</sup>	<u>(31,170)</u>	<u>(25,316)</u>
Total	<u><u>133,767,284</u></u>	<u><u>123,875,031</u></u>

(i) The Group maintains bank accounts to hold customers' deposits arising from its brokerage business. As at 30 June 2021, the bank balances and clearing settlement funds held on behalf of customers by the Group amounted to RMB10,168 million (31 December 2020: RMB8,578 million). The Group has recognised the corresponding amount in other liabilities (see Note IV.34).

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

(iii) As at 30 June 2021 and 31 December 2020, the Group's deposits with banks and financial institutions are all in Stage I.

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

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

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Distressed debt assets	188,066,944	189,056,713
Equity instruments		
— Listed	39,956,056	41,392,720
— Unlisted	21,663,685	22,128,096
Funds	35,320,463	38,657,037
Debt securities		
— Corporate bonds	12,161,709	12,665,880
— Government bonds	1,727,445	586,790
— Financial institution bonds	338,033	948,542
— Public sector and quasi-government bonds	172,854	90,274
Trust products	11,399,718	11,733,711
Asset management plans	10,223,231	10,216,345
Wealth management products <sup>(i)</sup>	8,405,204	10,023,565
Derivatives and structured products <sup>(ii)</sup>	6,414,102	6,545,926
Other debt assets	4,471,169	5,143,414
Convertible bonds	2,608,763	3,236,153
Entrusted loans	1,386,222	2,381,390
Negotiable certificates of deposit	1,300,657	4,333,885
Asset-backed securities	229,624	299,546
Total	<u>345,845,879</u>	<u>359,439,987</u>
	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Financial liabilities mandatorily measured at FVTPL		
Derivatives financial instruments <sup>(iii)</sup>	<u>616,998</u>	<u>656,826</u>
Financial liabilities designated as at FVTPL		
Interest of other holders of consolidated structured entities <sup>(iv)</sup>	<u>2,097,668</u>	<u>2,644,701</u>
Total	<u>2,714,666</u>	<u>3,301,527</u>

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

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

- (i) This mainly represents wealth management products issued by banking institutions outside the Group.
- (ii) The Group entered into a series of structured transactions that were managed on the fair value basis. Such structured products were accounted for as financial assets mandatorily measured at FVTPL for the six months ended 30 June 2021 and for the year ended 31 December 2020 according to their investment management strategy or the contractual cash flows were not solely payments of principal and interest.

As at 30 June 2021, included in structured products were credit linked notes of RMB2,545 million (31 December 2020: RMB2,681 million). Credit linked notes are debt instruments, but their returns can be adversely impacted by credit-related performance of reference assets.

The Group entered into a number of total return swap arrangements under which the Group pays counterparties interest at a reference interest rate and receives from counterparties the total returns of reference assets. The Group therefore is exposed to default risks of the reference assets. As at 30 June 2021, the fair value and nominal value of these total return swaps amounted to RMB1,611 million (31 December 2020: RMB1,589 million) and RMB1,436 million (31 December 2020: RMB1,450 million), respectively.

- (iii) The Group entered into a series of interest rate swap and cross-currency swap contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency denominated bonds and notes issued. The terms of the derivative contracts have been negotiated to match the terms of the respective designated hedged items and therefore the hedge is considered highly effective. As at 30 June 2021, the fair value of these hedging instruments amounted to RMB558 million (31 December 2020: RMB591 million) and the instruments were included in derivatives and structured products classified as financial assets at FVTPL).
- (iv) 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 30 June 2021.

### 18. Financial assets held under resale agreements

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
By collateral type:		
Securities	<u>21,680,388</u>	<u>21,780,134</u>
Subtotal	<u>21,680,388</u>	<u>21,780,134</u>
Less: Allowance for ECL		
— Lifetime ECL	<u>(6,231,302)</u>	<u>(6,555,511)</u>
Subtotal	<u>(6,231,302)</u>	<u>(6,555,511)</u>
Net financial assets held under resale agreements	<u><u>15,449,086</u></u>	<u><u>15,224,623</u></u>

The majority of these financial assets held under resale agreements arises from the Group's securities business, assets management business and banking business.

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

### 19. Loans and advances to customers

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	<u>130,146,135</u>	<u>124,036,751</u>
Personal loans and advances		
— Personal consumption loans	44,149,074	35,059,313
— Mortgages	36,516,451	31,664,886
— Loans for business operations	18,133,082	28,671,044
— Others	<u>2,503,308</u>	<u>2,480,609</u>
Subtotal	<u>101,301,915</u>	<u>97,875,852</u>
Loans to margin clients	<u>4,396,956</u>	<u>4,091,343</u>
Gross loans and advances to customers measured at amortised cost	<u>235,845,006</u>	<u>226,003,946</u>
Less: Allowance for ECL		
— 12-month ECL	(1,748,410)	(2,012,940)
— Lifetime ECL	<u>(7,184,603)</u>	<u>(5,653,222)</u>
Subtotal	<u>(8,933,013)</u>	<u>(7,666,162)</u>
Net loans and advances to customers measured at amortised cost	<u>226,911,993</u>	<u>218,337,784</u>
Loans and advances measured at FVOCI		
— Discounted bills	<u>16,428,442</u>	<u>14,162,395</u>
Net loans and advances to customers	<u>243,340,435</u>	<u>232,500,179</u>

The movements of expected credit loss on loans and advances during the current period and the prior year are detailed in Note IV.41. (2).

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

### 20. Finance lease receivables

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Minimum finance lease receivables:		
Within 1 year (inclusive)	16,195,326	21,520,563
1 to 5 years (inclusive)	19,672,506	23,841,996
Over 5 years	<u>2,630,968</u>	<u>2,803,565</u>
Gross amount of finance lease receivables	38,498,800	48,166,124
Less: Unearned finance income	<u>(4,736,026)</u>	<u>(5,469,726)</u>
Net amount of finance lease receivables	<u>33,762,774</u>	<u>42,696,398</u>
Less: Allowance for ECL		
— 12-month ECL	(248,566)	(296,642)
— Lifetime ECL	<u>(2,451,317)</u>	<u>(2,603,056)</u>
Carrying amount of finance lease receivables	<u>31,062,891</u>	<u>39,796,700</u>
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	14,236,579	19,076,334
1 to 5 years (inclusive)	17,224,602	21,138,854
Over 5 years	<u>2,301,593</u>	<u>2,481,210</u>
Total	<u>33,762,774</u>	<u>42,696,398</u>

The movements of expected credit loss on finance lease receivables during the current period and the prior year are detailed in Note IV.41. (2).



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

### 21. Debt instruments at FVOCI

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Distressed debt assets	31,322,664	36,654,337
Debt securities		
— Corporate bonds	14,404,777	23,285,767
— Government bonds	5,478,283	6,782,962
— Financial institution bonds	2,092,303	5,434,226
— Public sector and quasi-government bonds	2,057,327	2,084,872
Asset management plans	2,971,820	3,022,351
Entrusted loans <sup>(i)</sup>	2,661,882	2,758,435
Debt instruments	1,102,286	2,213,452
Asset-backed securities	283,834	592,838
Trust products	69,705	277,608
Total	<u>62,444,881</u>	<u>83,106,848</u>

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

The movements of expected credit loss on debt instruments at FVOCI during the current period and the prior year are detailed in Note IV.41. (2).

### 22. Equity instruments at FVOCI

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Listed investments	989,242	2,258,248
Unlisted investments	2,094,111	2,235,613
Total	<u>3,083,353</u>	<u>4,493,861</u>

(i) The above listed and unlisted equity investments represent equity instruments listed in PRC or Hong Kong and equity interests in private entities established in PRC or incorporated in Hong Kong. These investments are not held for trading.

(ii) The Group received RMB92 million dividend from equity instruments at FVOCI during the current period (for the six months ended 30 June 2020: RMB83 million).

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

### 23. Inventories

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Property development costs	21,472,188	19,767,650
Properties held for sale	<u>1,730,962</u>	<u>1,930,396</u>
Subtotal	<u>23,203,150</u>	<u>21,698,046</u>
Allowance for impairment losses	<u>(1,585,686)</u>	<u>(1,585,686)</u>
Total	<u><u>21,617,464</u></u>	<u><u>20,112,360</u></u>

### 24. Debt instruments at amortised cost

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Distressed debt assets		
Loans acquired from financial institutions	26,407,135	30,726,542
Other debt assets acquired from non-financial institutions	<u>313,301,527</u>	<u>326,469,759</u>
Subtotal	<u>339,708,662</u>	<u>357,196,301</u>
Less: Allowance for ECL		
— 12-month ECL	(2,322,805)	(3,543,736)
— Lifetime ECL	<u>(38,474,210)</u>	<u>(37,352,999)</u>
Subtotal	<u>(40,797,015)</u>	<u>(40,896,735)</u>
Carrying amount of distressed debt assets	<u><u>298,911,647</u></u>	<u><u>316,299,566</u></u>

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

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

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Other debt assets		
Debt instruments	113,498,518	110,856,836
Debt securities	96,903,816	96,867,568
Receivables arising from sales and leaseback arrangements	75,662,463	70,362,626
Trust products	68,444,450	74,562,640
Entrusted loans <sup>(i)</sup>	60,104,758	66,186,458
Asset management plans	8,335,913	8,331,753
Asset-backed securities	2,130,927	2,782,093
Others	2,047,420	1,936,209
Subtotal	<u>427,128,265</u>	<u>431,886,183</u>
Less: Allowance for ECL		
— 12-month ECL	(1,340,230)	(1,343,542)
— Lifetime ECL	<u>(88,946,851)</u>	<u>(90,793,625)</u>
Subtotal	<u>(90,287,081)</u>	<u>(92,137,167)</u>
Carrying amount of other debt assets	<u>336,841,184</u>	<u>339,749,016</u>
Total	<u><u>635,752,831</u></u>	<u><u>656,048,582</u></u>

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

During the six months ended 30 June 2021, the Group disposed of certain financial assets measured at amortised cost, primarily because the Company had to manage its credit risk.

The movements of expected credit loss on debt instruments at amortised cost during current period and the prior year are detailed in Note IV.41.(2).

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

### 25. Interests in associates and joint ventures

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Interests in associates		
Cost of investments in associates	15,834,749	16,402,355
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	(918,657)	(1,067,304)
Less: Allowance for impairment losses	<u>(4,001,675)</u>	<u>(3,939,096)</u>
Subtotal	<u>10,914,417</u>	<u>11,395,955</u>
Interests in joint ventures		
Cost of investments in joint ventures	8,262,845	6,707,579
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	(168,660)	(276,372)
Less: Allowance for impairment losses	<u>(3,481,218)</u>	<u>(3,469,209)</u>
Subtotal	<u>4,612,967</u>	<u>2,961,998</u>
Total	<u>15,527,384</u>	<u>14,357,953</u>
Fair value of listed companies	<u>723,031</u>	<u>843,063</u>

During the six months ended 30 June 2021, the Group acquired interests in 2 (for the six months ended 30 June 2020: 5) associates and joint ventures with an aggregate initial cost of RMB1,850 million (for the six months ended 30 June 2020: RMB548 million).

During the six months ended 30 June 2021, the Group disposed of interests in 2 (for the six months ended 30 June 2020: 9) associates and with an aggregate carrying value of RMB49 million (for the six months ended 30 June 2020: RMB3,658 million) at dates of disposal and recognised a net gain of RMB20 million (for the six months ended 30 June 2020: RMB116 million).

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

For the six months ended 30 June 2021, the Group acquired and disposed of property and equipment with aggregate amounts of RMB222 million at cost and RMB133 million at net book value, respectively (for the six months ended 30 June 2020: RMB1,056 million at cost and RMB266 million at net book value, respectively).

For the six months ended 30 June 2021, the Group transferred a balance of RMB152 million (for the six months ended 30 June 2020: RMB51 million) from inventories to investment properties.

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

### 27. Other assets

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Other receivables	26,046,086	22,222,713
Foreclosed assets	4,341,418	4,208,303
Payments in advance	1,424,442	3,078,211
Prepaid income tax	934,637	1,382,663
Deductible value-added tax	621,994	420,278
Intangible assets	475,024	474,849
Clearing and settlement receivables	321,767	503,257
Prepaid expenses	258,704	275,930
Dividends receivable	63,690	30,480
Notes receivable	8,408	165,767
Others	1,462,763	1,008,110
	<u>35,958,933</u>	<u>33,770,561</u>
Subtotal		
	<u>(8,948,763)</u>	<u>(9,028,067)</u>
Allowance for other assets		
Total	<u>27,010,170</u>	<u>24,742,494</u>

### 28. Deposits from financial institutions

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Banks	2,399,607	1,865,012
Other financial institutions	5,169,197	7,059,129
	<u>7,568,804</u>	<u>8,924,141</u>
Total		

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

### 29. Financial assets sold under repurchase agreements

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Bonds	12,615,177	15,456,721
Discounted bills	11,508,603	—
Negotiable certificates of deposit	<u>—</u>	<u>90,727</u>
Total	<u><u>24,123,780</u></u>	<u><u>15,547,448</u></u>

### 30. Borrowings

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Unsecured loans	748,521,964	741,241,192
Pledged loans	15,266,142	14,337,731
Guaranteed loans <sup>(i)</sup>	10,933,676	13,874,128
Loans secured by properties	<u>7,263,012</u>	<u>8,970,717</u>
Total	<u><u>781,984,794</u></u>	<u><u>778,423,768</u></u>

- (i) Among the balance of guaranteed loans, a balance of RMB10,888 million (31 December 2020: RMB12,856 million) was borrowed by subsidiaries of the Company and guaranteed by the Company.

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

### 30. Borrowings — continued

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Carrying amount repayable <sup>(i)</sup> :		
Within 1 year (inclusive)	570,529,177	477,307,698
1 year to 2 years (inclusive)	40,334,411	87,645,300
2 years to 5 years (inclusive)	141,867,318	182,291,863
More than 5 years	21,361,031	24,465,323
Subtotal	<u>774,091,937</u>	<u>771,710,184</u>
Carrying amount of borrowings that contain a repayment on demand clause repayable <sup>(i)</sup> :		
Within 1 year (inclusive)	7,392,857	6,213,584
1 year to 2 years (inclusive)	500,000	500,000
Subtotal	<u>7,892,857</u>	<u>6,713,584</u>
Total	<u><u>781,984,794</u></u>	<u><u>778,423,768</u></u>

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

As at 30 June 2021, the Group failed to comply with certain financial or non-financial conditions stipulated in certain lending and borrowing agreements, and the relevant amount of these borrowings was RMB17,937 million (31 December 2020: RMB12,043 million). The Group is in active dialogue with the relevant banks, these banks still provide normal banking facilities to the Group and have not yet requested early repayments of borrowings.



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

### 31. Due to customers

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Demand deposits		
Corporate customers	84,271,680	76,769,425
Individual customers	24,111,151	23,510,514
Time deposits		
Corporate customers	71,894,399	68,018,771
Individual customers	58,514,693	64,490,669
Pledged deposits	8,661,967	7,408,947
Others	16,529,249	10,628,893
	<u>263,983,139</u>	<u>250,827,219</u>

### 32. Tax payable

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Enterprise income tax	633,204	785,890
PRC Land appreciation tax	152,977	310,875
Hong Kong profits tax	32,582	187,132
	<u>818,763</u>	<u>1,283,897</u>

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

### 33. Bonds and notes issued

	As at 30 June 2021	As at 31 December 2020	Term	Coupon rate per annum	Interest payment terms
Mid-term U.S. dollar notes	88,570,735	98,899,418	1–30 years	2.13%–5.50% fixed rate	Interest payable semi-annually
Negotiable certificates of deposit	57,472,620	65,789,796	1–12 months	1.65%–3.52% fixed rate	Interest payable on maturity date
Financial bonds	47,995,463	58,160,238	3–5 years	3.39%–5.42% fixed rate	Interest payable annually
Tier II capital bonds	26,737,767	25,662,422	10 years	4.50%–5.00% fixed rate	Interest payable annually
Mid-term U.S. dollar notes	18,247,988	20,951,194	3–5 years	3 months LIBOR+1.125%–1.85% floating rate	Interest payable quarterly
Asset-backed securities	12,878,842	19,232,683	131–938 days	3.00%–4.50% fixed rate	Interest payable semi-annually
Corporate bonds	9,021,865	15,365,412	1–6 years	3.14%–6.60% fixed rate	Interest payable annually
Subordinate bonds	8,271,481	10,948,293	3 years	4.60%–5.80% fixed rate	Interest payable annually
Micro bonds	5,619,165	6,681,493	3 years	3.60%–3.70% fixed rate	Interest payable annually
U.S. Dollar bonds	4,171,596	3,290,918	1 year	1.90%–3.10% fixed rate	Interest payable semi-annually
Euro bonds	3,867,257	4,001,378	5 years	1.625% fixed rate	Interest payable annually
Mid-term SGD notes	1,928,976	4,955,659	4–8 years	3.20%–3.80% fixed rate	Interest payable semi-annually
Leasing asset-backed securities	147,587	396,809	6–10 years	5.30% fixed rate and floating rate	Interest payable quarterly
Beneficiary certificates	35,850	31,340	14 days	6.00% fixed rate	Interest payable on maturity date
Green financial bonds	—	2,604,768	3 years	5.35% fixed rate	Interest payable annually
Total	<u>284,967,192</u>	<u>336,971,821</u>			

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

### 34. Other liabilities

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Payables to interest holders of consolidated structured entities	61,739,982	68,177,577
Guarantee deposits received from customers	20,073,059	19,183,997
Other payables	17,294,179	22,606,227
Letter of credit	9,639,068	8,560,337
Amounts received in advance <sup>(i)</sup>	7,417,461	8,198,336
Account payable to brokerage clients	6,004,798	5,719,629
Dividends payable	5,189,980	4,312,345
Employee benefits payable	4,124,462	4,029,695
Provisions	3,984,181	3,938,432
Margin deposits received from securities customers	3,740,177	2,769,308
Amounts due to China Trust Protection Fund	2,550,000	2,550,000
Sundry taxes payable	1,022,025	1,179,011
Bills payable <sup>(ii)</sup>	368,793	187,500
Others	536,085	678,222
	<u>143,684,250</u>	<u>152,090,616</u>
Total	<u>143,684,250</u>	<u>152,090,616</u>

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

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

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

### 35. Share capital of the Company

	For the six months ended 30 June 2021 <u>(Unaudited)</u>	For the year ended 31 December 2020 <u>(Audited)</u>
Authorised, issued and fully paid at beginning and end of the period/year	<u><b>39,070,208</b></u>	<u>39,070,208</u>
	<u><b>As at 30 June 2021 and 31 December 2020</b></u>	
	<u>Number of shares (thousands)</u>	<u>Nominal value</u>
Registered, issued and fully paid		
Domestic shares	<b>14,026,355</b>	<b>14,026,355</b>
H shares	<u><b>25,043,853</b></u>	<u><b>25,043,853</b></u>
Total	<u><b>39,070,208</b></u>	<u><b>39,070,208</b></u>

### 36. 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 amount of net profit to general reserve. The appropriation of the general reserve is accounted for as distribution of retained earnings.

For the six months ended 30 June 2021, the Group did not transfer to general reserve pursuant (for the six months ended 30 June 2020: RMB1,143 million).

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

### 37. Cash and cash equivalents

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

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Deposits with financial institutions	126,005,966	117,871,917
Financial assets held under resale agreements	7,600,181	7,401,783
Balances with central bank	7,098,520	3,701,384
Cash on hand	555,139	480,745
Placements with financial institutions	<u>—</u>	<u>3,699,049</u>
Total	<u>141,259,806</u>	<u>133,154,878</u>

### 38. Contingent liabilities

#### *Legal proceedings*

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 30 June 2021, total claim amount of pending litigations was RMB3,887 million (31 December 2020: RMB610 million) for the Group. No provision for estimated liabilities was made by the Group based on court judgements and lawyer's opinions (31 December 2020: nil). 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.

### 39. Commitments

#### *(1) Credit enhancement*

As at 30 June 2021, the Group did not provide credit enhancement for counterparties. (31 December 2020: nil).

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

### 39. Commitments — continued

#### (2) Credit commitments

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Bank bill acceptance	16,211,098	17,154,405
Undrawn credit card commitments	7,553,196	7,788,812
Letters of credit issued	3,285,395	2,428,255
Loan commitments	3,218,162	3,525,969
Letters of guarantee issued	410,356	485,424
	<u>30,678,207</u>	<u>31,382,865</u>
Total	<u>30,678,207</u>	<u>31,382,865</u>

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

Impairment allowance of RMB100 million (31 December 2020: RMB158 million) was made for credit commitments as at 30 June 2021.

#### (3) Other commitments

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Contracted but not provided for — Commitments for the acquisition of intangible assets, property and equipment	<u>60,376</u>	<u>229,951</u>

### 40. Related party transactions

#### (1) The MOF

As at 30 June 2021, the MOF directly owned 57.02% (31 December 2020: 57.02%) 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.

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

### 40. Related party transactions — continued

#### (1) *The MOF — continued*

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.

The Group had the following balances with the MOF:

	As at 30 June 2021 (Unaudited)	As at 31 December 2020 (Audited)
Financial assets at amortised cost	11,859,549	11,298,682
Debt instruments at fair value through other comprehensive income	3,359,814	3,705,254
Dividends payable	4,180,733	4,180,733
Financial assets at fair value through profit or loss	1,725,404	587,032
Other assets	152,008	151,044
Other payables	12,348	12,348

The Group had the following transactions with the MOF:

	For the six months ended 30 June 2021 (Unaudited)	2020 (Unaudited)
Interest income and fair value changes on other financial assets and liabilities	247,174	199,668

#### (2) *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.



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

### 40. Related party transactions — continued

#### (3) Associates and joint ventures

The Group has 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.

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

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Financial assets at amortised cost	707,619	431,495
Financial assets at fair value through profit or loss	63,457	45,577
Trade receivables	3,116	5,211
Other assets	710,966	1,073,903
Other liabilities	<u>4,201</u>	<u>82,550</u>

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

	For the six months ended 30 June 2021 <u>(Unaudited)</u>	2020 <u>(Unaudited)</u>
Interest income	15,057	40,062
Commission and fee income	—	6,284
Other income and other net profit or loss	5,969	1,492
Operating expenses	<u>—</u>	<u>251</u>

Trust asset management:

As at 30 June 2021, associates and joint ventures did not hold a trust issued by the Group (31 December 2020: nil).

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

### 40. Related party transactions — continued

#### (4) Annuity scheme

The Company and certain other entities within the Group have the following transactions with the annuity schemes set up within the Group:

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Contributions to annuity schemes	<b>81,527</b>	22,303

#### (5) Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly.

	For the six months ended 30 June	
	2021 (Unaudited)	2020 (Unaudited)
Emoluments of key management personnel		
— Salaries and other benefits	<b>1,791</b>	1,764
— Discretionary and performance related incentive payments	<b>996</b>	1,130
— Fees	<b>722</b>	620
— Employer's contribution to pension scheme	<b>245</b>	156
Total (before tax)	<b>3,754</b>	3,670

The total compensation packages of the above key management personnel for the six months ended 30 June 2021 and 2020 have not yet been finalised in accordance with regulations of the relevant authorities in the PRC.

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

### **41. Credit risk**

The Group's credit risk management and its approach to impairment assessment and risk mitigating measures are the same as those set out in the Group's consolidated financial statements for the year ended 31 December 2020.

The Group performed the assessment of expected credit losses with the reference to forward-looking information and used a number of models and assumptions in the measurement of expected credit losses. These models and assumptions related to the future macroeconomic situation and the credit status of the borrowers (for example, the possibility of default by the customers and the corresponding loss). The Group assessed the expected credit losses as at 30 June 2021 and comprehensively considered the impacts of current economic condition to expected credit losses, including:

- The operation and financial condition of the borrowers and the extent of impact of the COVID-19 pandemic. The Group has made deferred repayment arrangement for the borrowers affected by COVID-19 but the deferred repayment arrangement will not be used as a judgment basis for automatically triggering a significant increase in the borrowers' credit risk;
- Performing forward-looking forecasts to key macroeconomic indicators with the combination of the impact of factors such as the COVID-19 pandemic on economic development trends.

As at 30 June 2021, the expected credit losses comprehensively reflected the Group's credit risk and the expectations for macroeconomic development of the management.

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

### 41. Credit risk — continued

*(1) Risk concentration of distressed debt assets at amortised cost and at FVOCI, loans and advances to customers and finance lease receivables*

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Distressed debt assets at amortised cost	339,708,662	357,196,301
Loans and advances to customers	252,273,448	240,166,341
Finance lease receivables	33,762,774	42,696,398
Distressed debt assets at FVOCI	<u>31,322,664</u>	<u>36,654,337</u>
Subtotal	<u>657,067,548</u>	<u>676,713,377</u>
Allowance for ECL		
Distressed debt assets at amortised cost	(40,797,015)	(40,896,735)
Loans and advances to customers measured at amortised cost	(8,933,013)	(7,666,162)
Finance lease receivables	<u>(2,699,883)</u>	<u>(2,899,698)</u>
Subtotal	<u>(52,429,911)</u>	<u>(51,462,595)</u>
Net carrying amount		
Distressed debt assets at amortised cost	298,911,647	316,299,566
Loans and advances to customers	243,340,435	232,500,179
Distressed debt assets at FVOCI	31,322,664	36,654,337
Finance lease receivables	<u>31,062,891</u>	<u>39,796,700</u>
Total	<u><u>604,637,637</u></u>	<u><u>625,250,782</u></u>

As at 30 June 2021, the loss allowance of distressed debt assets at FVOCI and the loans and advances to customers at FVOCI were RMB9,411 million and RMB2 million, respectively (31 December 2020: RMB8,722 million and RMB2 million, respectively).

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

### 41. Credit risk — continued

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

##### Analysed by geographical area

	As at 30 June 2021		As at 31 December 2020	
	Gross amount	%	Gross amount	%
Central Region	335,292,298	51.0	328,057,326	48.5
Western Region	107,827,411	16.4	118,406,961	17.5
Yangtze River Delta	75,634,890	11.5	80,661,012	11.9
Bohai Rim	59,773,001	9.1	65,066,105	9.6
Pearl River Delta	56,974,760	8.7	61,558,156	9.1
Northeastern Region	18,885,632	2.9	20,227,016	3.0
Overseas	2,679,556	0.4	2,736,801	0.4
Total	<u>657,067,548</u>	<u>100.0</u>	<u>676,713,377</u>	<u>100.0</u>

##### Notes:

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

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

### 41. Credit risk — continued

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

##### Analysed by industry

	As at 30 June 2021		As at 31 December 2020	
	Gross amount	%	Gross amount	%
<i>Corporate business</i>				
Real estate	190,571,130	29.0	213,832,244	31.5
Water, environment and public utilities management	73,725,920	11.1	77,126,100	11.4
Manufacturing	58,237,650	8.9	61,928,999	9.2
Construction	51,135,879	7.8	47,380,800	7.0
Leasing and commercial services	46,544,228	7.1	45,987,669	6.8
Wholesale and retail trade	42,551,729	6.5	40,092,104	5.9
Production and supply of power, heat, gas and water	17,387,174	2.6	18,958,761	2.8
Bill to discount	16,428,441	2.5	14,162,395	2.1
Transportation, logistics and postal services	11,659,660	1.8	11,951,907	1.8
Mining	8,561,987	1.3	8,388,973	1.2
Others	34,564,879	5.3	34,936,230	5.2
Subtotal	551,368,677	83.9	574,746,182	84.9
<i>Personal business</i>				
Personal consumption loans	44,149,074	6.7	35,059,313	5.2
Mortgages	36,516,451	5.5	31,664,886	4.7
Loans for business operations	18,133,082	2.8	28,671,044	4.2
Others	2,503,308	0.4	2,480,609	0.4
Subtotal	101,301,915	15.4	97,875,852	14.5
Loans to margin clients	4,396,956	0.7	4,091,343	0.6
Total	657,067,548	100.0	676,713,377	100.0

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

### 41. Credit risk — continued

#### (2) Credit quality

##### (i) Loss allowance

The table below summarises the loss allowance as of the period/year end by class of assets.

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>
Debt instruments at amortised cost	131,084,096	133,033,902
Debt instruments at FVOCI	12,018,838	11,220,134
Loans and advances to customers	8,934,914	7,668,219
Financial assets held under resale agreements	6,231,302	6,555,511
Credit enhancement and commitments	3,984,181	3,938,432
Finance lease receivables	2,699,883	2,899,698
Total	<u>164,953,214</u>	<u>165,315,896</u>



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

### 41. Credit risk — continued

#### (2) Credit quality — continued

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

The tables below analyse the movements of the loss allowance during the year/period per class of assets.

##### Loans and advances to customers

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	1,952,119	873,329	4,039,145	6,864,593
Changes in the loss allowance				
— Transfer to Stage 1	40,028	(36,489)	(3,539)	—
— Transfer to Stage 2	(135,316)	156,071	(20,755)	—
— Transfer to Stage 3	(23,245)	(247,197)	270,442	—
— Charge for the year	959,100	880,320	5,058,505	6,897,925
— Reversal for the year	(777,582)	(322,557)	(1,435,592)	(2,535,731)
— Write-offs	—	—	(3,347,999)	(3,347,999)
— Others	(107)	(613)	(209,849)	(210,569)
As at 31 December 2020	2,014,997	1,302,864	4,350,358	7,668,219
Changes in the loss allowance				
— Transfer to Stage 1	131,933	(131,919)	(14)	—
— Transfer to Stage 2	(92,827)	100,718	(7,891)	—
— Transfer to Stage 3	(445,933)	(183,923)	629,856	—
— Charge for the period	367,059	1,064,614	2,041,758	3,473,431
— Reversal for the period	(224,918)	(150,619)	(445,174)	(820,711)
— Write-offs	—	—	(1,703,050)	(1,703,050)
— Others	—	—	317,025	317,025
As at 30 June 2021	1,750,311	2,001,735	5,182,868	8,934,914

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

### 41. Credit risk — continued

#### (2) Credit quality — continued

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

##### Finance lease receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	490,499	488,963	1,827,463	2,806,925
Changes in the loss allowance				
— Transfer to Stage 1	14,401	(14,401)	—	—
— Transfer to Stage 2	(63,348)	82,350	(19,002)	—
— Transfer to Stage 3	(568)	(75,969)	76,537	—
— Charge for the year	91,254	303,511	777,828	1,172,593
— Reversal for the year	(312,882)	(66,946)	(103,520)	(483,348)
— Write-offs	—	—	(604,057)	(604,057)
— Others	77,286	(16,963)	(52,738)	7,585
As at 31 December 2020	296,642	700,545	1,902,511	2,899,698
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(27,754)	27,754	—	—
— Transfer to Stage 3	(448)	(401,855)	402,303	—
— Charge for the period	31,300	64,162	272,472	367,934
— Reversal for the period	(49,960)	(17,077)	(31,150)	(98,187)
— Write-offs	—	—	(466,978)	(466,978)
— Others	(1,214)	—	(1,370)	(2,584)
As at 30 June 2021	248,566	373,529	2,077,788	2,699,883

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

### 41. Credit risk — continued

#### (2) Credit quality — continued

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

##### Debt instruments at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	281,940	1,226,499	3,252,762	4,761,201
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(135,482)	135,482	—	—
— Transfer to Stage 3	(20,851)	(470,027)	490,878	—
— Charge for the year	114,920	1,054,636	7,387,191	8,556,747
— Reversal for the year	(43,933)	(306,034)	(1,112,640)	(1,462,607)
— Others	(27,747)	(118,866)	(488,594)	(635,207)
As at 31 December 2020	168,847	1,521,690	9,529,597	11,220,134
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(6,641)	6,641	—	—
— Transfer to Stage 3	(85)	(113,550)	113,635	—
— Charge for the period	66,332	415,775	946,922	1,429,029
— Reversal for the period	(124,851)	(141,070)	(137,868)	(403,789)
— Others	87	(7,007)	(219,616)	(226,536)
As at 30 June 2021	103,689	1,682,479	10,232,670	12,018,838

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

### 41. Credit risk — continued

#### (2) Credit quality — continued

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

##### Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2020	5,701,921	7,085,639	51,151,878	63,939,438
Changes in the loss allowance				
— Transfer to Stage 1	199,738	(199,738)	—	—
— Transfer to Stage 2	(867,330)	1,520,385	(653,055)	—
— Transfer to Stage 3	(3,007,951)	(3,727,841)	6,735,792	—
— Charge for the year	4,276,518	3,938,196	73,499,948	81,714,662
— Reversal for the year	(794,204)	(876,305)	(5,572,606)	(7,243,115)
— Write-offs	—	—	(379,848)	(379,848)
— Transfer in and transfer out	(8,782)	139,144	(379,274)	(248,912)
— Unwinding of discount on allowance	—	—	(1,865,978)	(1,865,978)
— Exchange differences and other	(612,632)	(1,945,650)	(324,063)	(2,882,345)
As at 31 December 2020	4,887,278	5,933,830	122,212,794	133,033,902
Changes in the loss allowance				
— Transfer to Stage 1	66,770	(66,770)	—	—
— Transfer to Stage 2	(1,472,403)	1,731,225	(258,822)	—
— Transfer to Stage 3	(71,987)	(1,380,560)	1,452,547	—
— Charge for the period	2,303,033	1,954,655	5,690,127	9,947,815
— Reversal for the period	(2,043,821)	(1,206,757)	(2,539,392)	(5,789,970)
— Write-offs	—	—	(771,820)	(771,820)
— Transfer out	(4,867)	(2,603)	(3,156,521)	(3,163,991)
— Unwinding of discount on allowance	—	—	(894,947)	(894,947)
— Exchange differences and other	(968)	(6,173)	(1,269,752)	(1,276,893)
As at 30 June 2021	3,663,035	6,956,847	120,464,214	131,084,096

The most significant movements of loss allowance during the year/period in respect of loan and advances to customers, finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost arose from transition of financial assets to Stage 2 or Stage 3 as a result of deterioration of credit quality of these financial assets.

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

### 42. Risk management of distressed assets

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.

The type of risk, the risk management of distressed debt assets and assets obtained through debt-to-equity swap, as well as fair value measurement techniques and impairment assessment are the same as those described in the Group's consolidated financial statements for the year ended 31 December 2020.

### 43. Fair value of financial instruments

#### 43.1 *Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis*

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

	As at 30 June 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	36,382,717	36,774,736	272,688,426	345,845,879
Debt instruments at FVOCI	10,478,441	13,828,754	38,137,686	62,444,881
Equity instruments at FVOCI	989,242	1,642,936	451,175	3,083,353
Loans and advances to customers at FVOCI	—	16,428,442	—	16,428,442
Total assets	<u>47,850,400</u>	<u>68,674,868</u>	<u>311,277,287</u>	<u>427,802,555</u>

	As at 30 June 2021			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	<u>—</u>	<u>(2,714,666)</u>	<u>—</u>	<u>(2,714,666)</u>

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

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

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

	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	30,204,209	40,242,026	288,993,752	359,439,987
Debt instruments at FVOCI	14,355,631	23,744,737	45,006,480	83,106,848
Equity instruments at FVOCI	2,258,248	1,751,645	483,968	4,493,861
Loans and advances to customers at FVOCI	—	14,162,395	—	14,162,395
Total assets	<u>46,818,088</u>	<u>79,900,803</u>	<u>334,484,200</u>	<u>461,203,091</u>
	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	—	(3,301,527)	—	(3,301,527)

There were no significant transfers between Level 1 and Level 2 within the Group for the six months ended 30 June 2021 and for the year ended 31 December 2020.

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

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

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

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

Financial assets	Fair value as at		Fair value hierarchy
	30 June	31 December	
	2021	2020	
	(Unaudited)	(Audited)	
1) Financial assets at FVTPL			
Distressed debt assets	<b>188,066,944</b>	189,056,713	Level 3
Funds			
— Listed	<b>1,132,684</b>	1,284,612	Level 1
— Investing in the underlying assets with open or active quotations	<b>8,444,448</b>	7,408,949	Level 2
— Investing in the underlying assets without open or active quotations	<b>25,743,331</b>	29,963,476	Level 3
Trust products			
— Investing in the underlying assets with open or active quotations	<b>684,270</b>	1,345,821	Level 2
— Investing in the underlying assets without open or active quotations	<b>10,715,448</b>	10,387,890	Level 3
Equity instruments			
— Listed shares			
— Unrestricted shares	<b>34,590,344</b>	28,315,653	Level 1
— Restricted shares	<b>5,365,712</b>	13,077,067	Level 3
— Unlisted shares	<b>21,663,685</b>	22,128,096	Level 3
Debt securities			
— Traded in stock exchanges	<b>621,107</b>	417,398	Level 1
— Traded in inter-bank markets	<b>12,829,512</b>	12,917,322	Level 2
— Traded over the counter	<b>949,422</b>	956,766	Level 3
Wealth management products			
— Investing in the underlying assets with open or active quotations	<b>7,905,104</b>	9,013,565	Level 2
— Investing in the underlying assets without open or active quotations	<b>500,100</b>	1,010,000	Level 3
Convertible bonds			
— Listed	<b>28,580</b>	16,547	Level 1
— Unlisted	<b>2,580,183</b>	3,219,606	Level 3

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

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

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

<u>Financial assets</u>	<u>Fair value as at</u>		<u>Fair value hierarchy</u>
	<u>30 June 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)	
Asset management plans			
— Investing in the underlying assets with open or active quotations	5,610,745	5,222,484	Level 2
— Investing in the underlying assets without open or active quotations	4,612,486	4,993,861	Level 3
Derivatives and structured products	6,414,102	6,545,926	Level 3
Other debt assets			
— Traded in stock exchanges	10,002	169,999	Level 1
— Investing in the underlying assets without open or active quotations	4,461,167	4,973,415	Level 3
Entrusted loans	1,386,222	2,381,390	Level 3
Negotiable certificates of deposit	1,300,657	4,333,885	Level 2
Asset-backed securities	229,624	299,546	Level 3
Subtotal	345,845,879	359,439,987	
2) Debt instruments at FVOCI			
Distressed debt assets	31,322,664	36,654,337	Level 3
Debt securities			
— Traded in stock exchanges	10,478,441	14,355,631	Level 1
— Traded in inter-bank markets	13,314,407	23,169,196	Level 2
— Traded over the counter	239,842	63,000	Level 3
Entrusted loans	2,661,882	2,758,435	Level 3
Asset management plans			
— Investing in the underlying assets with open or active quotations	481,887	534,498	Level 2
— Investing in the underlying assets without open or active quotations	2,489,933	2,487,853	Level 3
Debt instruments	1,102,286	2,213,452	Level 3
Trust products	69,705	277,608	Level 3
Asset-backed securities			
— Investing in the underlying assets with open or active quotations	32,460	41,043	Level 2
— Investing in the underlying assets without open or active quotations	251,374	551,795	Level 3
Subtotal	62,444,881	83,106,848	



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

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

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

<u>Financial assets</u>	<u>Fair value as at</u>		<u>Fair value hierarchy</u>
	<u>30 June 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)	
3) Equity instruments at FVOCI			
— Listed shares	<b>989,242</b>	2,258,248	Level 1
— Unlisted shares	<b>1,642,936</b>	1,751,645	Level 2
— Unlisted shares	<b>451,175</b>	483,968	Level 3
Subtotal	<b><u>3,083,353</u></b>	<u>4,493,861</u>	
4) Loans and advances to customers at FVOCI			
Discounted bills	<b><u>16,428,442</u></b>	<u>14,162,395</u>	Level 2
Total	<b><u>427,802,555</u></b>	<u>461,203,091</u>	
<u>Financial liabilities</u>			
Financial liabilities mandatorily measured as at FVTPL			
— Derivatives financial instruments	<b>(616,998)</b>	(656,826)	Level 2
Financial liabilities designated as at FVTPL			
— Interests of other holders in consolidated structured entities	<b><u>(2,097,668)</u></b>	<u>(2,644,701)</u>	Level 2
Total	<b><u>(2,714,666)</u></b>	<u>(3,301,527)</u>	

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

### **43. Fair value of financial instruments — continued**

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

##### **Valuation methods for financial instruments**

For Level 1 financial instruments, fair values are unadjusted quotes in active markets for identical assets.

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

For Level 3 financial instruments, 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 including weighted average cost of capital, liquidity discount, price to book ratio, discount rate, etc.

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

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

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

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

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

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

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

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

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

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

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

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

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL
As at 1 January 2021	288,993,752	45,006,480	483,968	—
Recognised in profit or loss	(1,933,454)	—	—	—
Recognised in other comprehensive income	—	(44,263)	(32,793)	—
Additions	17,726,560	1,417,671	—	—
Settlements/disposals	(22,019,639)	(7,199,326)	—	—
Transferred-out from Level 3	(10,078,793)	(1,042,876)	—	—
As at 30 June 2021	272,688,426	38,137,686	451,175	—
Changes in unrealised losses for the period included in profit or loss for assets and liabilities held at the end of the period	(306,662)	—	—	—

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

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

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

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL
As at 1 January 2020	307,265,856	75,217,219	3,361,578	—
Recognised in profit or loss	(34,736,882)	—	—	—
Recognised in other comprehensive income	—	(8,124,362)	(96,492)	—
Additions	82,739,108	6,681,669	249,134	—
Settlements/disposals	(52,582,281)	(28,768,046)	(278,783)	—
Transferred-out from Level 3	(13,692,049)	—	(2,751,469)	—
As at 31 December 2020	288,993,752	45,006,480	483,968	—
Changes in unrealised losses for the year included in profit or loss for assets and liabilities held at the end of the year	<u>(25,589,264)</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the six months ended 30 June 2021 and for the year ended 31 December 2020, certain shares were transferred out from Level 3 fair value measurement as they became listed or unrestricted during the period/year.

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

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

#### 43.3 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The tables below summarise the carrying amounts and fair values of those financial assets and financial liabilities that are not measured in the interim condensed consolidated statement of financial position at fair value on a recurring basis. Financial assets and financial liabilities for which the carrying amounts approximate fair value, such as cash and balances with central bank, deposits with financial institutions, placements with financial institutions, financial assets held under resale agreements, finance lease receivables, borrowings from central bank, deposits from financial institutions, placements from financial institutions, financial assets sold under repurchase agreements, due to customers are not included in the tables below.

	As at 30 June 2021		As at 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Debt instruments at amortised cost	635,752,831	665,075,154	656,048,582	691,430,559
Loans and advances to customers	226,911,993	244,987,161	218,337,784	241,165,009
Total	<u>862,664,824</u>	<u>910,062,315</u>	<u>874,386,366</u>	<u>932,595,568</u>
Financial liabilities				
Borrowings	(781,984,794)	(783,841,280)	(778,423,768)	(780,436,264)
Bonds and notes issued	(284,967,192)	(251,114,655)	(336,971,821)	(342,610,138)
Total	<u>(1,066,951,986)</u>	<u>(1,034,955,935)</u>	<u>(1,115,395,589)</u>	<u>(1,123,046,402)</u>

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

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

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

	As at 30 June 2021 <u>(Unaudited)</u>	As at 31 December 2020 <u>(Audited)</u>	Fair value hierarchy	Valuation technique
Financial assets				
Loans and advances to customers	244,987,161	241,165,009	Level 3	Discounted cash flows
Debt instruments at amortised cost	7,034,737	—	Level 1	Quoted ask prices in an active market
Debt instruments at amortised cost	103,256,430	97,356,303	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Debt instruments at amortised cost	554,783,987	594,074,256	Level 3	Discounted cash flows
Total	<u>910,062,315</u>	<u>932,595,568</u>		
Financial liabilities				
Borrowings	(783,841,280)	(780,436,264)	Level 3	Discounted cash flows
Bonds and notes issued	(18,411,590)	(25,557,463)	Level 1	Quoted ask prices in an active market
Bonds and notes issued	(222,757,263)	(298,418,770)	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Bonds and notes issued	(9,945,802)	(18,633,905)	Level 3	Discounted cash flows
Total	<u>(1,034,955,935)</u>	<u>(1,123,046,402)</u>		



## V. EVENTS AFTER THE REPORTING PERIOD

1. In accordance with the requirements from regulatory authorities on financial asset management companies of gradual exit from the non-core businesses, the Company intends to implement public transfer of its 70% equity in Huarong Consumer Finance Co., Ltd to external parties(the“Equity Transfer”). On 17 August 2021, the general meetings of the Company reviewed and approved the equity transfer project. The Company intends to adopt a public way in the Equity Transfer to transfer its shares (630,000,000 shares in total, representing a shareholding of 70%) in Huarong Consumer Finance Co., Ltd at lawfully established property rights transfer agency (provincial level (included) or above). The initial listing price shall not be lower than the asset valuation results filed with the MOF. The Valuation Benchmark Date is determined as 30 June 2021. The Equity Transfer is subject to the approval by relevant regulatory authorities.
2. In accordance with the requirements from regulatory authorities on financial asset management companies of gradual exit from the non-core businesses, the Company intends to implement restructuring of its equity in Huarong International Trust Co., Ltd (the “Equity Restructuring”). On 17 August 2021, the general meetings of the Company reviewed and approved the equity restructuring project. In respect of the outstanding debt of Huarong International Trust Co., Ltd, the Company intends to negotiate with main institution creditors, in order to implement the Equity Restructuring of Huarong International Trust Co., Ltd by way of “debt-to-equity swap and equity transfer”. The Equity Restructuring is subject to the approval by relevant regulatory authorities.
3. On 18 August 2021, the Board of Directors of the Company announced that, the Company signed investment framework agreements (the “Framework Agreements”) with CITIC Group Corporation, China Insurance Investment Co., Ltd., China Life Asset Management Company Limited and China Cinda Asset Management Co., Ltd. and Sino-Ocean Capital Holding Limited respectively. Subject to the approval and consent of relevant regulatory authorities and without affecting the Company’s listing status on The Stock Exchange of Hong Kong Limited, the above company intend to make strategic investments in the Company by subscribing the newly issued shares of the Company. The Framework Agreements are not binding formal share subscription documents. If the Potential Strategic Investment is implemented, it will effectively replenish the Company’s capital.

## **VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors of the Company on 28 August 2021.

By order of the Board  
**China Huarong Asset Management Co., Ltd.**  
**WANG Zhanfeng**  
*Chairman*

Beijing, the PRC  
August 28, 2021

*As at the date of this announcement, the Board comprises Mr. WANG Zhanfeng, Mr. LIANG Qiang and Mr. WANG Wenjie as executive directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping, Mr. XU Nuo and Mr. ZHOU Langlang as non-executive directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive directors.*