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China Cinda Asset Management Co., Ltd.

中國信達資產管理股份有限公司

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

(Stock Code: 01359 and 04621 (Preference Shares))

2021 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of China Cinda Asset Management Co., Ltd. (the “**Company**”) announces the audited results of the Company and its subsidiaries for the year ended December 31, 2021. This announcement, containing the full text of the 2021 Annual Report of the Company, 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 preliminary announcements of annual results. The printed version of the Company’s 2021 Annual Report will be delivered to the shareholders of the H shares of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.cinda.com.cn in late April 2022.

By order of the Board
China Cinda Asset Management Co., Ltd.
ZHANG Zi'ai
Chairman

Beijing, the PRC
March 29, 2022

As at the date of this announcement, the Board of the Company consists of Mr. ZHANG Zi'ai and Mr. ZHANG Weidong as Executive Directors, Mr. HE Jieping, Mr. WANG Shaoshuang, Mr. CHEN Xiaowu, Ms. ZHANG Yuxiang, Mr. ZHANG Guoqing and Mr. LIU Chong as Non-executive Directors, and Mr. ZHU Wuxiang, Mr. SUN Baowen, Mr. LU Zhengfei and Mr. LAM Chi Kuen as Independent Non-executive Directors.

COMPANY PROFILE

China Cinda Asset Management Corporation, the predecessor of the Company, was the first financial asset management company established in April 1999 pursuant to the approval of the State Council to effectively tackle financial risks and maintain the stability of the financial system as well as to facilitate the reform and development of state-owned banks and enterprises. In June 2010, China Cinda Asset Management Corporation was reorganized to establish China Cinda Asset Management Co., Ltd. In April 2012, the Company received investments from four strategic investors, namely the National Council for Social Security Fund of the PRC, UBS AG, CITIC Capital Holdings Limited and Standard Chartered Bank. On December 12, 2013, the Company was successfully listed on the main board of the Hong Kong Stock Exchange and became the first financial asset management company in China to be listed on the international capital market.

Our principal business segments include distressed asset management and financial services. Distressed asset management is the core business of the Company. The Company has 33 branches in 30 provinces, autonomous regions and municipalities in mainland China and seven subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong, including Nanyang Commercial Bank, Limited, Cinda Securities Co., Ltd., China Jingu International Trust Co., Ltd., Cinda Financial Leasing Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda Investment Co., Ltd. and Zhongrun Economic Development Co., Ltd. The Group has approximately 15,000 employees.

In 2021, the Company was awarded the “Best Company in Listed Companies” by the China Financial Market magazine, “China Business Top 100 Award” and “China Ethical Business Award” by the China Business Top 100 Forum, the “Best Company of ESG Practice in Listed Companies” of China Securities Golden Bauhinia Awards, the “Most Innovative Asset Management Company of the Year” by Sina Finance, the “Annual Case Award in Social Responsibilities” by the Annual Brand Case Competition of China Finance, the “Good News Award of Inclusive Finance of China Banking” by the China Banking Association, the “Communication Model of China Finance” by the China Financial Brand Summit, as well as the “Excellent Case in Financially Serving Micro, Small and Medium-sized Enterprises” by the China Small and Medium Enterprises Investment and Finance Fair.

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DEFINITIONS

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

“(our) Company”	China Cinda Asset Management Co., Ltd.
“(our) Group”	China Cinda Asset Management Co., Ltd. and its subsidiaries
“2016 Offshore Preference Share(s)”	the 160,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on September 30, 2016, which were fully redeemed on September 30, 2021
“2021 Offshore Preference Share(s)”	the 85,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on November 3, 2021, which are listed on the Hong Kong Stock Exchange (stock code: 04621)
“Articles”	the current articles of association of China Cinda Asset Management Co., Ltd.
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission
“Cinda Futures”	Cinda Futures Co., Ltd., a subsidiary of the Company
“Cinda Hong Kong”	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
“Cinda International”	Cinda International Holdings Limited, a subsidiary of the Company (a company listed on the Hong Kong Stock Exchange, stock code: 00111)
“Cinda Investment”	Cinda Investment Co., Ltd., a subsidiary of the Company
“Cinda Leasing”	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
“Cinda Real Estate”	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 600657)
“Cinda Securities”	Cinda Securities Co., Ltd., a subsidiary of the Company
“COVID-19”/“Pandemic”	Corona Virus Disease 2019
“Domestic Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) subscribed for or credited as fully paid up in Renminbi
“First State Cinda Fund”	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company

“H Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) listed on the Hong Kong Stock Exchange
“Happy Life”	Happy Life Insurance Co., Ltd., a former subsidiary of the Company. As approved at the annual general meeting for 2018 and by the CBIRC, the Company has transferred all of its 50.995% equity interests in Happy Life. Happy Life was no longer a subsidiary of the Company
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Hong Kong SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Jingu Trust”	China Jingu International Trust Co., Ltd., a subsidiary of the Company
“Latest Practicable Date”	March 23, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
“MOF”	the Ministry of Finance of the PRC
“NCB China”	Nanyang Commercial Bank (China) Limited, a company established in the PRC and a wholly-owned subsidiary of NCB Hong Kong
“NCB Hong Kong”	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company
“NCB”	NCB Hong Kong and its subsidiaries
“NCSSF”	National Council for Social Security Fund, PRC
“PBOC”	the People’s Bank of China
“PRC GAAP”	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
“Reporting Period”	the year ended December 31, 2021
“RMB”	Renminbi
“State Council”	the State Council of the People’s Republic of China
“Zhongrun Development”	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

IMPORTANT NOTICE

The Board, Board of Supervisors and Directors, Supervisors and Senior Management undertake that information in this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly take legal responsibility for its contents.

On March 29, 2022, at the 2022 fourth meeting and the 2022 first regular meeting of the Board, the Board considered and approved the 2021 Annual Report (2021 Annual Results Announcement) of the Company. There were 12 Directors eligible to attend the meeting, of whom 11 attended in person.

The annual financial reports for 2021 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard and unqualified audit reports for the Company.

The Board proposed to distribute a cash dividend for ordinary shares of RMB0.9481 per 10 shares (tax inclusive) for 2021 to shareholders, which is subject to the approval at the annual general meeting for 2021.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 29, 2022

The Chairman of the Company, ZHANG Zi'ai, the President of the Company, ZHANG Weidong, and the Chief Financial Officer of the Company, YANG Yingxun, warrant that the financial statements in this report are true, accurate and complete.

This report may contain forward-looking statements relating to risks and future plans. These forward – looking statements are based on information presently available to us and from other sources which we consider reliable. These forward-looking statements relating to the future events or the financial, business or other performance of the Company in the future are subject to uncertainties which could cause the actual results to differ materially. Investors are advised not to place undue reliance on these forward-looking statements. Future plans involved in these forward-looking statements do not constitute any guarantee made by the Company to the investors. Investors are advised to exercise caution when making investment.

For details of the major risks faced and the relevant measures taken by the Company, please see “Management Discussion and Analysis” – “Risk Management” in this report.

1 CORPORATE INFORMATION

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

2 FINANCIAL SUMMARY

The financial information contained in this report was prepared in accordance with the IFRS. Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB. Since January 1, 2018, the Group has adopted IFRS 9 – Financial Instruments, and the differences arising from the adoption of IFRS 9 were directly reflected in shareholders' equity on January 1, 2018. For 2018 and the subsequent years, the financial data was prepared according to IFRS 9, while the data of prior years before 2018 was prepared according to the International Accounting Standard 39 – Financial Instruments.

In 2019, as approved at the general meeting, the Company entered into a legally binding transfer agreement with the transferees to transfer its 50.995% equity interests in Happy Life, and thus its equity interests in Happy Life were classified as assets held for sale. After such classification, insurance was no longer a business segment of the Group, and accordingly, it was presented as a discontinued operation. In July 2020, the CBIRC has approved the transfer of equity interest and the Company ceased to have any interest in Happy Life. For the financial information for 2018, 2019 and 2020 of the Group, the results of the discontinued operation and the results of continuing operations were presented separately, of which the profit or loss after tax from the discontinued operation was charged into the Consolidated Statement of Profit or Loss separately. In 2021, the Group had no profit or loss after tax from a discontinued operation.

	As at and for the year ended December 31,				
	2021	2020	2019	2018	2017
	(in millions of RMB)				
Continuing operations					
Income from distressed debt assets at amortized cost	13,466.6	19,150.7	16,403.6	19,308.3	–
Income from distressed debt assets classified as receivables	–	–	–	–	17,773.0
Fair value changes on distressed debt assets	15,475.8	12,547.0	13,645.3	11,451.5	8,266.4
Fair value changes on other financial instruments	14,674.8	12,566.5	14,840.1	16,085.0	2,582.2
Investment income	156.8	322.5	464.5	152.9	29,465.7
Net insurance premiums earned	–	–	–	–	19,266.9
Interest income	25,100.8	23,899.2	25,401.6	25,005.7	20,640.8
Revenue from sales of inventories	20,385.5	24,316.3	18,169.4	17,446.4	14,425.5
Other income and other net gains or losses	8,470.7	7,331.8	7,222.4	8,653.6	7,614.0
Total income	97,731.0	100,134.0	96,146.9	98,103.4	120,034.6
Impairment losses on assets	(11,722.9)	(14,096.8)	(8,924.2)	(8,156.2)	(11,404.7)
Insurance costs	–	–	–	–	(20,913.7)
Interest expense	(41,936.9)	(39,618.5)	(44,366.6)	(46,286.5)	(35,911.1)
Purchases and changes in inventories	(16,906.4)	(17,360.4)	(12,868.8)	(11,382.2)	(10,355.8)
Other costs and expenses	(13,582.3)	(12,984.0)	(12,398.2)	(11,549.3)	(15,651.5)
Total costs and expenses	(84,148.5)	(84,059.7)	(78,557.8)	(77,374.2)	(94,236.7)
Change in net assets attributable to other holders of consolidated structured entities	(20.1)	(17.8)	(237.5)	(519.8)	(1,284.7)
Share of results of associates and joint ventures	5,816.5	252.7	1,920.8	2,488.4	1,617.7
Profit before tax from continuing operations	19,378.9	16,309.3	19,272.4	22,697.8	26,130.8
Income tax expense	(6,378.4)	(5,324.0)	(5,754.6)	(6,951.9)	(7,373.0)
Profit for the year from continuing operations	13,000.5	10,985.2	13,517.8	15,745.9	18,757.8
Discontinued operation					
Profit/(Loss) after tax for the year from a discontinued operation	–	3,752.0	1,500.4	(3,866.0)	–
Profit for the year	13,000.5	14,737.3	15,018.2	11,879.9	18,757.8
Profit attributable to:					
– Equity holders of the Company	12,061.7	13,247.9	13,052.9	12,036.1	18,122.4
– Non-controlling interests	938.7	1,489.4	1,965.3	(156.2)	635.4

	As at and for the year ended December 31,				
	2021	2020	2019	2018	2017
	<i>(in millions of RMB)</i>				
Assets					
Cash and balances with central banks	18,045.7	15,375.0	19,002.1	16,651.9	21,511.1
Deposits with banks and financial institutions	99,921.3	87,953.6	70,837.6	80,102.6	54,429.2
Financial assets at fair value through profit or loss	456,203.8	446,916.7	412,164.6	428,791.0	213,795.9
Available-for-sale financial assets	–	–	–	–	273,182.7
Financial assets at fair value through other comprehensive income	122,592.3	123,728.5	136,803.0	116,827.6	–
Loans and advances to customers	368,031.4	353,456.3	337,859.1	336,616.5	312,117.5
Financial assets at amortized cost	183,535.0	220,233.0	227,645.1	252,416.7	–
Financial assets classified as receivables	–	–	–	–	234,226.9
Assets held for sale	–	–	61,394.2	–	–
Other assets	315,949.8	270,420.5	247,524.3	264,352.9	277,674.2
Total assets	1,564,279.3	1,518,083.6	1,513,230.0	1,495,759.2	1,386,937.5
Liabilities					
Borrowings from the central bank	996.0	986.1	1,010.9	986.1	986.1
Accounts payable to brokerage clients	17,605.6	16,583.8	14,320.3	10,315.8	12,393.8
Due to customers	298,748.1	273,644.2	275,205.8	254,099.9	226,220.8
Borrowings	555,079.1	556,912.1	536,591.3	570,870.2	580,352.1
Accounts payable	5,389.5	4,886.7	5,050.8	5,303.8	3,220.9
Bonds issued	367,806.7	355,777.5	304,849.6	283,115.1	206,482.6
Liabilities held for sale	–	–	57,924.1	–	–
Other liabilities	116,878.8	114,250.8	129,866.7	192,499.8	189,016.6
Total liabilities	1,362,503.8	1,323,041.2	1,324,819.5	1,317,190.7	1,218,672.9
Equity					
Equity attributable to equity holders of the Company	178,800.8	172,108.7	164,898.1	156,492.8	149,394.5
Non-controlling interests	22,974.7	22,933.7	23,512.3	22,075.6	18,870.2
Total equity	201,775.5	195,042.4	188,410.5	178,568.5	168,264.7
Total equity and liabilities	1,564,279.3	1,518,083.6	1,513,230.0	1,495,759.2	1,386,937.5

As at and for the year ended December 31,
2021 2020 2019 2018 2017
(in millions of RMB)

Financial indicators

Return on average shareholders' equity ⁽¹⁾ (%)	7.15	8.26	8.56	8.32	13.88
Return on average assets ⁽²⁾ (%)	0.84	0.97	1.00	0.82	1.46
Cost-to-income ratio ⁽³⁾ (%)	32.15	25.46	30.68	30.51	24.89
Earnings per share ⁽⁴⁾ (RMB)	0.29	0.32	0.31	0.29	0.45
Net assets per share ⁽⁵⁾ (RMB)	4.14	3.95	3.76	3.54	3.36

Notes:

- (1) Represents the percentage of net profit (including net profit from a discontinued operation) attributable to ordinary shareholders of the Company for the period in the average balance of equity attributable to ordinary shareholders of the Company as at the beginning and the end of the period.
- (2) Represents the percentage of net profit for the period (including profit attributable to non-controlling interests and net profit from a discontinued operation) in the average balance of total assets as at the beginning and the end of the period.
- (3) Represents the ratio of the sum of employee benefits, depreciation and amortization and other expenses for the period to total income net of insurance costs, commission and fee expense, purchases and changes in inventories and interest expense for the period. The amounts above included amounts from both continuing operations and a discontinued operation.
- (4) Represents the net profit for the period (including net profit from a discontinued operation) attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.
- (5) Represents the net assets attributable to equity holders of the Company after deducting the amount of the preference shares at the end of the period divided by the number of ordinary shares as at the end of the period.

3 MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Economic and Regulatory Environment

The world economy resumed growth in 2021, but the momentum of recovery has weakened significantly since the second half of this year, representing a desirable beginning and weak ending of the growth trend. The COVID-19 outbreaks recurred. Global supply and industrial chains have been hit by continuous shocks, resulting in imbalance between supply and demand, which, together with massive stimulus packages and loose monetary policies, has further driven the inflation higher. Asset bubbles are inflating, debts are surging and global financial vulnerabilities are rising.

In 2021, China remained a global leader in economic development and Pandemic prevention and control. China has made new strides in building a new development pattern, achieved new progress in high-quality development, and got the 14th Five-Year Plan off to a good start. China's economy maintained a recovery trend, with the annual GDP growth of 8.1% and the average growth of 5.1% in two years. Industrial and agricultural production maintained a steady rise, the resilience of industries has been enhanced, employment remained stable, and people's wellbeing was effectively ensured. China's strategic scientific and technological forces have been strengthened, and "peak carbon dioxide emission and carbon neutrality" has been stably promoted.

The Chinese government attached great importance to the continuity, stability and sustainability of its macroeconomic policies, and implemented macro-control policies in a scientific and precise manner, focusing on the key tasks of "the stabilization of six fronts and the guarantee of six priorities", in order to support the recovery of economy and keep the major economic indicators within the appropriate range. The Chinese government continued to implement a proactive fiscal policy, and made greater efforts to promote scientific and technological innovation, accelerate structural adjustment, adjust income distribution, and strive to defuse the hidden debt risks of local governments. The Chinese government continued to implement a prudent monetary policy, adhering to the orientation of keeping an appropriate aggregate policy, reducing financing costs and supporting the real economy, and maintain a stable macro leverage ratio, taking into account the needs of economic recovery and risk prevention, to effectively implement the cross-cycle adjustment design. The Chinese government constantly strengthened the support for scientific and technological innovation, small and micro businesses, and green development, while actively promoted market-based reforms in interest rates and exchange rates. The Chinese government constantly deepened the supply-side structural reform of the financial sector, improved the system of multi-tiered, comprehensive and diversified financial institution system, and standardized the comprehensive operation of large banks. The Chinese government curbed the bubble tendency of real estate finance, regulated shadow banking, and cracked down on illegal financial activities.

Based on the principle of stabilizing the overall situation, making overall plans and coordination, applying tailored policies and taking targeted measures, the regulators have worked relentlessly to guard against and effectively defuse financial risks. First, to enhance the disposal of distressed assets and help high-risk institutions defuse risks. The regulators adhered to the principle of “one policy for one enterprise” and “one policy for one region” when dealing with the high-risk small and medium-sized local financial institutions, and prudently handled the debt risks of large real enterprises. The regulators promoted the trust companies to cooperate with financial asset management companies and other professional institutions in the disposal of the inherent distressed assets and risk assets in trust, and speed up the clearing of risks in the trust industry. Second, to strengthen industry supervision and urge the AMCs to focus on their main businesses. The regulators guided the AMCs to strengthen the core business of distressed assets acquisition and disposal, focus on improving core competitiveness, and rationally expand investment banking businesses related to corporate restructuring. The supervision of regional AMCs is increasingly consummated and standardized, and the industry is expected to usher in unified supervision. Third, to further improve the distressed assets market. A good start was achieved in the single transfer of non-performing corporate loan and batch transfer of non-performing individual loans. The AMCs are encouraged to participate in enterprise bankruptcy cases as members of the liquidation group, providing financing support to restructuring enterprises through the distressed assets disposal fund, and participating in enterprise restructuring. On the whole, the distressed assets management industry will retain its original profession on the basis of compliant and robust development, driving business innovation and achieving high-quality development.

3.2 Analysis of Financial Statements

3.2.1 Operating Results of the Group

In 2021, the international economy experienced recovery as a whole, the economic development in China basically resumed to normal, but was still faced with severe and comprehensive domestic and overseas environment, as well as many risks and challenges. The Group actively implemented the decisions and arrangements of the CPC Central Committee and the State Council by practicing the concept of high-quality development, focusing on the main responsibilities and core business, actively exploring and innovating, and performing its professional duties. The Group's operation performance was in line with expectations, and the risks were generally under control.

In 2021, the net profit attributable to equity holders of the Company amounted to RMB12,061.7 million, representing a decrease of RMB1,186.2 million, or 9.0% year-on-year. The ROE and ROA were 7.15% and 0.84%, respectively.

	For the year ended December 31,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Continuing operations				
Income from distressed debt assets at amortized cost	13,466.6	19,150.7	(5,684.1)	(29.7)
Fair value changes on distressed debt assets	15,475.8	12,547.0	2,928.8	23.3
Fair value changes on other financial instruments	14,674.8	12,566.5	2,108.3	16.8
Investment income	156.8	322.5	(165.7)	(51.4)
Interest income	25,100.8	23,899.2	1,201.6	5.0
Revenue from sales of inventories	20,385.5	24,316.3	(3,930.8)	(16.2)
Commission and fee income	5,291.3	4,444.9	846.4	19.0
Net gains on disposal of subsidiaries, associates and joint ventures	304.0	1,842.3	(1,538.3)	(83.5)
Other income and other net gains or losses	2,875.4	1,044.7	1,830.7	175.2
Total income	97,731.0	100,134.0	(2,403.0)	(2.4)
Commission and fee expense	(688.7)	(635.9)	(52.8)	8.3
Purchases and changes in inventories	(16,906.4)	(17,360.4)	454.0	(2.6)
Employee benefits	(6,398.3)	(6,158.9)	(239.4)	3.9
Impairment losses on assets	(11,722.9)	(14,096.8)	2,373.9	(16.8)
Interest expenses	(41,936.9)	(39,618.5)	(2,318.4)	5.9
Other expenses	(6,495.3)	(6,189.2)	(306.1)	4.9
Total costs and expenses	(84,148.5)	(84,059.7)	(88.8)	0.1
Change in net assets attributable to other holders of consolidated structured entities	(20.1)	(17.8)	(2.3)	12.9
Share of results of associates and joint ventures	5,816.5	252.7	5,563.8	2,201.7
Profit before tax from continuing operations	19,378.9	16,309.3	3,069.6	18.8
Income tax expense	(6,378.4)	(5,324.0)	(1,054.4)	19.8
Profit for the year from continuing operations	13,000.5	10,985.2	2,015.2	18.3
Discontinued operation				
Profit after tax for the year from a discontinued operation	–	3,752.0	(3,752.0)	(100.0)
Profit for the year	13,000.5	14,737.3	(1,736.8)	(11.8)
Profit attributable to:				
– Equity holders of the Company	12,061.7	13,247.9	(1,186.2)	(9.0)
– Non-controlling interests	938.7	1,489.4	(550.7)	(37.0)

3.2.1.1 Total Income from Continuing Operations

In 2021, the total income from continuing operations of the Group decreased compared with last year, decreasing from RMB100,134.0 million in 2020 to RMB97,731.0 million in 2021, with a decrease of 2.4%, mainly because the income from distressed debt assets at amortized cost and revenue from sales of inventories decreased compared with last year, which was partly offset by the increase of the fair value changes on distressed debt assets and other financial instruments.

Income from Distressed Debt Assets at Amortized Cost

The income from distressed debt assets at amortized cost of the Group, including the interest income and gains or losses from disposal of restructured distressed debt assets, decreased by 29.7% from RMB19,150.7 million in 2020 to RMB13,466.6 million in 2021, which accounted for 19.1% and 13.8% of the total income from continuing operations in the corresponding years, respectively. The decrease in the income from distressed debt assets at amortized cost was mainly due to the decrease in the balance and the rate of return on the restructured distressed debt assets of the Company.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group increased by 23.3% from RMB12,547.0 million in 2020 to RMB15,475.8 million in 2021. The fair value changes on acquisition-operation distressed debt assets increased by 32.7% from RMB10,094.9 million in 2020 to RMB13,398.1 million in 2021, accounting for 10.1% and 13.7% of the total income from continuing operations in the corresponding years, respectively.

The table below sets out the components of fair value changes on acquisition-operation distressed debt assets of the Group for the years indicated.

	For the year ended December 31,			Change in
	2021 <i>(in millions of RMB)</i>	2020	Change	percentage (%)
Realized fair value changes	12,280.1	12,420.4	(140.3)	(1.1)
Unrealized fair value changes	1,118.0	(2,325.5)	3,443.5	148.1
Subtotal	13,398.1	10,094.9	3,303.2	32.7

The table below sets out the changes on acquisition-operation distressed debt assets at fair value of the Group as at the dates and for the years indicated.

	For the year ended December 31, <i>(in millions of RMB)</i>
As at December 31, 2019	197,621.3
Acquisition in the year	45,978.4
Disposal in the year	(42,528.0)
Unrealized fair value changes	(2,325.5)
As at December 31, 2020	198,746.2
Acquisition in the year	52,333.4
Disposal in the year	(48,458.1)
Unrealized fair value changes	1,118.0
As at December 31, 2021	203,739.5

In 2021, the fair value changes on acquisition-operation distressed debt assets of the Group increased by 32.7% over 2020. In particular, the realized fair value changes decreased by 1.1% from RMB12,420.4 million in 2020 to RMB12,280.1 million in 2021; the unrealized fair value changes turned from valuation losses of RMB2,325.5 million in 2020 to valuation gains of RMB1,118.0 million in 2021.

In 2021, the acquisition-operation business of the Group recorded improvement in both acquisition and disposal as compared with last year, increased from RMB45,978.4 million and RMB42,528.0 million in 2020 to RMB52,333.4 million and RMB48,458.1 million in 2021, respectively, by focusing on the distressed asset market, consolidating the dominant position of core business, innovating disposal methods and accelerating asset turnover.

Fair Value Changes on Other Financial Instruments

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

The fair value changes on other financial instruments of the Group increased by 16.8% from RMB12,566.5 million in 2020 to RMB14,674.8 million in 2021, accounting for 12.5% and 15.0% of the total income from continuing operations in the corresponding years, respectively. Of which, the fair value changes on DES Assets were RMB3,459.7 million and RMB8,299.0 million, respectively, accounting for 3.5% and 8.5% of the total income from continuing operations in the corresponding years, respectively.

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

	For the year ended December 31,			
	2021 (in millions of RMB)	2020	Change	Change in percentage (%)
Fair value changes⁽¹⁾	2,952.2	3,784.3	(832.1)	(22.0)
DES Assets of the Company	7,847.3	3,014.8	4,832.5	160.3
Others	(4,895.1)	769.5	(5,664.6)	(736.1)
Interest income	3,920.4	2,824.0	1,096.4	38.8
Dividend income	7,802.2	5,958.2	1,844.0	30.9
DES Assets of the Company	451.7	444.9	6.8	1.5
Others	7,350.5	5,513.3	1,837.2	33.3
Total	<u>14,674.8</u>	<u>12,566.5</u>	<u>2,108.3</u>	<u>16.8</u>

Note:

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

The fair value changes on DES Assets at fair value through profit or loss increased by 160.3% from RMB3,014.8 million in 2020 to RMB7,847.3 million in 2021, mainly because the significant income as a result of the reducing of certain DES projects of the Company in 2021.

The fair value changes on other financial instruments except for DES Assets at fair value through profit or loss turned from the gains of RMB769.5 million in 2020 to the losses of RMB4,895.1 million in 2021, mainly due to the decline of valuation of certain equity projects of the Group in 2021 with the influence of capital market fluctuations.

Investment Income

In 2021, the investment income of the Group was RMB156.8 million, representing a decrease of 51.4% from RMB322.5 million in 2020, mainly due to the decrease in the income of disposal from debt assets at fair value through other comprehensive income.

Interest Income

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

	For the year ended December 31,			
	2021 (in millions of RMB)	2020	Change	Change in percentage (%)
Loans and advances to customers	16,634.1	16,223.2	410.9	2.5
Other debt investments at amortized cost	2,638.9	2,312.4	326.5	14.1
Financial assets at fair value through other comprehensive income	2,265.9	2,740.2	(474.3)	(17.3)
Financial assets held under resale agreements	1,785.6	779.6	1,006.0	129.0
Deposits with banks and financial institutions	1,378.6	1,321.7	56.9	4.3
Placements with banks and financial institutions	245.7	314.1	(68.4)	(21.8)
Others	152.0	207.9	(55.9)	(26.9)
Total	25,100.8	23,899.2	1,201.6	5.0

The interest income of the Group in 2021 increased by 5.0% as compared with last year, mainly due to the increase in interest income from financial assets held under resale agreements, loans and advances to customers and other debt investments at amortized cost, partly offset by the decline of interest income from financial assets at fair value through other comprehensive income.

- (1) The interest income from financial assets held under resale agreements increased by 129.0% from RMB779.6 million in 2020 to RMB1,785.6 million in 2021, mainly due to the increase of the financial assets held under resale agreements of the Company as compared with last year.
- (2) The interest income from loans and advances to customers increased by 2.5% from RMB16,223.2 million in 2020 to RMB16,634.1 million in 2021, mainly due to the increase in the scale of finance lease receivables.
- (3) The interest income from other debt investments at amortized cost increased by 14.1% from RMB2,312.4 million in 2020 to RMB2,638.9 million in 2021.
- (4) The interest income from financial assets at fair value through other comprehensive income decreased by 17.3% from RMB2,740.2 million in 2020 to RMB2,265.9 million in 2021.

Commission and Fee Income

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

	For the year ended December 31,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	1,406.4	1,210.8	195.6	16.2
Fund and asset management business	1,237.6	869.2	368.4	42.4
Banking business	992.0	1,040.9	(48.9)	(4.7)
Agency business	606.8	460.8	146.0	31.7
Trustee services	483.8	315.6	168.2	53.3
Consultancy and financial advisory services	229.8	245.2	(15.4)	(6.3)
Securities underwriting	182.8	212.1	(29.3)	(13.8)
Others	152.1	90.4	61.7	68.3
Total	5,291.3	4,444.9	846.4	19.0

The commission and fee income of the Group increased by 19.0% from RMB4,444.9 million in 2020 to RMB5,291.3 million in 2021, mainly due to the growth in commission and fee income from fund and asset management business and securities and futures brokerage business as a result of active trading in the securities and fund market in 2021, of which:

- (1) The commission and fee income from fund and asset management business increased by 42.4% from RMB869.2 million in 2020 to RMB1,237.6 million in 2021.
- (2) The commission and fee income from securities and futures brokerage business increased by 16.2% from RMB1,210.8 million in 2020 to RMB1,406.4 million in 2021.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

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

	For the year ended December 31,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	20,385.5	24,316.3	(3,930.8)	(16.2)
Purchases and changes in inventories including:	(16,906.4)	(17,360.4)	454.0	(2.6)
Revenue from sales of properties held for sale	20,370.8	24,078.7	(3,707.9)	(15.4)
Purchases and changes in properties held for sale	(16,906.4)	(17,131.6)	225.2	(1.3)
Gross profit from sales of properties held for sale	3,464.4	6,947.1	(3,482.7)	(50.1)
Gross profit margin from sales of properties held for sale (%)	17.0	28.9	(11.8)	(41.1)

The revenue from sales of inventories of the Group decreased by 16.2% from RMB24,316.3 million in 2020 to RMB20,385.5 million in 2021, the purchases and changes in inventories decreased by 2.6% from RMB17,360.4 million in 2020 to RMB16,906.4 million in 2021, mainly due to the decrease in the project delivery scale of Cinda Real Estate in 2021 compared with last year, resulting in decline of realized revenue from sales of properties held for sale and purchases and changes in properties held for sale. The gross profit margin from sales of properties held for sale decreased from 28.9% in 2020 to 17.0% in 2021, mainly due to the decrease in gross profit margin as a result of the regulatory policies such as price restriction on certain projects completed by Cinda Real Estate in 2021.

Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures

The net gains on disposal of subsidiaries, associates and joint ventures of the Group decreased by 83.5% from RMB1,842.3 million in 2020 to RMB304.0 million in 2021, mainly because the Company achieved a significant gain in the proceeds from the disposal of certain associates in 2020, while there were no significant disposal in 2021.

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group increased by 175.2% from RMB1,044.7 million in 2020 to RMB2,875.4 million in 2021, mainly due to the decrease in net losses on exchange differences and increase in income from liquidated damages. Of which:

- (1) The net losses on exchange differences decreased by 68.3% from RMB1,529.3 million in 2020 to RMB485.4 million in 2021, mainly due to the decrease of the balances of USD denominated assets of the Company and the exchange rate fluctuations of the USD and HKD in 2021.
- (2) The income from liquidated damages increased by 222.3% from RMB184.0 million in 2020 to RMB593.0 million in 2021.

3.2.1.2 Total Cost and Expenses from Continuing Operations

In 2021, the total costs and expenses from continuing operations of the Group maintained stable over the previous year.

The table below sets out the components of total costs and expenses from continuing operations of the Group for the years indicated.

	For the year ended December 31,			
	2021	2020	Change	Change in percentage
	(in millions of RMB)			(%)
Interest expense	(41,936.9)	(39,618.5)	(2,318.4)	5.9
Purchases and changes in inventories	(16,906.4)	(17,360.4)	454.0	(2.6)
Impairment losses on assets	(11,722.9)	(14,096.8)	2,373.9	(16.8)
Employee benefits	(6,398.3)	(6,158.9)	(239.4)	3.9
Depreciation and amortization expenses	(2,016.3)	(2,057.7)	41.4	(2.0)
Commission and fee expense	(688.7)	(635.9)	(52.8)	8.3
Taxes and surcharges	(612.7)	(599.3)	(13.4)	2.2
Other expenses	(3,866.2)	(3,532.1)	(334.1)	9.5
Total	(84,148.5)	(84,059.7)	(88.8)	0.1

The Group's total costs and expenses from continuing operations increased by 0.1% from RMB84,059.7 million in 2020 to RMB84,148.5 million in 2021, mainly due to the increase in interest expense and the decrease in impairment losses on assets.

Interest Expense

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

	For the year ended December 31,			
	2021 <i>(in millions of RMB)</i>	2020	Change	Change in percentage <i>(%)</i>
Borrowings	(24,024.8)	(21,589.8)	(2,435.0)	11.3
Bonds issued	(14,039.4)	(13,287.8)	(751.6)	5.7
Due to customers	(3,158.3)	(4,103.5)	945.2	(23.0)
Financial assets sold under repurchase agreements	(233.2)	(196.9)	(36.3)	18.4
Deposits from banks and financial institutions	(175.0)	(135.5)	(39.5)	29.2
Placements from banks and financial institutions	(127.0)	(143.3)	16.3	(11.4)
Accounts payable to brokerage clients	(68.2)	(55.4)	(12.8)	23.1
Lease liabilities	(48.9)	(36.7)	(12.2)	33.2
Others	(62.2)	(69.7)	7.5	(10.8)
Total	(41,936.9)	(39,618.5)	(2,318.4)	5.9

In 2021, the interest expense of the Group was RMB41,936.9 million, representing an increase of 5.9% from RMB39,618.5 million in 2020, of which:

- (1) The interest expense on borrowings increased by 11.3% from RMB21,589.8 million in 2020 to RMB24,024.8 million in 2021 and the interest expense on bonds issued increased by 5.7% from RMB13,287.8 million in 2020 to RMB14,039.4 million in 2021, mainly due to the increase of the scale of both borrowings and bonds issued compared with 2020.
- (2) The interest expense on due to customers decreased by 23.0% from RMB4,103.5 million in 2020 to RMB3,158.3 million in 2021, mainly due to the downturn of the interest rate of due to customers of NCB.

Impairment Losses on Assets

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

	For the year ended December 31,			
	2021 (in millions of RMB)	2020	Change	Change in percentage (%)
Financial assets at amortized cost				
Distressed debt assets	(4,334.3)	(7,659.9)	3,325.6	(43.4)
Other debt investments	(640.8)	(636.5)	(4.3)	0.7
Loans and advances to customers	(3,933.5)	(2,699.4)	(1,234.1)	45.7
Properties held for sale	(1,398.9)	(1,343.9)	(55.0)	4.1
Interests in associates and joint ventures	(380.1)	(403.6)	23.5	(5.8)
Assets in satisfaction of debts	(182.8)	(637.0)	454.2	(71.3)
Accounts receivable	(96.1)	63.9	(160.0)	250.4
Property and equipment	(73.4)	(3.1)	(70.3)	2,267.7
Goodwill	–	(103.5)	103.5	(100.0)
Interest receivable	22.8	(111.2)	134.0	(120.5)
Financial assets held under resale agreements	49.1	(150.8)	199.9	(132.6)
Other assets	(754.9)	(412.0)	(342.9)	83.2
Total	(11,722.9)	(14,096.8)	2,373.9	(16.8)

The impairment losses on assets of the Group decreased by 16.8% from RMB14,096.8 million in 2020 to RMB11,722.9 million in 2021, mainly due to the decrease in impairment losses on distressed debt assets at amortized cost, partly offset by the increase in impairment losses on loans and advances to customers.

- (1) The impairment losses on distressed debt assets at amortized cost decreased by 43.4% from RMB7,659.9 million in 2020 to RMB4,334.3 million in 2021, mainly due to the decrease in asset scale caused by the Company's continuous prudent and effective investments and enhanced efforts in risk resolution in 2021.
- (2) The impairment losses on loans and advances to customers increased by 45.7% from RMB2,699.4 million in 2020 to RMB3,933.5 million in 2021, mainly due to the increase in allowances for impairment losses on certain investment in consolidated structured entities in 2021.

3.2.1.3 Income Tax Expense

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

	For the year ended December 31,			Change in
	2021	2020	Change	percentage
	(in millions of RMB)			(%)
Profit before tax from continuing operations	19,378.9	16,309.3	3,069.6	18.8
Income tax expense	(6,378.4)	(5,324.0)	(1,054.4)	19.8
Effective tax rates (%)	32.9	32.6	0.3	0.8

The income tax expense from continuing operations of the Group increased by 19.8% from RMB5,324.0 million in 2020 to RMB6,378.4 million in 2021. In 2020 and 2021, the effective tax rates of the Group were 32.6% and 32.9% respectively, basically maintaining stable.

3.2.1.4 Segment Results of Operations

The Group has two business segments:

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

The following table sets forth the segment operation results and financial positions of the Group's business segments as at the dates and for the years indicated⁽¹⁾.

	For the year ended December 31,							
	2021	2020	2021	2020	2021	2020	2021	2020
	Distressed asset management		Financial services		Elimination		Consolidation	
			<i>(in millions of RMB)</i>					
Total income	77,090.4	80,100.1	20,994.9	34,371.6	(354.3)	(915.8)	97,731.0	113,555.9
Percentage of total (%)	78.9	70.5	21.5	30.3				
Total costs and expenses	(68,664.1)	(68,799.5)	(15,953.2)	(24,568.9)	468.8	846.4	(84,148.5)	(92,522.0)
Profit before tax	14,193.8	11,503.1	5,070.6	9,848.1	114.5	(69.4)	19,378.9	21,281.8
Percentage of total (%)	73.2	54.1	26.2	46.3				
Profit margin before tax (%)	18.4	14.4	24.2	28.7			19.8	18.7
Return on average net assets before tax (%)	11.9	10.0	6.6	12.9			9.8	11.1
	As at December 31,							
	2021	2020	2021	2020	2021	2020	2021	2020
	Distressed asset management		Financial services		Elimination and unallocated part ⁽²⁾		Consolidation	
			<i>(in millions of RMB)</i>					
Total assets	997,493.4	1,002,081.4	577,358.0	528,523.1	(10,572.1)	(12,520.9)	1,564,279.3	1,518,083.6
Percentage of total (%)	63.8	66.0	36.9	34.8				
Net assets	122,017.9	116,678.5	77,668.3	74,926.6	2,089.4	3,437.3	201,775.5	195,042.4
Percentage of total (%)	60.5	59.8	38.5	38.4				

Note:

- (1) The segment operation results include both results from continuing operations and a discontinued operation. As Happy Life belonged to the financial services segment before it was classified as held for sale, the corresponding results from the discontinued operation were accounted into the financial services segment. For the segment data of continuing operations, please see Note VI.68 "Segment Information" to the Consolidated Financial Statements.
- (2) Represents primarily income tax payable and deferred tax assets and liabilities that were not allocated to each business segment.

Distressed asset management is the Group's core business and principal income contributor. In 2020 and 2021, the income generated from distressed asset management accounted for 70.5% and 78.9% of the total income, respectively, and the profit before tax generated from distressed asset management accounted for 54.1% and 73.2% of the total profit before tax, respectively. As at December 31, 2020 and 2021, the total assets of distressed asset management accounted for 66.0% and 63.8% of the total assets and the net assets of distressed asset management accounted for 59.8% and 60.5% of the net assets, respectively. In 2020 and 2021, the profit margin before tax of this segment accounted for 14.4% and 18.4%, respectively, and return on average net asset before tax was 10.0% and 11.9%, respectively.

As a key component of the business of the Group and an important cross-selling driver, the financial services business benefited from the Group's synergistic operations and management strategies. As at the end of 2021, the total assets and net assets of the financial services segment increased as compared with those at the end of 2020, and the income and profit before tax decreased year on year, accounting for 30.3% and 21.5% of the total income and 46.3% and 26.2% of the profit before tax of the Group in 2020 and 2021 respectively, mainly influenced by the proceeds from the disposal of Happy Life in 2020.

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

3.2.2 Summary of Financial Position of the Group

In 2021, the Group's assets and liabilities achieved steady growth as compared with the end of the previous year. As at December 31, 2020 and 2021, the total assets of the Group amounted to RMB1,518,083.6 million and RMB1,564,279.3 million, respectively, representing an increase of 3.0%; total liabilities amounted to RMB1,323,041.2 million and RMB1,362,503.8 million, respectively, representing an increase of 3.0%; total equity amounted to RMB195,042.4 million and RMB201,775.5 million, respectively, representing an increase of 3.5%.

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

	As at December 31,			
	2021		2020	
	Amount	% of total (in millions of RMB)	Amount	% of total
Assets				
Cash and balances with central banks	18,045.7	1.2	15,375.0	1.0
Deposits with banks and financial institutions	99,921.3	6.4	87,953.6	5.8
Financial assets at fair value through profit or loss	456,203.8	29.2	446,916.7	29.4
Financial assets at fair value through other comprehensive income	122,592.3	7.8	123,728.5	8.2
Loans and advances to customers	368,031.4	23.5	353,456.3	23.3
Financial assets at amortized cost	183,535.0	11.7	220,233.0	14.5
Other assets	315,949.8	20.2	270,420.5	17.8
Total assets	1,564,279.3	100.0	1,518,083.6	100.0
Liabilities				
Borrowings from the central bank	996.0	0.1	986.1	0.1
Accounts payable to brokerage clients	17,605.6	1.3	16,583.8	1.3
Due to customers	298,748.1	21.9	273,644.2	20.7
Borrowings	555,079.1	40.7	556,912.1	42.1
Accounts payable	5,389.5	0.4	4,886.7	0.4
Bonds issued	367,806.7	27.0	355,777.5	26.9
Other liabilities	116,878.8	8.6	114,250.8	8.6
Total liabilities	1,362,503.8	100.0	1,323,041.2	100.0
Equity				
Equity attributable to equity holders of the Company	178,800.8	88.6	172,108.7	88.2
Non-controlling interests	22,974.7	11.4	22,933.7	11.8
Total equity	201,775.5	100.0	195,042.4	100.0
Total equity and liabilities	1,564,279.3		1,518,083.6	

3.2.2.1 Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks, clearing settlement funds and deposits with banks and other financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2020 and 2021, monetary capital amounted to RMB103,328.6 million and RMB117,967.0 million, respectively, representing an increase of 14.2%, mainly due to an increase in deposits with banks and financial institutions.

Financial Assets at Fair Value through Profit or Loss

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

	As at December 31,			Change in
	2021	2020	Change	percentage
	(in millions of RMB)			(%)
Financial assets classified as at fair value through profit or loss				
Listed investments				
Debt securities	18,539.5	11,868.8	6,670.7	56.2
Equity investments	19,169.3	13,561.9	5,607.4	41.3
Funds	5,693.8	7,295.4	(1,601.6)	(22.0)
Certificates of deposit	1,268.9	–	1,268.9	100.0
Corporate convertible bonds	343.9	123.1	220.8	179.4
Unlisted investments				
Distressed debt assets	203,739.5	198,746.2	4,993.3	2.5
Funds	93,315.4	101,702.4	(8,387.0)	(8.2)
Equity investments	51,174.9	49,474.9	1,700.0	3.4
Trust products and asset management plans	26,176.6	25,083.2	1,093.4	4.4
Debt instruments	22,393.1	31,674.6	(9,281.5)	(29.3)
Securities investments	11,433.8	2,569.3	8,864.5	345.0
Wealth management products	1,531.9	2,344.9	(813.0)	(34.7)
Derivative financial assets	1,087.4	2,416.1	(1,328.7)	(55.0)
Others	335.8	55.9	279.9	500.7
Total	456,203.8	446,916.7	9,287.1	2.1

As at December 31, 2020 and 2021, financial assets at fair value through profit or loss were RMB446,916.7 million and RMB456,203.8 million, respectively, among which, securities investments and debt securities increased while funds and debt instruments decreased.

- (1) As at December 31, 2020 and 2021, securities investments at fair value through profit or loss were RMB2,569.3 million and RMB11,433.8 million, respectively, increasing by 345.0%, mainly due to the increase in securities investments by NCB and Jingu Trust.

- (2) As at December 31, 2020 and 2021, debt securities at fair value through profit or loss were RMB11,868.8 million and RMB18,539.5 million, respectively, increasing by 56.2%, mainly due to the increase in debt securities investment by Cinda Securities.
- (3) As at December 31, 2020 and 2021, listed and unlisted funds at fair value through profit or loss were RMB108,997.8 million and RMB99,009.2 million, respectively, decreasing by 9.2%.
- (4) As at December 31, 2020 and 2021, debt instruments at fair value through profit or loss were RMB31,674.6 million and RMB22,393.1 million, respectively, decreasing by 29.3%.

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

	As at December 31,			Change in
	2021	2020	Change	percentage
	<i>(in millions of RMB)</i>			<i>(%)</i>
The Group				
Listed	19,169.3	13,561.9	5,607.4	41.3
Unlisted	51,174.9	49,474.9	1,700.0	3.4
Total	70,344.2	63,036.8	7,307.4	11.6
The Company				
Listed	11,877.4	5,404.5	6,472.9	119.8
Unlisted	23,445.6	24,479.2	(1,033.6)	(4.2)
Subtotal	35,323.0	29,883.7	5,439.3	18.2
of which:				
DES Assets	33,204.6	27,638.2	5,566.4	20.1
Others	2,118.4	2,245.5	(127.1)	(5.7)
Subtotal	35,323.0	29,883.7	5,439.3	18.2

Financial Assets at Fair Value through Other Comprehensive Income

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

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

	As at December 31,			Change in
	2021	2020	Change	percentage
	<i>(in millions of RMB)</i>			<i>(%)</i>
Debt securities and certificates of deposit	112,987.4	118,126.8	(5,139.4)	(4.4)
Equity instruments	8,710.9	4,473.1	4,237.8	94.7
Interest receivable	894.1	1,128.6	(234.5)	(20.8)
Total	<u>122,592.3</u>	<u>123,728.5</u>	<u>(1,136.2)</u>	<u>(0.9)</u>

As at December 31, 2020 and 2021, financial assets at fair value through other comprehensive income were RMB123,728.5 million and RMB122,592.3 million, respectively, decreasing by 0.9%, mainly due to the decrease in debt securities and certificates of deposit, partly offset by the increase in equity instruments.

Loans and Advances to Customers

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

	As at December 31,			Change in
	2021	2020	Change	percentage
	<i>(in millions of RMB)</i>			<i>(%)</i>
By business type				
Corporate and personal loans and advances	304,972.1	301,926.4	3,045.7	1.0
Loans to margin clients	11,361.5	10,120.1	1,241.4	12.3
Finance lease receivables	61,295.6	48,895.5	12,400.1	25.4
Total	377,629.2	360,942.0	16,687.2	4.6
By security type				
Mortgaged	55,922.2	63,430.1	(7,507.9)	(11.8)
Pledged	129,809.6	108,765.7	21,043.9	19.3
Guaranteed	55,084.1	43,369.3	11,714.8	27.0
Unsecured	136,813.3	145,376.9	(8,563.6)	(5.9)
Total	377,629.2	360,942.0	16,687.2	4.6
Allowances for impairment losses	(9,597.8)	(7,485.7)	(2,112.1)	28.2
Net balance	368,031.4	353,456.3	14,575.1	4.1

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

	As at December 31,			Change in
	2021	2020	Change	percentage
	<i>(in millions of RMB)</i>			<i>(%)</i>
Corporate loans and advances				
Loans and advances	252,940.4	252,729.1	211.3	0.1
Discounted bills	355.2	555.9	(200.7)	(36.1)
Subtotal	253,295.6	253,285.0	10.6	0.0
Personal loans and advances				
Mortgages	29,589.1	27,377.1	2,212.0	8.1
Personal consumption loans	22,087.4	21,264.3	823.1	3.9
Subtotal	51,676.5	48,641.4	3,035.1	6.2
Total	304,972.1	301,926.4	3,045.7	1.0

Financial Assets at Amortized Cost

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

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

	As at December 31,			Change in
	2021	2020	Change	percentage
	<i>(in millions of RMB)</i>			<i>(%)</i>
Distressed debt assets				
Acquired from financial institutions	6,336.0	5,889.6	446.4	7.6
Acquired from non-financial institutions	138,207.0	181,520.5	(43,313.5)	(23.9)
Subtotal	144,543.0	187,410.1	(42,867.1)	(22.9)
Interest accrued	4,389.6	5,621.2	(1,231.6)	(21.9)
Allowances for impairment losses	(14,459.9)	(16,524.8)	2,064.9	(12.5)
Net balance	134,472.7	176,506.4	(42,033.7)	(23.8)
Other debt investments	50,052.2	44,704.9	5,347.3	12.0
Interest accrued	900.1	1,099.7	(199.6)	(18.2)
Allowances for impairment losses	(1,889.9)	(2,078.0)	188.1	(9.1)
Net balance	49,062.3	43,726.5	5,335.8	12.2
Total	183,535.0	220,233.0	(36,698.0)	(16.7)

As at December 31, 2021, the total balances of distressed debt assets at amortized cost were RMB144,543.0 million, all of which are the Group's restructured distressed debt assets, decreasing by 22.9% from RMB187,410.1 million as at December 31, 2020, mainly due to the decrease in restructured distressed debt assets caused by the Company's continuous prudent and effective investments and enhanced efforts in risk resolution.

As at December 31, 2021, the total balances of other debt investments at amortized cost were RMB50,052.2 million, increasing by 12.0% from RMB44,704.9 million as at December 31, 2020.

3.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, bonds issued and due to customers, accounting for 40.7%, 27.0% and 21.9% of the total liabilities of the Group as at December 31, 2021, respectively.

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

	As at December 31,			
	2021		2020	
	Amount	% of total (in millions of RMB)	Amount	% of total
Borrowings	555,079.1	43.0	556,912.1	44.6
Bonds issued	367,806.7	28.5	355,777.5	28.5
Due to customers	298,748.1	23.1	273,644.2	21.9
Deposits from banks and financial institutions	19,976.9	1.5	15,542.2	1.2
Accounts payable to brokerage clients	17,605.6	1.4	16,583.8	1.3
Placements from banks and other financial institutions	16,277.7	1.3	14,044.3	1.1
Financial assets sold under repurchase agreements	15,095.8	1.2	15,990.7	1.3
Total	1,290,589.9	100.0	1,248,494.8	100.0

Borrowings

As at December 31, 2021, the balance of borrowings of the Group amounted to RMB555,079.1 million, decreasing by 0.3% from RMB556,912.1 million as at December 31, 2020, and basically remained stable.

Bonds Issued

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

	As at December 31,	
	2021	2020
	<i>(in millions of RMB)</i>	
Financial bonds	114,468.6	111,834.0
Asset-backed securities	111,573.4	102,944.6
USD guaranteed senior notes	86,208.0	75,062.0
Corporate bonds	19,671.9	22,571.1
Tier-2 capital bonds	8,022.9	18,216.7
Beneficiary certificates	5,286.9	4,099.8
Mid-term notes	7,072.2	8,132.3
Subordinated notes	4,457.0	4,558.7
Certificates of deposit	5,000.7	1,805.0
Subordinated bonds	2,681.5	2,681.5
Debt financing plans	2,603.9	2,993.4
Asset-backed notes	751.4	834.2
HKD bonds	8.3	44.3
Total	<u>367,806.7</u>	<u>355,777.5</u>

As at December 31, 2020 and 2021, the balance of the Group's bonds issued amounted to RMB355,777.5 million and RMB367,806.7 million, respectively. The balance of bonds issued continued to increase, mainly because the Group continuously refined the structure of liabilities by carrying out direct financing with a focus on bond financing. Bonds issued in 2021 mainly refer to asset-backed securities issued by the Company.

Due to Customers

As at December 31, 2020 and 2021, the balance of due to customers of the Group amounted to RMB273,644.2 million and RMB298,748.1 million, respectively. The increase in due to customers of the Group mainly came from corporate deposits from NCB.

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

	As at December 31,			Change in
	2021	2020	Change	percentage
	<i>(in millions of RMB)</i>			<i>(%)</i>
Demand deposits	99,877.2	103,949.5	(4,072.3)	(3.9)
Corporate	50,122.6	55,155.3	(5,032.7)	(9.1)
Personal	49,754.6	48,794.2	960.4	2.0
Time deposits	185,639.8	155,695.8	29,944.0	19.2
Corporate	111,651.3	82,949.4	28,701.9	34.6
Personal	73,988.5	72,746.4	1,242.1	1.7
Guarantee deposits	12,078.9	12,759.6	(680.7)	(5.3)
Interest payable	1,152.3	1,239.3	(87.0)	(7.0)
Total	<u>298,748.1</u>	<u>273,644.2</u>	<u>25,103.9</u>	<u>9.2</u>

3.2.3 Contingent Liabilities

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

As at December 31, 2020 and 2021, the claim amounts of pending litigation of which the Group was defendant were RMB1,974.1 million and RMB3,746.9 million, respectively, and provisions of RMB9.4 million and RMB3.1 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believes that the final result of these lawsuits will not have material impacts on the financial position or operating results of the Group and the Company.

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

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

3.3 Business Overview

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

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

	For the year ended December 31, 2021		2020	
	Total income	% of total (in millions of RMB)	Total income	% of total
Distressed asset management	77,090.4	78.9	80,100.1	70.5
Financial services	20,994.9	21.5	34,371.6	30.3
Elimination	(354.3)	(0.4)	(915.8)	(0.8)
Total	97,731.0	100.0	113,555.9	100.0

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

	For the year ended December 31, 2021		2020	
	Profit before tax	% of total (in millions of RMB)	Profit before tax	% of total
Distressed asset management	14,193.8	73.2	11,503.1	54.1
Financial services	5,070.6	26.2	9,848.1	46.3
Elimination	114.5	0.6	(69.4)	(0.3)
Total	19,378.9	100.0	21,281.8	100.0

3.3.1 Distressed asset management

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

Distressed asset management is the core business and the primary source of income and profit of the Group. In 2020 and 2021, the income from the distressed asset management business accounted for 70.5% and 78.9% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 54.1% and 73.2% of the profit before tax of the Group, respectively.

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

	As at and for the year ended	
	December 31,	
	2021	2020
	<i>(in millions of RMB)</i>	
Distressed debt assets		
Net balance of distressed debt assets ⁽¹⁾	336,796.7	375,603.2
Acquisition cost of distressed debt assets	87,349.3	105,056.9
Income from distressed debt assets ⁽²⁾	26,888.5	29,326.5
DES Assets		
Book value of DES Assets	93,378.9	77,239.3
Gains on fair value changes ⁽³⁾	8,299.0	3,459.7
Gains realized with other approaches ⁽⁴⁾	3,673.8	1,393.8
Other distressed assets		
Book value of other distressed assets ⁽⁵⁾	162,284.3	176,077.0
Income from other distressed assets ⁽⁶⁾	7,279.6	6,893.2

Note:

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

3.3.1.1 Source of Acquisition of Distressed Debt Assets

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

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

	As at and for the year ended December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB)</i>			
Net balance of distressed debt assets⁽¹⁾				
FI Distressed Assets	185,880.4	55.2	192,709.0	51.3
NFI Distressed Assets	150,916.3	44.8	182,894.2	48.7
Total	336,796.7	100.0	375,603.2	100.0
Acquisition cost of distressed debt assets⁽²⁾				
FI Distressed Assets	48,564.1	55.6	45,113.6	42.9
NFI Distressed Assets	38,785.2	44.4	59,943.3	57.1
Total	87,349.3	100.0	105,056.9	100.0
Income from distressed debt assets⁽³⁾				
FI Distressed Assets	13,222.9	49.2	10,164.5	34.7
NFI Distressed Assets	13,665.6	50.8	19,162.0	65.3
Total	26,888.5	100.0	29,326.5	100.0

Note:

- (1) Equivalent to the sum of the Company's "distressed debt assets at fair value through profit or loss" and "distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.
- (2) Represents the carrying amount of distressed debt assets acquired during the year indicated.
- (3) Equivalent to the sum of the Company's "fair value changes on acquisition-operation distressed debt assets" and "income from distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.

FI Distressed Assets

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

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

	For the year ended December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB)</i>			
Large commercial banks	12,063.4	24.8	14,726.7	32.6
Joint-stock commercial banks	14,427.9	29.7	13,135.1	29.1
City and rural commercial banks	8,792.9	18.1	10,482.6	23.2
Other banks ⁽¹⁾	2,258.7	4.7	1,397.7	3.1
Non-banking financial institutions ⁽²⁾	11,021.2	22.7	5,371.5	12.0
Total	48,564.1	100.0	45,113.6	100.0

Note:

(1) Include banking financial institutions such as policy banks and foreign banks.

(2) Mainly include non-banking financial institutions such as trust companies and finance companies.

NFI Distressed Assets

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

3.3.1.2 Business Model of Distressed Debt Assets

The Company mainly employs two business models in distressed debt asset management, which are (1) Acquisition-operation Model and (2) Restructuring Model.

The table below sets forth details on the acquisition and disposal of distressed assets by the Company using the Acquisition-operation Model and the Restructuring Model as at the dates and for the years indicated.

	As at and for the year ended December 31,			
	2021		2020	
	Amount	% of total (in millions of RMB)	Amount	% of total
Net balance of distressed debt assets				
Acquisition-operation Distressed Assets ⁽¹⁾	202,262.9	60.1	198,870.5	52.9
Restructured Distressed Assets ⁽²⁾	134,533.8	39.9	176,732.7	47.1
Total	336,796.7	100.0	375,603.2	100.0
Acquisition cost of distressed debt assets				
Acquisition-operation Distressed Assets	50,419.2	57.7	45,631.8	43.4
Restructured Distressed Assets	36,930.1	42.3	59,425.1	56.6
Total	87,349.3	100.0	105,056.9	100.0
Income from distressed debt assets				
Acquisition-operation Distressed Assets ⁽³⁾	13,419.5	49.9	10,131.6	34.5
Restructured Distressed Assets ⁽⁴⁾	13,469.0	50.1	19,194.9	65.5
Total	26,888.5	100.0	29,326.5	100.0

Note:

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

Acquisition-operation Distressed Assets

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

In 2021, the Company actively adopted effective measures to cope with the new situation in the distressed asset market and continued to promote high quality development of acquisition-operation business. In terms of asset acquisition, the Company, adhering to the “headquarter-to-headquarter” strategy, actively expanded acquisition sources, and strengthened effective delivery, in order to maintain the dominant position of the core business. In terms of asset disposal, the Company balanced disposal turnover and value preservation, grasped disposal opportunities, accelerated cash recovery, and improved disposal efficiency, thus achieving considerable net income.

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

	As at and for the year ended December 31,	
	2021	2020
	<i>(in millions of RMB)</i>	
Net balance of Acquisition-operation Distressed Assets	202,262.9	198,870.5
Acquisition cost of Acquisition-operation Distressed Assets	50,419.2	45,631.8
Carrying amount of Acquisition-operation Distressed Assets disposed ⁽¹⁾	49,216.3	41,577.4
Unrealized fair value changes	1,142.6	(2,231.1)
Net income from Acquisition-operation Distressed Assets	13,419.5	10,131.6
Internal rate of return ⁽²⁾ (%)	8.2	12.6

Note:

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

Restructured Distressed Assets

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

In 2021, the Company stuck to the principle of focusing on prudent operation in the principal business of “extensive distressed asset”, gave full play to the advantages of distressed assets business, adhered to prudent and effective investment, focused on prudent business development on fields including forestalling and defusing financial risks, serving the real economy and supporting the supply-side structural reform, and continuously promoted structure optimization, transformation and upgrading of restructured distressed business. First, to actively serve the reform of state-owned enterprises and central enterprises, vigorously promote the businesses involving “inefficient assets, ineffective assets and non-main business, non-dominant business” as well as the strip of main and auxiliary businesses; second, to accelerate the innovation and development of business model, carry out corporate crisis relief, corporate bankruptcy restructuring and listed company rescue business to better serve the real economy; third, to resolutely implement the real estate regulation and control policy, actively compress the scale and concentration of the real estate sector, and steadily promote the risk disposal of real estate enterprises; fourth, to give full play to the advantage of cultivating the energy industry and serve the transformation and upgrading of energy enterprises; fifth, to speed up the activation and disposal of inefficient assets, optimized the asset portfolio, and promoted the high-quality development of restructured distressed business.

The table below sets forth certain details of the general operation of the Restructured Distressed Assets of the Company as at the dates and for the years indicated.

	As at and for the year ended	
	December 31,	
	2021	2020
	<i>(in millions of RMB)</i>	
Net balance of Restructured Distressed Assets	134,533.8	176,732.7
Acquisition cost of Restructured Distressed Assets	36,930.1	59,425.1
Income from Restructured Distressed Assets	13,469.0	19,194.9
Annualized return on monthly average balance of Restructured Distressed Assets ⁽¹⁾ (%)	7.0	8.6
Balance of Restructured Distressed Assets classified as substandard, doubtful and loss ⁽²⁾	7,069.3	7,539.4
Impaired Restructured Distressed Assets ratio ⁽³⁾ (%)	4.75	3.90
Allowance for impairment losses	14,289.0	16,380.8
Impaired Restructured Distressed Assets coverage ratio ⁽⁴⁾ (%)	202.1	217.3

Note:

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

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

	As at December 31,			
	2021		2020	
	Acquisition Amount	% of total <i>(in millions of RMB)</i>	Acquisition Amount	% of total
Real estate	62,511.9	42.0	88,674.7	45.9
Manufacturing	20,647.5	13.9	26,321.2	13.6
Mining	11,237.0	7.6	10,903.6	5.6
Wholesale and retail trade	8,713.1	5.9	16,240.1	8.4
Construction	8,502.3	5.7	11,348.4	5.9
Water conservancy, environment and public facilities management	8,355.4	5.6	6,799.4	3.5
Others	28,855.6	19.3	32,826.1	17.1
Total	148,822.8	100.0	193,113.5	100.0

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

	As at December 31,			
	2021		2020	
	Acquisition Amount	% of total <i>(in millions of RMB)</i>	Acquisition Amount	% of total
Yangtze River Delta	22,364.5	15.0	38,990.8	20.2
Pearl River Delta	14,598.2	9.8	22,562.9	11.7
Bohai Rim	33,420.9	22.5	39,382.6	20.4
Central China	42,872.5	28.8	54,645.4	28.3
Western China	31,310.2	21.0	35,307.9	18.3
Northeastern China	4,256.5	2.9	2,223.9	1.1
Total	148,822.8	100.0	193,113.5	100.0

3.3.1.3 DES Assets Management

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

In 2021, the Company continued to leverage its professional advantages in DES, serve national supply-side structural reform and mixed ownership reform of state-owned enterprises, and steadily promote market-oriented DES business, focusing on supporting enterprises with difficulties caused by cyclical fluctuations but still expected to reverse, growing enterprises with excessive financial burden due to high indebtedness and key enterprises with strategic value; the Company actively laid out new economic fields such as new materials and new energy; further enhanced the disposal of existing DES projects and accelerated the disposal of listed equity assets, and continuously improved the quality and efficiency of DES assets management.

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

	As at and for the year ended December 31,	
	2021	2020
	<i>(in millions of RMB)</i>	
Total book value		
DES Assets at fair value through profit or loss	35,940.0	31,169.6
DES Assets at interests in consolidated structured entities and associates and joint ventures	53,753.0	42,626.3
DES Assets at fair value through other comprehensive income	3,685.9	3,443.4
Total	93,378.9	77,239.3
DES Assets Income		
Fair value changes ⁽¹⁾	8,299.0	3,459.7
Gains realized with other accounting approaches ⁽²⁾	3,673.8	1,393.8

Note:

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

3.3.1.4 Other Distressed Asset Businesses

Other distressed asset business of the Group is the investment business conducted in a comprehensive operation method other than distressed debt asset business and DES business. Income of such business comprises fixed income as the dominance and floating income as the auxiliary. The risk characteristic of such business comprises credit risk and market risk. The Group mainly conducts other distressed asset business through the Company, Cinda Hong Kong, Cinda Investment and Zhongrun Development.

Other Distressed Asset Business of the Company

Other distressed asset business of the Company refers to the business, in which the Company focuses on distressed entities aid and distressed assets revitalizing, takes liquidity assistance as breakthrough, applies flexible structures such as private funds, trust plans and asset management plans, invests its own or under-managed funds in specific projects, to resolve the risks of such projects and improve the operating conditions of enterprises, then disposes of or exits such investment in due course and achieve gains. The investment targets mainly include non-standard debt and equity, fixed-income asset management products, securitization products and bonds.

In 2021, the Company's other distressed assets business focused on real economy relief and restructuring of distressed enterprises, with emphasis on providing integrated financial solutions via substantial restructuring and other means. The Company vigorously promoted business innovation and explored new business scope such as default risk resolution on private equity funds, listed company rescue, and distressed assets mezzanine investment.

As at December 31, 2020 and 2021, the balance of other distressed asset business of the Company amounted to RMB176.08 billion and RMB162.28 billion, respectively. In 2020 and 2021, the income of other distressed asset business of the Company amounted to RMB6.89 billion and RMB7.28 billion, respectively.

Other Distressed Asset Business of Cinda Hong Kong

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

As at December 31, 2020 and 2021, the balance of other distressed asset business of Cinda Hong Kong amounted to RMB62.22 billion and RMB42.40 billion, respectively. In 2020 and 2021, the income of other distressed asset business of Cinda Hong Kong amounted to RMB3.16 billion and RMB0.19 billion, respectively.

Other Distressed Asset Business of Cinda Investment

Embracing the strategic positioning of “professional investor in alternative assets”, Cinda Investment grasped the national development strategy and policy orientation, gave full play to its professional advantages in the fields of merger and reorganization, value restoration, and reorganization and revitalization, explored, fostered and deeply cultivated substantive restructuring business, built alternative investment banking business model, and continuously improved the quality and efficiency of serving the real economy.

As at December 31, 2020 and 2021, the balance of other distressed asset business of Cinda Investment amounted to RMB54.10 billion and RMB60.89 billion, respectively. In 2020 and 2021, the income of other distressed asset business of Cinda Investment amounted to RMB3.92 billion and RMB4.51 billion, respectively.

Other Distressed Asset Business of Zhongrun Development

Based on its professional ability and brand advantages in the field of enterprise custody, bankruptcy and liquidation management, Zhongrun Development focuses on the enterprise bankruptcy management segment by conducting reorganization of enterprises, establishing the dedicated platform to provide financing of bankruptcy costs and common benefits debt in the bankruptcy procedure for distressed enterprises and by exploring special investment opportunities such as enterprise restructuring and reorganization by means of custody, liquidation and reorganization, so as to collaborate and promote the “extensive distressed asset” business.

As at December 31, 2020 and 2021, the balance of other distressed asset business of Zhongrun Development amounted to RMB3.11 billion and RMB3.06 billion, respectively. In 2020 and 2021, the income of other distressed asset business of Zhongrun Development amounted to RMB0.42 billion and RMB0.39 billion, respectively.

3.3.1.5 Other Investments

Cinda Real Estate

As a professional real estate service platform within the “extensive distressed asset” business of the Group, Cinda Real Estate provides professional post-investment management services and consultancy services for the real estate business of the Group, revitalizes distressed real estate and enhances values of such assets through equity merger and entrusted construction, so as to provide effective methods for asset disposal and realization.

In 2020 and 2021, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB24.14 billion and RMB20.29 billion, respectively.

3.3.1.6 Entrusted Operation

The Group provides entrusted operation services to distressed assets and entities under the engagement of government departments, enterprises and financial institutions. The entrusted distressed asset operation business was mainly conducted by the Company. As at December 31, 2020 and 2021, the balance of the entrusted operation distressed assets amounted to RMB11.40 billion and RMB7.59 billion, respectively.

3.3.2 Financial Services Business

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

In 2020 and 2021, the income from the financial services business accounted for 30.3% and 21.5% of the total income of the Group, respectively, and the profit before tax from the financial services business accounted for 46.3% and 26.2% of the profit before tax of the Group, respectively.

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

	As at and for the year ended December 31,							
	2021				2020			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	<i>(in millions of RMB)</i>							
NCB	11,660.8	3,017.5	437,053.1	53,160.9	13,328.5	3,676.0	424,117.0	52,048.7
Cinda Securities	5,032.7	1,457.1	64,680.1	12,842.6	4,336.7	954.1	47,321.5	11,633.6
Jingu Trust	683.9	160.1	6,623.3	4,259.1	489.4	154.5	4,761.8	4,154.8
Cinda Leasing	3,473.5	417.1	70,815.1	7,704.6	2,716.7	203.6	53,874.1	7,429.3

3.3.2.1 Banking Business

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

The development of NCB played an important role in the Group. Considering both internal and external economic conditions and its strategies, the Group has put forward the goal of developing NCB into a platform for group account management, cross-selling and integrated financial services, as well as a growth point of group collaboration and transformation, which will promote the development of the entire financial services sector.

NCB

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

	As at and for the year ended December 31, 2021 2020 (in billions of RMB)	
Total assets	437.1	424.1
Total loans	241.7	235.4
Total deposits	313.8	295.9
Net interest income	5.2	5.7
Net commission and fee income	1.4	1.4
Asset quality indicators (%)		
Non-performing loan ratio ⁽¹⁾	1.50	0.86
Capital adequacy ratio indicators (%)		
Total capital ratio ⁽²⁾	18.46	19.26
Tier-1 capital ratio ⁽³⁾	15.02	15.61
Tier-1 common capital ratio ⁽⁴⁾	12.54	12.89
Profitability indicators (%)		
Return on average assets ⁽⁵⁾	0.62	0.77
Return on average shareholder's equity ⁽⁶⁾	4.99	6.49
Net interest margin ⁽⁷⁾	1.33	1.45
Cost-to-income ratio ⁽⁸⁾	38.89	36.30
Other indicators (%)		
Liquidity coverage ratio ⁽⁹⁾	153.44	149.77

Note:

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

NCB Hong Kong

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

The personal wealth management services of NCB Hong Kong mainly include all kinds of currency deposits, foreign exchange, stock, fund, bond trading, foreign exchange and stock margin, mortgages, taxation, personal loans and insurance, etc. Based on the business philosophy of “serving two places with one line of continuity”, NCB Hong Kong optimized the product and service process, and enhanced the professional standards of cross-border service to serve Hong Kong citizens and customers in the Greater Bay Area. NCB Hong Kong vigorously promoted RMB deposit and exchange business to meet customers’ demand for RMB wealth management.

The corporate banking services of NCB Hong Kong mainly include import and export negotiation, trade financing, overdraft, industrial and commercial loans, project loans and syndicated loans. Leveraging the synergy of the Group, NCB Hong Kong gives full play to its cross-border financial expertise to optimize its cross-border business model, deepen the integrated operation features of the Greater Bay Area, and promote various cross-border business products to meet the enterprises’ needs for cross-border financial services. Committed to fulfilling its corporate social responsibility, NCB Hong Kong has introduced a number of rescue measures to support corporate customers, ease the financial pressures for small and medium-sized enterprises affected by the Pandemic and boost their business operations.

On the basis of stabilizing the existing business, NCB Hong Kong actively promoted transformation and innovation towards a comprehensive business provider of financial advisors and financial stewards, planned and deployed of the three strategic businesses directions of cross-border business, investment banking + commercial banking and financial technology to promote the stable and healthy development of business operations.

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

	As at and for the year ended	
	December 31,	
	2021	2020
	<i>(in billions of RMB)</i>	
From personal customers		
Balance of loans	29.6	29.0
Balance of deposits	113.9	111.6
Net interest income	0.7	0.8
Net commission and fee income	0.6	0.6
From corporate customers		
Balance of loans	142.1	137.7
Balance of deposits	114.5	98.1
Net interest income	1.9	2.2
Net commission and fee income	0.6	0.6

NCB China

The principal businesses of NCB China include corporate banking business, personal banking business and financial markets business.

The corporate banking business of NCB China mainly includes deposits, loans, settlement, trade-related products and other banking services for corporate customers. By relying on the comprehensive banking service model, NCB China gives full play to the business characteristics of the integration of the platforms in two places, and takes active steps to serve the corporate customers with a flexible portfolio of cross-border products and service solutions.

The personal banking business of NCB China mainly includes deposit, credit and debit cards, consumer credit and mortgage loans and personal assets management services for personal customers. In active response to the national call, NCB China intensified efforts to develop inclusive finance with a series of products such as “Agriculture-related Loans” and “Inclusive Finance Platform” while sticking to its main businesses, to serve the real economy.

The financial markets business of NCB China mainly includes foreign exchange market business, monetary market business, derivatives business, fixed income market business, and commodity business. NCB China provides professional and comprehensive investment services through various transaction channels to meet customers’ diversified financial needs.

NCB China, which leverages the resources of the Group, is actively transforming into fintech institution by upholding the principle of “dedicating to serving customers”. Giving full play to the advantages of cross-border business, and highlighting the characteristics of cross-border comprehensive financial and asset management services, it has constantly improved the service level for domestic and foreign customers.

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

	As at and for the year ended	
	December 31,	
	2021	2020
	<i>(in billions of RMB)</i>	
Total assets	147.3	143.0
Total loans	83.6	82.1
Total deposits	97	95.4
Net interest income	1.7	1.9
Net commission and fee income	0.3	0.3
Asset quality indicators (%)		
Non-performing loan ratio	0.83	0.86
Provision coverage ratio	257.44	233.52
Capital adequacy ratio indicators (%)		
Core tier-1 capital adequacy ratio	15.07	15.57
Tier-1 capital adequacy ratio	15.07	15.57
Capital adequacy ratio	16.15	16.58
Profitability indicators (%)		
Return on average assets	0.42	0.39
Return on average shareholder’s equity	4.03	3.81

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

		As at December 31,			
		2021		2020	
		Balance	% of total	Balance	% of total
		(in billions of RMB)			
Loan					
	Corporate Banking Business	61.5	73.6	62.5	76.1
	Personal Banking Business	22.1	26.4	19.6	23.9
Total		83.6	100.0	82.1	100.0
Deposits					
	Corporate Banking Business	87.0	89.7	85.0	89.1
	Personal Banking Business	10.0	10.3	10.4	10.9
Total		97.0	100.0	95.4	100.0

3.3.2.2 Securities, Futures and Fund Management

The Group conducts securities, futures and fund management through Cinda Securities and its subsidiaries. In 2020 and 2021, the revenue of Cinda Securities amounted to RMB3,162.4 million and RMB3,803.3 million respectively.

Cinda Securities

The table below sets forth the business income of Cinda Securities and their corresponding percentages for the years indicated.

	For the year ended December 31,			
	2021		2020	
	Amount	% of total (in millions of RMB)	Amount	% of total
Securities brokerage	917.7	24.1	780.1	24.7
Investment banking	456.6	12.0	543.7	17.2
Asset management	154.7	4.1	135.7	4.3
Futures	204.4	5.4	154.3	4.9
Other businesses	2,069.9	54.4	1,548.6	48.9
Total	3,803.3	100.0	3,162.4	100.0

Securities brokerage: As at December 31, 2020 and 2021, the number of clients of Cinda Securities' securities brokerage business amounted to 1.915 million and 2.274 million, the total value of its AUM amounted to RMB228.88 billion and RMB264.71 billion, respectively. In 2020 and 2021, the total turnover of Cinda Securities' securities brokerage business amounted to RMB2,626.33 billion and RMB2,658.26 billion, respectively.

Investment banking: In 2020 and 2021, Cinda Securities' underwriting fee and commission income amounted to RMB459.9 million and RMB358.8 million, respectively.

Asset management: As at December 31, 2020 and 2021, the AUM balance of Cinda Securities amounted to RMB140.78 billion and RMB160.48 billion, respectively. In 2020 and 2021, commission and fee income from Cinda Securities' asset management business as trustee amounted to RMB135.7 million and RMB154.7 million, respectively.

Other businesses: Mainly includes investment business and credit business. In 2020 and 2021, the gains realized from the investment business of Cinda Securities amounted to RMB484.6 million and RMB646.8 million, respectively. As at December 31, 2020 and 2021, the turnover of margin financing business of the Cinda Securities amounted to RMB9.59 billion and RMB10.77 billion, respectively. The turnover of stock pledge amounted to RMB0.80 billion and RMB0.28 billion, respectively.

Cinda Futures

The Group conducts futures business through Cinda Futures. In 2020 and 2021, income from the futures business of Cinda Futures amounted to RMB154.3 million and RMB204.4 million, respectively, and the operating profit realized amounted to RMB57.6 million and RMB83.4 million, respectively.

First State Cinda Fund

The Group conducts mutual fund business through First State Cinda Fund. Those mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which mainly invest in equity assets and fixed income assets. As at December 31, 2020 and 2021, the Group had 30 and 41 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounted to RMB46.54 billion and RMB89.49 billion, respectively. In 2020 and 2021, management fee income from such funds and asset management plans amounted to RMB310.9 million and RMB689.0 million, respectively.

Cinda International

The Group conducts cross-border securities brokerage, financial product trading, investment banking and asset management businesses in Hong Kong through Cinda International. In 2020 and 2021, the revenue of Cinda International amounted to RMB250.2 million and RMB203.6 million respectively.

3.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2020 and 2021, the existing trust AUM amounted to RMB143.00 billion and RMB174.22 billion, respectively, and the Group managed 164 and 258 existing trust projects, respectively. In 2020 and 2021, the fees and commission income generated from trust business were RMB0.39 billion and RMB0.57 billion, respectively, accounting for 79.0% and 83.2% of Jingu Trust's total revenue in respective periods.

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

	As at December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB)</i>			
Infrastructure	18,878.0	10.8	9,272.0	6.5
Real estate	11,300.0	6.5	9,662.0	6.8
Securities markets	5,823.0	3.3	800.0	0.5
Industry and commerce	55,481.0	31.9	32,924.0	23.0
Financial institutions	2,943.0	1.7	3,760.0	2.6
Asset-backed securitization	79,654.0	45.7	54,903.0	38.4
Others	142.0	0.1	31,676.0	22.2
Total	174,221.0	100.0	142,997.0	100.0

3.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. As at December 31, 2020 and 2021, the net finance lease receivables of the Group was RMB46.58 billion and RMB58.89 billion, respectively. In 2020 and 2021, the net revenue generated by the financial leasing business of the Group was RMB1,592.7 million and RMB1,651.4 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB224.6 million and RMB301.9 million, respectively.

Product types

In 2021, the net revenue from specialized products and non-specialized products was RMB422.8 million and RMB1,228.6 million, respectively, representing 25.6% and 74.4% of Cinda Leasing's total income, respectively.

Industry distribution

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

	As at December 31,			
	2021		2020	
	Amount	% of total	Amount	% of total
	<i>(in millions of RMB)</i>			
Manufacturing	17,920.5	29.4	17,624.7	36.2
Construction	12,190.8	20.0	48.6	0.1
Leasing and commercial services	8,716.4	14.3	4,682.7	9.6
Transportation, logistics and postal services	5,972.5	9.8	4,701.4	9.7
Mining	5,303.0	8.7	3,502.5	7.2
Production and supply of power, heat, gas and water	4,327.7	7.1	7,182.8	14.8
Water conservancy, environment and public facilities management	3,779.2	6.2	7,976.3	16.4
Others	2,744.0	4.5	2,926.6	6.0
Total	60,954.1	100.0	48,645.6	100.0

3.3.2.5 Business Synergy

The Group fully explored the special functions of its subsidiaries, as its non-financial subsidiaries actively participated in the co-investment of “extensive distressed asset” projects to enrich and improve the business model and means of the main business of distressed asset management, and its financial subsidiaries highlighted their expertise and participated in the construction of the upstream and downstream ecosystem of distressed assets. By promoting the in-depth synergy between distressed asset management and financial service business, the Group built a high-level service system with all-round customer coverage and business chain collaboration, and improve the overall operating efficiency of the Group.

In 2021, the subsidiaries recorded business synergy management scale totaling RMB363.50 billion from more than 2,000 customers, which realized business synergy income of RMB3.39 billion, among which, Cinda Real Estate recorded synergy supervision scale totaling RMB125.60 billion with a business synergy income of RMB0.74 billion; NCB recorded synergy deposit and loan scale totaling RMB41.60 billion with a business synergy income of RMB0.66 billion; Cinda Leasing recorded synergy lending scale totaling RMB18.40 billion with a business synergy income of RMB0.59 billion; Cinda Securities recorded synergy management scale totaling RMB36.80 billion with a business synergy income of RMB0.50 billion; Cinda Investment recorded synergy investment scale totaling RMB12.20 billion with a business synergy income of RMB0.40 billion; Cinda Capital recorded synergy fund management scale totaling RMB84.30 billion with a business synergy income of RMB0.29 billion; Jingu Trust recorded synergy trust plans management scale totaling RMB38.80 billion with a business synergy income of RMB0.16 billion; and Zhongrun Development recorded synergy management scale totaling RMB1.70 billion with a business synergy income of RMB0.05 billion.

3.3.3 Information Technology

2021 is the first year of the Company's "3rd Five-Year Informatization Plan". Centering on the information construction goal of "Digital Cinda", the Company smoothly launched the construction of new core business system projects, and continuously promoted the construction of information system to empower the business front line. By completing the information security construction plan, improving the information technology systems and passing the annual audits of such management systems as ISO20000 and ISO27001, fine results were achieved in the data governance of the Group.

Construction of Information Systems

In 2021, based on the concept of technology empowering business, the Company smoothly launched new core business system projects for the construction of information systems; set up the enterprise-level business architecture and IT architecture through business modeling, established and improved platforms for risk monitoring, asset valuation, and data support for intelligent investment research and due diligence and "Cinda Smart Search", a distressed asset promotion WeChat applet; put into operation the project manager workbench and the audit, risk deposit and discipline inspection, supervision, enforcement and accountability systems; upgraded the business approval, main business, anti-money laundering, connected transaction, internal rating, financial management and other systems; and promoted the risk management system, group financial sharing platform, and value-added tax systems within the Group. The Company continued to implement the artificial intelligence technologies such as natural language understanding and intelligent graph. Fine results were achieved in the data governance of the Group. The Company released data standards, promoted data bidding, and further improved the data governance system; integrated internal and external data application scenarios, launched enterprise panorama system, and improved data empowerment ability.

The Company prepared the information security construction plan for 2021-2025, promoted the construction of desktop terminal security management system and host security management platform, to ensure the safe and stable operation of the information systems, and the availability rate of key systems reached 99.99%. The remote disaster recovery system was put into operation to ensure the business system featured bidirectional switchover between the production center and the disaster recovery center, leading the industry in disaster recovery protection. A desktop cloud system was built to ensure telecommuting under the situation of regular situation of Pandemic prevention and control.

3.3.4 Human Resources Management

In 2021, the Company adhered to the focus on the reform of system and mechanism, the goal of strengthening the construction of talent teams, and the core of enhancing the professional ability of employees, focused on improving the level of human resource management, which provided strong organizational guarantee and solid talent support for the realization of the Company's high-quality development and business transformation.

3.3.4.1 Employees

The following table sets forth the distribution of the employees of the Group (excluding those employed through labor dispatch agency) as at the dates indicated.

	As at December 31, 2021	
	Number of employees	% of total
By location of premise		
Employees in Mainland China	13,052	88.7
Employees in Hong Kong and Macao	1,671	11.3
By gender		
Male	8,342	56.7
Female	6,381	43.3
Total	14,723	100.0

In the Company and its tier-one subsidiaries (head offices), employees with bachelor's degree or above and employees with master's degree accounted for 92% and 65% respectively. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial conditions of the Company are not reliant on particular employee(s).

3.3.4.2 Remuneration Policy

The Company's remuneration policy follows the basic principle of performance priority while giving consideration to fairness. In order to meet the needs of the Company's development strategy, remuneration management follows the principle of marketization, and remuneration distribution is linked to operating efficiency. The Company continues to improve the market-oriented assessment mechanism, implement the KPI concept for all staffs, putting indicators such as development quality, risk management and sustainable development into the assessment, and implement a remuneration strategy which is competitive externally and incentivizing internally.

3.3.4.3 Education and training

In 2021, by adhering to the principle of customer-oriented, market-oriented, demand-oriented, and combining with the Company's business development and operating priorities, the Company comprehensively strengthened employee capacity construction, and continuously improved the pertinence and effectiveness of education and training. Through the combination of on-site training and video lectures, offline self-study and online learning, classroom in the air and case analysis, more than 2,900 training sessions of various types have been completed and the training attendance exceeded 330,000 throughout the year, providing a strong support and guarantee for the realization of the Company's high-quality sustainable development.

3.4 Risk Management

3.4.1 Framework of Comprehensive Risk Management

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

In 2021, the Company continued to strengthen risk management and control by giving priority to it in the Group's work, adhered to the risk management concept of "protecting the bottom-line by managing risks proactively", and steadily promoted the development of a comprehensive risk management system. The Company further strengthened the transmission mechanism of the Group's risk appetite, exerted the guidance and restraint role of the Group's risk management policies, continued to strictly control new risks, defuse existing risks, and take comprehensive measures to strengthen management on business quality. By further improving the risk monitoring system, "Digital Cinda" effectively empowered risk management and control, and the foresight and effectiveness of the Group's risk management were further improved.

3.4.2 Risk Appetite

At the beginning of 2021, the Risk Appetite Statement of the Group (2021) was formally implemented upon the approval of the Board and subject to its supervision in implementation. In 2021, the Company continuously monitored and evaluated the operation of risk appetite system, prepared quarterly reports on the execution of the Group's risk appetite, optimized indicators for risk appetite and improved the transmission mechanism of risk appetite, with a view to further make use of risk appetite system as a guide in the operation and management of the Group as a whole. Since its launch, the Group's risk appetite system has effectively promoted the Company to further focus on the main responsibility and business, enhance business support in resolving the risk of distressed institutions and distressed assets, and strictly implement national policies and regulatory requirements, ensure the implementation of the Group's development strategy and characteristic and differentiated operation, and provided effective guarantee for the stable operation of the Group's business and the smooth realization of the Group's risk control objectives.

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

3.4.3 Risk Management Organizational Structure

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

In 2021, the Risk Management Committee of the Board convened six meetings to consider various resolutions, such as the risk appetite statement of the Group, and the risk management report of the Group. The risk management committee of the Senior Management convened six meetings to consider and approve various resolutions, such as the risk management policy, the risk limits management plan and the risk monitoring and evaluation plan of the Group.

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

In 2021, the Company further improved its risk management structure. The independence and professionalism of risk management have been continuously improved, the risk management ability has been further strengthened, and the working efficiency of risk management has been improved. By regularly carrying out performance assessment on the responsible personnel in charge of risk management or the risk (compliance) officers of its branches and subsidiaries, the Company continuously improved the efficiency and professionalism of its risk management. As a step forward, the Company also carried on its progress in developing a dedicated risk management team, and strove to continuously improve the performance and competence of all Group personnel involving in risk management through business training program, qualification verification, job rotation and expertise tests.

3.4.4 Risk Management Policy System

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

In 2021, the Company formulated and issued the group risk management policy covering seven major types of risks, including credit risk, market risk, operational risk, liquidity risk, connected transaction risk, reputation risk and concentration risk, and the group risk limit management scheme with five major limits, including credit risk limit, market risk limit, liquidity risk limit, concentration risk limit and connected transaction risk limit. The Company further improved the forward-looking risk management, to match the alignment of business scale, operating income and risk exposure, resolutely prevented the occurrence of systemic risks, carried out business compliantly and prudently according to the risk appetite, and ensured the asset quality and liquidity security. In addition, based on the regulatory requirements and internal management needs, the Company formulated the Unified Credit Granting Management Measures for Customers, Interim Measures for Risk Deposit Management for Project Managers, revised the Internal Credit Risk Rating Management Measures, the Measures for Punishment of Business Risk Liabilities, the Trial Measures for the Management of Appointed Risk (Compliance) Director of Subsidiaries, and the Measures for the Administration of the Person in Charge of Risk Responsibility and the Person in Charge of Risk Management Department of Grass-roots Units (Trial), optimized the relevant management process and improved the management efficiency, so as to further improve the effectiveness of risk management and control.

In 2021, according to the Interim Measures for Implementation of Recovery and Disposal Plans for Banking and Insurance Institutions issued by the CBIRC, the Company formulated the group recovery and disposal plan, specifying various contents, such as the governance structure of recovery and disposal plan, identification of group key functions, core businesses and significant entities, trigger mechanism, stress testing, communication strategy, execution barriers and improvement suggestions. The Recovery Plan of China Cinda and Proposal for Disposal Plan of China Cinda were submitted to the CBIRC after being reviewed and approved by the Board at the end of 2021.

3.4.5 Risk Management Tools and System

The Company strengthened monitoring, analysis and alert of risks in key regions, industries and customers through launching a risk management operation and transmission mechanism that seeks to balance between capital, risk and income, and raised its risk identification, measurement, monitoring and control capabilities by utilizing various risk management tools such as economic capital, risk limit, rating classification, impairment provision, stress test and risk assessment.

In 2021, the Company proactively adjusted its business strategy and business structure in alignment with regulatory requirements and market changes, so as to ensure that the concentration risks with key customers, industries and regions were under control. The Company also adjusted the management and control methods based on changes in risk exposure on a timely basis, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management on top of the agenda, the Company optimized the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimize allocation of business and management resources and boost the overall risk-adjusted profitability.

The Company actively promoted the construction of risk management related information systems, developed a risk monitoring platform system, and created a comprehensive monitoring system covering various risk types; innovatively developed a customer default probability prediction system and risk slow-release dynamic monitoring system to realize the pre-positioning and informatization of risk control means; developed risk deposit system to provide precise measurement tools for risk control means; continuously optimized and improved the internal rating system, connected transaction system, collateral management system and risk warning system, and achieve a good start for “Digital Cinda”, further improved the risk management ability and informatization level.

3.4.6 Management of Credit Risk

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

The Company has strictly complied with the regulatory requirements of the CBIRC on credit risk management. Under the guidance of the Risk Management Committee and the Senior Management, the Company has constantly improved the management system of credit risk in order to achieve strategic goals.

In 2021, to implement the business development strategies and risk appetite requirements of the Company and improve the credit risk management level, the Company, focusing on enhancing the credit risk management and control of the Group, further optimized the internal rating system, strengthened the examine of internal rating, improved the business process of internal rating, and strengthened the client and project access standards, properly managed the customer credit risk exposure; strengthened the value management of collateral, giving full play to its role of risk mitigation; optimized the customer concentration risk management mechanism, and improved the forward-looking of management and the ability of warning and prevention, with an aim to control and resolve credit risk.

3.4.7 Management of Market Risk

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

With respect to interest rate risk, the Company, following the general principle of maturities matching assets and liabilities, has maintained the interest rate risk at an acceptable level by reasonably controlling asset maturities, flexibly adjusting debt duration and financing rhythm, innovating financing means, and controlling the debt cost.

With respect to foreign exchange risk, the Company has effectively controlled its exposure of foreign exchange risk mainly by matching currencies used in assets and liabilities based on the general principle of risk neutrality. As for the USD bonds and preference shares issued by the Company, investment assets are mainly denominated in USD or the HKD linked to USD.

In 2021, under the influence of multiple domestic and foreign factors, the A-share market maintained a narrow range of shocks, with different situations for different sectors. The Company will continue to closely monitor the effects placed by factors such as trends of macroeconomy, regulatory policy guidance, domestic and overseas market situation, industry development trend and cycle characteristics, and liquidity changes on the value of equity and enterprises, and raise its efforts in research and pre-judgment so as to reasonably formulate and adjust the management strategies of its listed equity assets and endeavor to enhance management effectiveness.

3.4.8 Management of Liquidity Risk

Liquidity risk refers to the risk that, while the Company remains solvent, it fails to obtain sufficient funds or obtain sufficient funds at reasonable cost to repay debts when they fall due, perform other payment obligation to meet the financial needs of normal business development.

The Company, focusing on liquidity security, has resolutely implemented the regulatory authorities' requirements on liquidity risk management, and constantly improved the liquidity risk management policies, procedures and institutional systems, in order to manage the liquidity of the Group in a holistic manner, constantly strengthen the construction of financing and effectively ensure the liquidity safety of the Group.

In 2021, facing the complex and changeable external environment, the Company practically deployed an early liquidity management in a forward-looking and initiative manner, and effectively dealt with the impact of external uncertainties. In addition, we proactively adjusted and optimized the debt structure, developed diversified financing channels, and vigorously promoted standardized direct financing, in order to constantly enhance the stability of the financing system. Relying on the liquidity risk management information system, and on the basis of regularly monitoring the liquidity status of all institutions in the Group, the Company carried out liquidity safety supervision of all institutions in the Group in a forward-looking manner to effectively prevent potential liquidity risks. The Company conducted regular targeted liquidity risk stress tests to fully assess the impact of various stress scenarios on the Group's liquidity and ensure the liquidity security.

3.4.9 Management of Operational Risk

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

In 2021, based on the construction requirements of “Digital Cinda”, the Company promoted the system embedding of business process control measures, continuously strengthened the operational risk management, and constantly improved the internal management level. The Company gradually promoted the effective application of use of operational risk management tools, improved the key risk indicator system based on the actual situation of the Company and carried out constant monitoring; revised the outsourcing risk management system, built a management loop integrating pre-evaluation, in-process monitoring and post-evaluation; further standardized the incompatible post management by formulating the Incompatible Post Separation Management Requirements, and strengthened the internal balance mechanism.

3.4.10 Management of Reputation Risk

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

In 2021, the Company strengthened the reputation risk management and improved the professionalism, timeliness and effectiveness of reputation risk management. The Company revised and improved the reputation risk management system, strengthened the management requirements for full-process prevention and control and normalized construction; improved the monitoring mechanism at the headquarters and branch and subsidiary levels, making the operational monitoring more comprehensive and targeted; conducted reputation risk investigation to strengthen source prevention and control of reputation risk; organized system-wide reputation risk system training and emergency drills to improve the employees’ ability to deal with reputation incidents; established a reputation risk management and assessment mechanism covering branches and subsidiaries to strengthen the Group’s reputation risk control; and provided timely communication and response to media concerns to achieve good public opinion control, the good image and brand reputation of the Company have been effectively maintained.

3.4.11 Anti-Money Laundering

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

In 2021, the Company continued to identify and effectively prevent money laundering risks, and earnestly fulfilled the legal obligations and social responsibilities of anti-money laundering. The Company earnestly implemented the regulatory requirements and further improved the anti-money laundering mechanisms and systems; rationally allocated resources and adopted effective control measures based on the evaluation of the organizational money laundering risk; carried out anti-money laundering on-site supervision and inspection and anti-money laundering quality and efficiency evaluation to consolidate the foundation of money laundering risk management and promote the effective implementation of the new system; promoted the transformation of anti-money laundering information system, and provided technical support for practitioners to fulfill their anti-money laundering obligations; organized and carried out targeted anti-money laundering trainings covering Senior Management, new employees, anti-money laundering personnel and internal auditors to enhance the awareness of money laundering risk prevention and strengthen the performance ability of practitioners; maintained anti-money laundering propaganda, and enriched the form of publicity to achieve good publicity result.

For more details on the risk management of the Company, please see “Risk Management” in the section headed “Corporate Governance Report” and Note VI.70 “Financial risk management” to the Consolidated Financial Statements.

3.5 Capital Management

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

In accordance with the Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation) (Yin Jian Fa [2017] No. 56) and the overall development strategy of the Group, the Company, adhering to the principle of making forward-looking planning while focusing on asset allocation, continued to promote the capital restraint oriented business development mechanism, actively explored the capital-saving business model, improved the efficiency of capital utilization, monitored the real-time capital changes of every business sector and every product line, and the stable capital situation was maintained, so as to support the high quality business development.

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

	As at December 31,	
	2021	2020
	<i>(in millions of RMB)</i>	
Core tier-1 capital adequacy ratio (%)	11.22	10.66
Tier-1 capital adequacy ratio (%)	14.08	13.70
Capital adequacy ratio (%)	16.18	17.47
Net core tier-1 capital	81,449.2	74,490.4
Net tier-1 capital	102,244.8	95,771.6
Net capital	117,480.9	122,125.3
Risk-weighted assets	<u>726,249.7</u>	<u>699,077.1</u>

As at December 31, 2020 and December 31, 2021, the leverage ratio (the ratio of interest-bearing liabilities to equity) of the Company were both 6.4:1.

3.6 Prospects

In 2022, the increase of uncertainties in geopolitical situation, the impact of the Pandemic and the tightening of monetary policy will affect the recovery of the world economy, and the external environment will become more complex and challenging. China's economic will face the triple pressures of shrinking demand, supply shock and weakening expectations. The economic work will adhere to the general principle of seeking progress while ensuring stability, will implement the new development philosophy in a complete, accurate and comprehensive manner, accelerate the building of a new development landscape, comprehensively deepen reform and opening up, pursue innovation-driven development, and promote high-quality development. Centering on structural reform of supply side, the Chinese government will coordinate Pandemic prevention and control with economic and social development, coordinate development with security, focusing on the key tasks of “the stabilization of six fronts and the guarantee of six priorities”, and strive to stabilize the overall macroeconomic situation, so as to keep the economy operating within a reasonable range, and maintain a stable and healthy economic environment.

In the process of achieving high-quality development in the new stage, it is still a key task to prevent and defuse the significant financial risks. It is expected that non-performing loans of commercial banks will remain at a high level, the disposal of distressed assets of trust and other non-banking financial institutions will be accelerated, and the existing high-risk institutions will continue to reduce their risks. The scale of defaults in the bond market will continue to expand, and risk clearing in the real estate market and local government debt platforms will be accelerated. The differentiation of real economy operation, deepening of structural adjustment and implementation of economic transformation will result in a large number of distressed institutions and distressed assets. The AMCs are faced with both opportunities and challenges. They should accelerate business transformation and upgrading to better meet the new requirements in the new stage.

The Company will, based on the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the spirit of the 19th National Congress of the Party, the 19th plenary session and the Central Economic Work Conference, as well as the decisions and arrangements of the CPC Central Committee and the State Council on financial work and the regulatory requirements of the CBIRC of “relatively concentrated, highlighting the main business”, focusing on the three key tasks of serving the real economy, preventing and controlling financial risks, and deepening financial reform, taking the opportunity of in-depth and practical works on the “second-half articles” of the inspection, constantly strengthen the core function of distressed assets disposal, accelerate business transformation and upgrading, and solidly promoted the company’s high-quality development to a new start. First, to consolidate the leading position of the main business, and accelerate the transformation and upgrading of business model. The Company will step up the acquisition of distressed assets, expand acquisition channels, enrich disposal means, pay attention to the risk disposal needs of large enterprise groups, and vigorously develop business opportunities for risk resolution of small and medium-sized banks and the trusteeship and assistance of high-risk institutions; accelerate the improvement of the professional capacity of investment banks and build advantages in specialized financial services; and actively expand business opportunities in the fields of “non-main business, non-dominant business and inefficient assets, ineffective assets” of state-owned enterprises, capital market bailout, development of emerging industries, and green economic transformation. Second, to improve the business model and build a distressed asset ecosystem. The Company will continue to optimize the asset structure and improve the business quality; explore and promote asset-light operations, expand marketizational long-term funding channels, and speed up the transformation into a third-party asset management company; vigorously develop key customers and markets, practice the customer-centric concept, strengthen the awareness of financial services, integrate internal and external resources of the Company, in order to create a good ecosystem of openness and win-win. Third, to conduct business prudently and compliantly, and deepen market-oriented reform. The Company will continue to promote in-depth integration of Party building and business operation, and constantly improve corporate governance; strengthen internal control and strictly observe the red line of regulation; implement overall risk management, and improve the forward-looking and proactive risk management; innovate and develop a diversified financing system to ensure sufficient capital and liquidity security; steadily promote market-based reform, improve incentive and restraint mechanisms based on performance appraisal and evaluation to stimulate vitality and dynamism; adhering to the centralized and unified leadership of the CPC Central Committee to form a strict atmosphere of full and strict Party self-governance; further strengthen team building and build an advanced enterprise culture; accelerate the construction of “Digital Cinda” to improve the digital operation capacity.

4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

4.1 Ordinary Share Capital

As at December 31, 2021, there was no change in the ordinary share capital of the Company compared to December 31, 2020, details of which were as follows:

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

4.2 Substantial Shareholders of Ordinary Shares and De Facto Controller

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

To the knowledge of the Directors, as at December 31, 2021, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the Hong Kong SFO:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of shares	Nature of interest	Approximate percentage to the total issued share capital of ordinary shares (%)	Approximate percentage to the relevant class of shares (%)
MOF	Beneficial owner	22,137,239,084	Domestic Shares	Long position	58.00	90.00
NCSSF	Beneficial owner	2,459,693,232	Domestic Shares	Long position	6.44	10.00
	Beneficial owner	2,901,006,093	H Shares	Long position	7.60	21.38
China COSCO Shipping Corporation Limited ⁽¹⁾	Interest of controlled corporation	1,907,845,112	H Shares	Long position	5.00	14.06
DBS Group Holdings Ltd ⁽²⁾	Interest of controlled corporation	767,673,611	H Shares	Long position	2.01	5.66
	Interest of controlled corporation	741,775,774	H Shares	Short position	1.94	5.47

Note:

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

4.2.2 De Facto Controller

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

MOF

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

4.3 Preference Shares

4.3.1 Issuance and Listing of Preference Shares

Pursuant to the approval by the CBIRC, the approval by the China Securities Regulatory Commission and the filing and registration with the National Development and Reform Commission, the Company issued U.S.\$1.7 billion 4.40% non-cumulative perpetual 2021 Offshore Preference Shares on November 3, 2021 by means of non-public issuance. The listing of 2021 Offshore Preference Shares on the Hong Kong Stock Exchange became effective on November 4, 2021. The 2021 Offshore Preference Shares have a par value of RMB100 each, were issued as fully paid up capital, and the issuance price of 2021 Offshore Preference Shares was U.S.\$20 each with a total number of 85,000,000 shares. Based on the CNY central parity rate published by the China Foreign Exchange Trade System on November 3, 2021, the gross proceeds from the offering of 2021 Offshore Preference Shares were approximately RMB10.89 billion. Subject to the approvals by the relevant regulatory authorities, the capital raised from 2021 Offshore Preference Shares issuance was used to replenish the Company's additional tier 1 capital. Please refer to the relevant announcements and notices dated June 23, 2021, October 28, 2021, November 3, 2021 and November 4, 2021 for the details of 2021 Offshore Preference Shares issuance.

The proposal on extension of the validity period for the authorisation to deal with matters relating to the issuance of offshore preference shares was considered and approved at the 2022 first extraordinary general meeting, 2022 first class meeting for Domestic Shareholders and 2022 first class meeting for H Shareholders, respectively. According to the resolution of the general meetings, besides the issued 85,000,000 shares of 2021 Offshore Preference Shares, the Company may additionally issue up to 95,000,000 shares of offshore preference shares in accordance with the issuance plan of offshore preference shares, and the aggregate fund raised together with 2021 Offshore Preference Shares shall not exceed the equivalent of RMB18.0 billion (inclusive). As of the date of this Report, the Company has not issued other offshore preference shares.

Besides the above, the Company did not carry out any issuance and listing of other preference shares during the Reporting Period.

4.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at December 31, 2021, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

Name of shareholder	Nature of shareholder	Type of shares	Increase/ decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)
China Construction Bank (Asia) Corporation Limited	Foreign legal person	2021 Offshore Preference Shares	85,000,000	85,000,000	100.00
The Bank of New York Depository (Nominees) Limited	Foreign legal person	2016 Offshore Preference Shares	(160,000,000)	–	–

Note:

Particulars of shareholding of preference shareholders were based on the information set out in the register of preference shareholders maintained by the Company. Based on information available to the Company, the register of preference shareholders presented the information on proxy of placees.

4.3.3 Dividend Distribution of Preference Shares

4.3.3.1 2016 Offshore Preference Shares

Subject to the terms and conditions of the issuance of 2016 Offshore Preference Shares, each 2016 Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends which have not been otherwise cancelled payable annually in arrear. The 2016 Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.45% per annum, and thereafter at the relevant reset dividend rate.

Pursuant to the resolution on the dividend distribution plan of 2016 Offshore Preference Shares considered and approved at the third meeting of the Board for 2021 convened on April 26, 2021, the Company distributed dividends of 2016 Offshore Preference Shares on September 30, 2021, at the rate of 4.45% per annum (after tax). The total amount of dividend was USD142.4 million (after tax). For details of the dividend distribution of 2016 Offshore Preference Shares, please refer to the announcements of the Company dated April 26, 2021, August 11, 2021 and October 4, 2021.

4.3.3.2 2021 Offshore Preference Shares

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

During the Reporting Period, there were no dividends declared or paid by the Company for 2021 Offshore Preference Shares.

4.3.4 Redemption or Conversion of Preference Shares

4.3.4.1 2016 Offshore Preference Shares

According to the terms and conditions of the issuance of 2016 Offshore Preference Shares as well as the reply letter from the CBIRC with no objections to the redemption of 2016 Offshore Preference Shares, the Company had redeemed all of 2016 Offshore Preference Shares on September 30, 2021. The total redemption price was USD3,342.4 million, including the liquidation preference of USD3,200 million for 2016 Offshore Preference Shares and the dividends of USD142.4 million, for the details of which, please refer to the relevant announcements of the Company dated June 29, 2021, August 11, 2021 and October 4, 2021.

4.3.4.2 2021 Offshore Preference Shares

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

During the Reporting Period, the Company did not redeem or convert any 2021 Offshore Preference Shares.

4.3.5 Restoration of Voting Rights of Preference Shares

During the Reporting Period, the Company did not restore any voting right of the offshore preference shares.

4.3.6 Accounting Policy Adopted for Preference Shares and Grounds

According to the relevant requirements of the PRC GAAP and IFRS and the terms of the issuance of 2016 and 2021 Offshore Preference Shares, the Company classifies 2016 and 2021 Offshore Preference Shares as equity instruments. Fee, commission and other transaction costs arising from the issuance of 2016 and 2021 Offshore Preference Shares are deducted from equity. The dividends on 2016 and 2021 Offshore Preference Shares are recognized as profit distribution at the time of declaration.

5 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

5.1 Directors

No.	Name	Gender	Year of birth	Position	Term of office
Current Directors					
1	Zhang Zi'ai	Male	1961	Chairman, Executive Director	From June 2019 to June 2022
2	Zhang Weidong	Male	1967	Executive Director, President	From January 2020 to June 2022
3	He Jieping	Male	1963	Non-executive Director	From June 2019 to June 2022
4	Wang Shaoshuang	Male	1964	Non-executive Director	From November 2020 to June 2022
5	Chen Xiaowu	Male	1965	Non-executive Director	From December 2021 to December 2024
6	Zhang Yuxiang	Female	1963	Non-executive Director	From August 2020 to June 2022
7	Zhang Guoqing	Male	1966	Non-executive Director	From June 2019 to June 2022
8	Liu Chong	Male	1970	Non-executive Director	From June 2019 to June 2022
9	Zhu Wuxiang	Male	1965	Independent Non-executive Director	From June 2019 to June 2022
10	Sun Baowen	Male	1964	Independent Non-executive Director	From June 2019 to June 2022
11	Lu Zhengfei	Male	1963	Independent Non-executive Director	From September 2019 to June 2022
12	Lam Chi Kuen	Male	1953	Independent Non-executive Director	From November 2019 to June 2022
Resigned Directors					
1	Xu Long	Male	1966	Non-executive Director	From June 2019 to December 2021

Zhang Zi'ai, Chairman and Executive Director

Mr. Zhang has been the executive Director and Chairman of the Company since August 2018¹. Mr. Zhang successively held various positions in Bank of China from January 1980 to May 2000, including the deputy head and head of the foreign trading credit section of the Guangzhou branch, deputy head of the Renminbi credit division of the Guangdong branch, senior manager of the operation department of the Hong Kong and Macau office, deputy general manager of the Zhongshan branch, head of the credit division, director of the office, and deputy general manager of the Guangdong branch. From June 2000 to October 2016, Mr. Zhang successively served as secretary to the Party committee and general manager of the Guangzhou office of China Orient Asset Management Corporation, member of the Party committee, vice president, deputy secretary to the Party committee and the president of China Orient Asset Management Corporation. From May 2008 to May 2010, he also served as secretary to the Party committee and chairman of Dongxing Securities Co., Ltd. Mr. Zhang served as the deputy secretary to the Party committee, the vice chairman, executive director and president of China Orient Asset Management Co., Ltd. from October 2016 to May 2018. Mr. Zhang served as secretary of the Party Committee of the Company from May 2018 to March 2022. Mr. Zhang graduated from South China Normal University in 1985 with an undergraduate degree and Asia International Open University (Macao) in 2002 with a master's degree in Business Administration. He holds the professional title of Senior Economist.

Zhang Weidong, Executive Director and President

Mr. Zhang has been the executive Director and President of the Company since January 2020². He worked in China Construction Bank from July 1992 to April 1999 and previously served as the cadre and deputy director of the real estate credit department. He joined the Company in April 1999 and successively held various positions since September 2002 as the deputy director of the asset appraisal department, the general manager of the asset appraisal department, the general manager of the market development department, the head of the reorganization leading panel office, the head of the strategic investors introduction and listing panel office, the head of the listing preparation leading panel office, the general manager of the investment and financing management department, the Board Secretary (concurrently serving as the general manager of strategic development department, the director of the financial risk research center and the director of the postdoctoral management office) and the Assistant to the President of the Company. From November 2015 to October 2019, he successively held various positions in China Trust Protection Fund Co., Ltd., including the executive director, vice president and president. Mr. Zhang served as the deputy secretary of the Party Committee of the Company from October 2019 to March 2022 and has been serving as the secretary of the Party Committee of the Company since March 2022, and serving as the non-executive director and chairman of NCB Hong Kong since November 2020. Mr. Zhang graduated from Tongji University in 1989 with a bachelor's degree in Engineering and graduated from Renmin University of China in 1992 with a master's degree in Economics. He holds the professional title of Senior Economist.

He Jieping, Non-executive Director

Mr. He has been a non-executive Director of the Company since July 2018. He served successively as the editorial cadre, assistant editor, deputy director and director of the finance editorial department of China State Finance Magazine from August 1985 to May 2001. From February 1995 to February 1996, he practiced as the deputy county chief of Kazuo County, Chaoyang City, Liaoning Province. He held various positions successively with China State Finance Magazine from May 2001 to July 2018, including deputy chief editor (deputy-department level), chief editor (department level) and deputy secretary of the Party committee. Mr. He graduated from the department of finance of Hubei College of Finance and Economics (currently known as Zhongnan University of Economics and Law) in 1985 with a bachelor's degree in Economics. He holds the professional title of Deputy Editor.

¹ Mr. Zhang Zi'ai intends to resign as the Chairman of the Company for reason of his age.

² Mr. Zhang Weidong has been nominated by the Board as the Chairman of the Company. As of the Latest Practicable Date, Mr. Zhang Weidong's qualifications as the Chairman are still subject to the approval of the CBIRC, and his appointment will take effect on the date of approval.

Wang Shaoshuang, Non-executive Director

Mr. Wang has been a non-executive Director of the Company since November 2020. From August 1989 to June 2010, he successively served as a cadre of human resources department of MOF, a staff of technology department of Chinese Abacus Arithmetic Association, as well as several positions of MOF, such as the staff and senior staff of research division and the principal staff of government procurement division of budget department, the principal staff, research assistant and deputy director of government procurement division and the deputy director and researcher of government procurement management division of treasury department, and the researcher and director of government procurement management division II of treasury department (treasury payment center). From June 2010 to September 2015, he consecutively served as the chief accountant (deputy-department level) and deputy director of the treasury payment center under MOF. He has been serving as the deputy director and first-class inspector of treasury department of MOF since September 2015. Mr. Wang graduated from Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree in Economics in 1989.

Chen Xiaowu, Non-executive Director

Mr. Chen has been a non-executive Director of the Company since December 2021. From August 1987 to September 2002, he consecutively served as the cadre and senior staff of the department of education under MOF, the principal staff, the department secretary (deputy director level) and department secretary (director level) of general affairs division in the department of personnel and education under MOF. From October 1997 to October 1998, he practiced as the assistant to the mayor of Sanhe City of Hebei Province. From September 2002 to July 2016, he successively acted as the financial manager (director level) and general manager (deputy-department level) of Bauhinia Magazine in Hong Kong. From July 2016 to January 2021, he successively served as the deputy director (deputy-department level) of the tariff policy research center and fiscal notes supervision center under MOF. From January 2021 to December 2021, he has been serving as the deputy director and first-class inspector of fiscal notes supervision center under MOF. Mr. Chen graduated from the accounting major under Financial Accounting Department of Jiangxi College of Finance and Economics (currently known as Jiangxi University of Finance and Economics) in 1987 with a bachelor's degree in Economics, and graduated from the University of South Australia in 2005 with a master's degree in Business Administration. He holds the professional title of Accountant.

Zhang Yuxiang, Non-executive Director

Ms. Zhang has been a non-executive Director of the Company since August 2020. From August 1984 to October 1997, she successively served as a cadre and staff under offshore oil tax administration of Administration of Taxation of MOF, as well as the senior staff and principal staff of the offshore oil tax administration of the State Taxation Administration. From October 1997 to November 2015, she had successively held various positions with the State Taxation Administration, including the assistant investigator of the foreign tax administration department, the assistant investigator of the anti-tax-avoidance division of the international taxation department, and several positions of financial department, such as the assistant investigator of the equipment division, the deputy director and the director of the general affairs division, the director of the capital construction management division, and the director of the asset management division. From November 2015 to August 2020, she has been serving as the deputy director (deputy-department level) of the bureaucratic service center under the State Taxation Administration. Ms. Zhang graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance & Economics) with a bachelor's degree in Economics in 1984. She holds the professional title of Economist.

Zhang Guoqing, Non-executive Director

Mr. Zhang has been a non-executive Director of the Company since April 2017. Mr. Zhang had served as the teaching assistant, lecturer and associate professor of the social science department of Jiangxi University of Traditional Chinese Medicine from July 1990 to September 2000, and as the cadre of the regulation and supervision department, the assistant consultant of the division of regulation and the director of the domestic compliance division of the NCSSF from November 2003 to April 2017. Since April 2017, he has been acting as the deputy director under the department of regulation and supervision of the NCSSF. He graduated from the Jiangxi University (currently known as Nanchang University) and the Zhengzhou University with a bachelor's degree and a master's degree in History in 1987 and 1990, respectively. In 2003, he graduated from the China University of Political Science and Law with a doctorate in Law.

Liu Chong, Non-executive Director

Mr. Liu has been a non-executive Director of the Company since August 2017. Mr. Liu has worked in various companies including Guangzhou Maritime Transport (Group) Co., Ltd., Bao'an Branch of China Merchants Bank, Guangzhou Maritime Transport Group Real Estate Company, China Shipping (Group) Company, China Shipping Investment Co., Ltd., China Shipping Logistics Co., Ltd., China Shipping (Hainan) Haisheng Shipping Co., Ltd. and China Shipping Finance Co., Ltd. Mr. Liu currently serves as a member of the Party committee, general manager and executive director of the COSCO Shipping Development Co., Ltd., and non-executive director of China Everbright Bank Co., Ltd. Mr. Liu was a deputy chairman of the China International Marine Containers (Group) Co., Ltd. Mr. Liu graduated from the Sun Yat-Sen University in 1990 with a bachelor's degree in Economics. He holds the professional title of Senior Accountant.

Zhu Wuxiang, Independent Non-executive Director

Mr. Zhu has been an independent non-executive Director of the Company since October 2016. He is a Professor of the department of finance of Tsinghua University School of Economics and Management, a PhD tutor and the director of business model innovation research center of School of Economics and Management of Tsinghua University. Mr. Zhu has successively served as a teaching assistant, lecturer, associate professor and professor of Tsinghua University School of Economics and Management since January 1990. He has also been a standing director of China Society for Finance and Banking and a committee member of the second session of expert advisory committee for merger, acquisition and restructuring under the China Securities Regulatory Commission. Mr. Zhu currently serves as an independent director of Pylon Technologies, Co. Ltd., an independent non-executive director of Beijing Properties (Holdings) Limited, an independent non-executive director of Colour Life Services Group Co., Limited, a director of Guangzhou Broad Think Tank Consulting Co., Ltd, a director of Shandong Sinda Health Industry Co., Ltd., a supervisor of the Unisplendour Co., Ltd., and an external supervisor of the Everbright Securities Company Limited. Mr. Zhu was an independent director of the China Fortune Land Development Co., Ltd. and an independent director of Visual China Group Co., Ltd. Mr. Zhu graduated from the Tsinghua University in 1987, 1989 and 2002 with a bachelor's degree in Engineering, a master's degree in Engineering and a doctorate in Economics, respectively.

Sun Baowen, Independent Non-executive Director

Mr. Sun has been an independent non-executive Director of the Company since October 2016. He is a professor and PhD tutor of the Central University of Finance and Economics. He is also entitled to the special government allowances of the State Council. Mr. Sun was a lecturer of the Central University of Finance and Economics from January 1989 to October 1997 and an associate professor of Central University of Finance and Economics from October 1997 to October 2003, and as a professor and PhD tutor of the Central University of Finance and Economics since October 2003. Mr. Sun is currently a professor of china internet economy research center of Central University of Finance and Economics, chief expert of capital research base for internet and economic development in Key Research Base for Philosophy and Social Science in Beijing, deputy director of steering committee of professional e-commerce education under the Ministry of Education, member of National Expert Committee for Accessible Construction and executive director of the China Disability Research Society. He is currently serving as an independent director of AVIC Fund Management Co., Ltd., independent director of Bank of Jining Co., Ltd., independent director of Shenyang Rural Commercial Bank Co., Ltd., independent director of Yonghui Superstores Co., Ltd., and independent director of North Navigation Control Technology Co., Ltd. Mr. Sun was an independent director of the Dareway Software Co., Ltd. Mr. Sun received a bachelor's degree and a master's degree in Engineering from the Northeastern University in 1986 and 1989, respectively, and a doctorate in Economics from the Central University of Finance and Economics in 2004.

Lu Zhengfei, Independent Non-executive Director

Mr. Lu has been an independent non-executive Director of the Company since September 2019. He is currently a professor of accounting and PhD tutor of Guanghua School of Management of Peking University, the director of the research center for financial analysis and financial investment of Peking University, and concurrently an executive director of Chinese Accounting Association and the deputy director of the professional committee for financial management, a member of the Editorial Committees of Accounting Research and Auditing Research. He was elected into the "Accountant Specialist Training Project" (first batch) of MOF in 2013, and as a Cheung Kong Scholars Chair Professor of the Ministry of Education in 2014. From 1994 to 1999, Mr. Lu served as the head of the accounting department of the Business School of Nanjing University. From 2001 to 2015, he successively served as the head of the accounting department and vice president of Guanghua School of Management of Peking University. Mr. Lu is currently an independent non-executive director of Sino Biopharmaceutical Limited, independent director of Xinjiang Tianshan Cement Co., Ltd., and independent supervisor of PICC Property and Casualty Company Limited. Mr. Lu previously served as the independent non-executive director of Bank of China Limited and China Nuclear Engineering Corporation Limited. Mr. Lu graduated from the accounting department of Renmin University of China in 1988 with a master's degree in Economics and graduated from the Business School of Nanjing University in 1996 with a doctorate in Economics.

Lam Chi Kuen, Independent Non-executive Director

Mr. Lam has been an independent non-executive Director of the Company since November 2019. He is now an independent non-executive director of Luks Group (Vietnam Holdings) Co., Ltd and independent director of China Life Insurance Company Limited. Mr. Lam once served as a senior consultant and partner of Ernst & Young, an independent non-executive director of China Pacific Insurance (Group) Co., Ltd., and an independent non-executive director of Leo Paper Group (Hong Kong) Limited. Mr. Lam received a higher diploma in Accounting from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in 1977. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

5.2 Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
Current Supervisors					
1	Gong Jiande	Male	1963	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	From June 2019 to June 2022
2	Zhang Zheng	Male	1972	External Supervisor	From June 2019 to June 2022
3	Zhen Qinggui	Male	1965	External Supervisor	From August 2021 to August 2024
4	Cai Xiaoqiang	Male	1961	External Supervisor	From August 2021 to August 2024
5	Gong Hongbing	Female	1966	Employee Supervisor	From August 2019 to August 2022
6	Lu Baoxing	Male	1966	Employee Supervisor	From August 2019 to August 2022
7	Yuan Liangming	Male	1965	Employee Supervisor	From August 2019 to August 2022

Resigned Supervisors

1	Liu Yanfen	Female	1953	External Supervisor	From June 2019 to August 2021
2	Li Chun	Male	1957	External Supervisor	From June 2019 to August 2021

Gong Jiande, Chairman of the Board of Supervisors and Shareholder Representative Supervisor

Mr. Gong has been the shareholder representative Supervisor and the Chairman of the Board of Supervisors of the Company since February 2015. Mr. Gong served as the secretary to general office, deputy secretary and secretary of department level to the State Ethnic Affairs Commission of the PRC from August 1995 to October 2000. He also served as the department cadre, research consultant, deputy director and director of the organization department of the CPC Financial Work Committee from October 2000 to July 2003. He was the secretary to the discipline supervisory committee of the headquarters (deputy director level), the chairman of the labor union of the headquarters (in the grade of deputy director), the member of discipline supervisory committee (during which he worked for the CPC Financial Inspection Group), general deputy secretary to the Party committee of the headquarters (director level) for the CBRC, member of the informatization panel and head of the government procurement office of the CBRC, vice chairman of the Research Institute of Party Construction of the Central Government Authorities and deputy director of the Chamber of Financial Street from July 2003 to September 2014. He has served as the deputy secretary of the Party Committee of the Company since September 2014. Mr. Gong graduated from the Party School of the Central Committee of CPC, majoring in Economic Management in 1996, and graduated from the postgraduate program of the Party School of the Central Committee of CPC in 2007.

Zhang Zheng, External Supervisor

Mr. Zhang has been an external Supervisor of the Company since June 2016. He is a professor and PhD tutor, vice-president of finance of the Guanghua School of Management of Peking University. Mr. Zhang currently serves as an independent director of Harbin Bank Co., Ltd. and CCB Trust Co., Ltd. He received the 2014 “Sun Yefang Financial Innovation Award” – Paper Award (with the co-author), the 2014 Taishin Holdings Excellent Paper Award, the Peking University Excellent Teaching Award (2013-2014 academic year), the Chinese Finance Annual Meeting Distinguished Service Award (2013), the Fourth Li Yining Teaching Excellence Award (2010), the Tenth Beijing Philosophy and the Social Science Excellent Achievements Award and Doctor’s Dissertation Award of Peking University. Mr. Zhang graduated from the department of mathematics of Nankai University with a bachelor’s degree in Science in 1995 and a master’s degree in Science in 1998, and graduated from Peking University with a doctorate in Economics in 2005.

Zhen Qinggui, External Supervisor

Mr. Zhen has been an external Supervisor of the Company since August 2021. Mr. Zhen currently serves as the vice chairman of Beijing Zhonglun W&D Law Firm, director of major and material case research center and deputy director of risk control committee thereof, an external director of China Aero Engine Beijing Co., Ltd., the director of China Duty Free (Cambodia) Co., Ltd. and a member of the intellectual property committee of All China Lawyers Association. He once served as an advisory expert of the Supreme Court Intellectual Property Case Guidance Research Center (Beijing) and the deputy director of trademark law professional committee of Beijing Lawyers Association of the tenth session. From 1987 to 1995, he served as the legal advisor of Shougang Corporation’s legal affairs division. He graduated from Peking University with a bachelor’s degree in Philosophy and a bachelor’s degree in Law in 1987, graduated from the University of International Business and Economics with a master’s degree in International Law in 2003, and graduated from Chicago-Kent College of Law, the Illinois Institute of Technology with a master’s degree in Intellectual Property Law in 2008.

Cai Xiaoqiang, External Supervisor

Mr. Cai has been an external Supervisor of the Company since August 2021. Mr. Cai currently serves as the presidential chair professor and associate vice president of The Chinese University of Hong Kong, Shenzhen, the vice president of Shenzhen Research Institute of Big Data and the director of Smart City, Transportation and Logistics Big Data Laboratory thereof, and the director of Shenzhen Key Laboratory of IoT Intelligent System and Wireless Network Technology. Mr. Cai is the academicien of the International Academy for Systems and Cybernetic Sciences, a special expert of the National Major Talent Program, a recipient of the Outstanding Young Scientist Award (Overseas Category), a leading talent of the Guangdong Pearl River Scholar, the class A talent of the Peacock Plan of Shenzhen, and a fellow of the Hong Kong Institute of Engineers. He received the Distinguished Professor Award from the International Society of Industrial Engineering and Operations Management in 2021. He graduated from Harbin Ship Engineering Institute with a bachelor’s degree in Automatic Control in 1982, graduated from Tsinghua University with a master’s degree in Control Theory in 1985, graduated from Tsinghua University with a doctorate in System Engineering in 1988, and conducted postdoctoral researches at the University of Cambridge and the Queen’s University of Belfast, UK from 1989 to 1991.

Gong Hongbing, Employee Supervisor

Ms. Gong has been an employee Supervisor of the Company since July 2014. From August 1988 to August 1999, Ms. Gong consecutively served at the personnel department of Yantai branch and the personnel division of Shandong branch of China Construction Bank. Ms. Gong joined the Company in August 1999 and served as the assistant to general manager of the general affairs office and assistant to the director of the board of directors' office of the Company, deputy general manager (in charge of work) and general manager of the general affairs office (mass work department). Since October 2015, she has served as the deputy director of the labor union. Since November 2019, she has served as the director-general of the organization department of the Party Committee of the Company and the general manager of human resources of the Company. Ms. Gong graduated from the Harbin Senior Finance College (currently known as Harbin Finance University) majoring in Bank Management in 1988 and graduated from the Shandong Branch of the Party School of the Central Committee of CPC majoring in Economics and Management in 2002. She obtained a master's degree in Business Administration from the Beijing Jiaotong University in 2008. She holds the professional title of Senior Political Engineer.

Lu Baoxing, Employee Supervisor

Mr. Lu Baoxing has been an employee Supervisor of the Company since August 2019. From July 1985 to October 2003, Mr. Lu consecutively served as a teacher of the Shandong Banking School, the office clerk, officer, associate chief officer, chief officer, deputy director of division of Shandong branch (Jinan branch) of PBOC. From October 2003 to November 2011, Mr. Lu consecutively served as the deputy director and director at the CBRC Shandong Bureau. Mr. Lu joined the Company in November 2011 and served as the deputy general manager of Shandong branch, the deputy general manager in charge of Anhui branch, the general manager of Anhui branch, the general manager of Shandong branch, and the director of the board of supervisors' office. Since April 2021, he has been serving as the general manager of asset preservation department. Mr. Lu graduated from Shandong Banking School (currently known as Qilu University of Technology) majoring in City Banking in 1985 and graduated from the Shandong Economics University (currently known as Shandong University of Finance and Economics) majoring in Accounting in 1990. He graduated from the East China Normal University majoring in International Finance in 1996 with a bachelor's degree in Economics and graduated from the School of Management of Guizhou University in 2008 with a master's degree in Business Administration. He holds the professional title of Senior Accountant.

Yuan Liangming, Employee Supervisor

Mr. Yuan has been an employee Supervisor of the Company since August 2019. From July 1988 to May 1999, Mr. Yuan consecutively served as the associate chief officer and chief officer of Hubei branch of China Construction Bank. Mr. Yuan joined the Company in May 1999 and held various positions including the dedicated approver of the business review department and the assistant to the general manager and deputy general manager of the risk management department. Since June 2019, he has been serving as the general manager of the risk management department. Mr. Yuan graduated from the Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) majoring in Investment and Economic Management in 1988 with a bachelor's degree in Economics. He graduated from the Department of Finance of Renmin University of China in 1995 with a master's degree in Economics and graduated from the Wuhan University in 2008 with a doctorate in Economics. Mr. Yuan holds the professional title of Senior Economist.

5.3 Senior Management

No.	Name	Gender	Year of birth	Position	Term of office
Current Senior Management					
1	Zhang Weidong	Male	1967	President	From January 2020
2	Liu Ligeng	Male	1965	Vice President	From June 2015
3	Hu Jiliang	Male	1964	Vice President	From March 2020
4	Zhao Limin	Male	1969	Vice President	From May 2021
5	Li Hongjiang	Male	1969	Vice President	From May 2021
6	Jiu Zhengchao	Male	1969	Assistant to President	From December 2021
7	Wang Zhengmin	Male	1973	Assistant to President	From December 2021
8	Luo Zhenhong	Male	1965	Chief Risk Officer	From October 2013
9	Ai Jiuchao	Male	1967	Board Secretary	From April 2016
10	Yang Yingxun	Male	1973	Chief Financial Officer	From August 2020

Zhang Weidong, President

Please see “Directors”.

Liu Ligeng, Vice President

Mr. Liu has been serving as the Vice President of the Company since June 2015. From July 1988 to September 2003, Mr. Liu had served as an officer and deputy head of the education division, human resources division, and human resources and staff training division of PBOC. He served as a researcher, the head and the deputy director (deputy head) of the human resources department of the CBRC from September 2003 to January 2014. Mr. Liu joined the Company in January 2014 and served as the chairman of the labor union of the Company. He has been serving as a member of the Party Committee of the Company since January 2014. He graduated from Beijing Normal University in 1988 with a bachelor’s degree in Education and obtained a Diploma (equivalent to graduate degree) from Hunan College of Finance and Economics (currently known as Hunan University) in 1998. He holds the professional title of Economist.

Hu Jiliang, Vice President

Mr. Hu has been serving as the Vice President of the Company since March 2020. He was employed by PBOC from December 1981 to February 1985. He held various positions in Industrial and Commercial Bank of China from February 1985 to April 2000, including the director of the planning loan section of Quzhou branch, the general manager of Zhejiang Industrial and Commercial Real Estate Company, the deputy director (in charge) of the asset risk management division of Zhejiang branch. From April 2000 to December 2019, he held various positions in China Huarong Asset Management Co., Ltd., including the senior manager, the assistant to general manager and the deputy general manager of the Hangzhou office, as well as the deputy director of the first reorganization office, the marketing director, the assistant to president and the vice president. During the period from March 2006 to January 2014, he served as the general manager and the chairman of the board of directors of China Huarong Financial Leasing Co., Ltd. He has served as the member of the Party Committee of the Company since December 2019, and a director and the chairman of Cinda Leasing since May 2021. Mr. Hu graduated from Hangzhou Cadre's Institute of Finance and Management majoring in Banking Management in 1997, and graduated from The University of Hong Kong with an MBA degree in August 2003. He holds the professional title of Senior Economist.

Zhao Limin, Vice President

Mr. Zhao has been serving as Vice President of the Company since May 2021¹. He worked in China Construction Bank from July 1993 to September 1999, and joined the Company in September 1999. He had held various positions successively, including the deputy director of the Hohhot office, the general manager of the Jilin branch of the Company and the general manager of Cinda Investment. He has been serving successively as assistant to President and a member of the Party Committee of the Company since August 2019, and serving as the director and chairman of Cinda Real Estate since December 2020. Mr. Zhao obtained a bachelor's degree in Economics from Liaoning University in 1993. He holds the professional title of Senior Economist.

Li Hongjiang, Vice President

Mr. Li has been serving as Vice President of the Company since May 2021. He worked in China Construction Bank from August 1992 to September 1998, and joined the Company in July 2001. He had held various positions successively, including the deputy general manager of the Guangdong branch, the general manager of the Jilin branch, the general manager of the asset operation department of the Company. He has been serving successively as assistant to President and a member of the Party Committee of the Company since August 2019, and serving as the director and chairman of Jingu Trust since January 2021. He obtained a bachelor's degree in Economics, a master's degree in Economics and a doctorate in Economics from Dongbei University of Finance and Economics in 1992, 1999 and 2001 respectively. He holds the professional title of Senior Economist.

¹ Mr. Zhao Limin has been nominated by the Board as an executive Director. As of the Latest Practicable Date, the proposal of his nomination is subject to the deliberation of the general meeting. His appointment will be reviewed and approved by the general meeting and will take effect on the date of approval of his qualifications by the CBIRC.

Jiu Zhengchao, Assistant to President

Mr. Jiu has been serving as assistant to President of the Company since December 2021. He worked in the editorial department of China Railway at the technological information research institute of the Ministry of Railways from July 1991 to August 1998, and joined the Company in May 1999. He had held various positions successively, including the assistant to the general manager of the investment banking department, the assistant to the general manager, the deputy general manager and the general manager of the equity management department (equity operation management), the general manager of the Shanghai Free Trade Zone Branch, and the general manager of the strategic customer department iii of the Company. He obtained a bachelor's degree from Changsha Railway University (currently known as Central South University) and a master's degree in Business Administration from Northern Jiaotong University (currently known as Beijing Jiaotong University) in 1991 and 1999, respectively. He holds the title of Senior Economist.

Wang Zhengmin, Assistant to President

Mr. Wang has been serving as assistant to President of the Company since December 2021. He worked in the Shenzhen Branch of China Construction Bank from July 1995 to September 1999, and joined the Company in September 1999. He had held various positions successively, including the assistant to the general manager and the deputy general manager of Well Kent International Investment Company Limited, the deputy general manager of Cinda Hong Kong , the deputy general manager of the human resources department and the director of the chief executive's office of the Company, and the general manager of the Tianjin Branch. He obtained a bachelor's degree in Economics and a master's degree in Economics from Wuhan University in 1995 and 2000, respectively. He holds the title of Economist.

Luo Zhenhong, Chief Risk Officer

Mr. Luo has been serving as the Chief Risk Officer of the Company since October 2013. From July 1988 to April 1999, Mr. Luo held various positions in China Construction Bank. Mr. Luo joined the Company in April 1999 and served as the deputy general manager and the general manager of legal department, the general manager of the legal and compliance department of the Company. From October 2008 to November 2012, Mr. Luo served as the vice president of the banking law division of China Law Society and has served as the vice president of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in Law in 1988, a master's degree in Law in 2002, and an EMBA degree in 2012.

Ai Jiuchao, Board Secretary

Mr. Ai has been serving as the Board Secretary of the Company since April 2016. He held various positions in China National Coal Allocation Corporation, the Ministry of Coal Industry and the National Coal Industry Bureau from June 1989 to September 2000. Mr. Ai joined the Company in September 2000. He served as the deputy head and deputy head (at the grade of director) of the chief executive office, the general manager of the compliance management department and the head of the board office. In addition, he has also served as the general manager of strategic development department and the director of the financial risk research center. He has been serving as the director and chairman of Cinda Securities since November 2020. Mr. Ai graduated from the China University of Mining and Technology and obtained a bachelor's degree in Engineering in 1989. He had also obtained a bachelor's degree in Economics from Renmin University of China in 1996 and an EMBA degree from China University of Mining and Technology in 2002. He holds the professional title of Senior Economist.

Yang Yingxun, Chief Financial Officer

Mr. Yang has been serving as the Chief Financial Officer since August 2020. He worked in China Construction Bank Trust and Investment Corporation from July 1996 to May 1999. Mr. Yang joined the Company in May 1999. He had held various positions, including the financial director of Cinda Property and Casualty Insurance Co., Ltd., the financial director and vice president of Happy Life, and general manager of planning and finance department. He has been serving as a non-executive director of NCB Hong Kong since September 2020. Mr. Yang obtained a bachelor's degree in Economics from the University of International Business and Economics in 1996 and an MBA degree from Tsinghua University in 2006. Mr. Yang holds the professional title of Economist.

5.4 Change in Directors, Supervisors and Senior Management

5.4.1 Change in Directors

Since December 2, 2021, as elected at the 2021 third extraordinary general meeting and approved by the CBIRC, Mr. Chen Xiaowu has been serving as a non-executive Director.

Since December 3, 2021, Mr. Xu Long had ceased to be a non-executive Director due to career changes.

On March 16, 2022, at the 2022 third meeting of the Board, Mr. Zhang Weidong was nominated as the Chairman of the Company. As of the Latest Practicable Date, Mr. Zhang Weidong's qualification is still subject to the approval of the CBIRC, and his appointment will take effect on the date of approval.

Due to his age, Mr. Zhang Zi'ai intends to resign as Chairman of the Company.

On March 16, 2022, at the 2022 third meeting of the Board, Mr. Zhao Limin was nominated as the Chairman of the Company. As of the Latest Practicable Date, the proposal to nominate Mr. Zhao Limin is subject to the deliberation of the 2022 second extraordinary general meeting to be held on April 7, 2022. His appointment will take effect on the date of approval of his qualifications by the CBIRC after being approved by the general meeting.

Since March 2021, Mr. Liu Chong had ceased to be the deputy chairman of the China International Marine Containers (Group) Co., Ltd.

Since May 2021, Mr. Sun Baowen has been serving as an independent director of Yonghui Superstores Co., Ltd.; and since June 2021, Mr. Sun Baowen has been serving as an independent director of North Navigation Control Technology Co., Ltd.

Since June 2021, Mr. Lam Chi Kuen has been serving as an independent director of China Life Insurance Company Limited.

5.4.2 Change in Supervisors

Since August 27, 2021, Mr. Zhen Qinggui and Mr. Cai Xiaoqiang have been serving as the external Supervisors as elected at the 2021 second extraordinary general meeting of the Company.

Since August 27, 2021, Ms. Liu Yanfen and Mr. Li Chun had ceased to be the external Supervisors upon expiration of their terms of office.

During the Reporting Period, Mr. Lu Baoxing has served as the general manager of asset preservation department of the Company, and had ceased to be the director of the board of supervisors' office of the Company.

5.4.3 Change in Senior Management

Since May 20, 2021, Mr. Zhao Limin and Mr. Li Hongjiang have been serving as the Vice Presidents of the Company as appointed at the 2021 first meeting and the first regular meeting of the Board and approved by the CBIRC.

Since December 17, 2021, Mr. Jiu Zhengchao and Mr. Wang Zhengmin have been serving as the assistants to President of the Company as appointed at the 2021 eighth meeting of the Board and approved by the CBIRC.

5.5 Annual Remuneration

5.5.1 Remuneration of Directors, Supervisors and Senior Management

For details of the remuneration of Directors, Supervisors and Senior Management, please see Note VI.18 “Emoluments of directors and supervisors” and Note VI.19 “Key management personnel and five highest paid individuals” to the Consolidated Financial Statements.

5.5.2 Highest Paid Individuals

For details of the emoluments of the five highest paid individuals of the Company during the Reporting Period, please see Note VI.19 “Key management personnel and five highest paid individuals” to the Consolidated Financial Statements.

6 CORPORATE GOVERNANCE REPORT

6.1 Summary

During the Reporting Period, the Company has been a strong champion of the sound corporate standard. Specifically, the Company, based on its governance practices, has been strengthening and promoting the deep integration between the Party's leadership and corporate governance by optimizing its corporate governance mechanism, improving its governance system, shaping corporate governance culture and enhancing comprehensive risk management and internal compliance system construction. This will lead to regulated and efficient corporate governance, which, in turn, would secure the high-quality development of the Company.

The Company gave top priority to the protection of rights and interests of stakeholders and implemented its social responsibilities. The Company, under the requirements of the regulatory disclosure framework, disclosed its information to the market in good faith to enhance the transparency of the Company's operation and management. In addition, the Company, following the developments of the capital market, strengthened the publicity to shape a sound market environment for its development. The Company, committed to the concept of people-oriented and to serve society, deepened its social responsibilities practices, which, with concrete action, represented a good interpretation of its social responsibilities.

During the Reporting Period, the Company was awarded the "Best Company in Listed Companies" by the China Financial Market, which demonstrated the recognition of the Company's corporate governance in the industry and further boosted its global visibility in the international capital market.

6.1.1 Corporate Governance Code

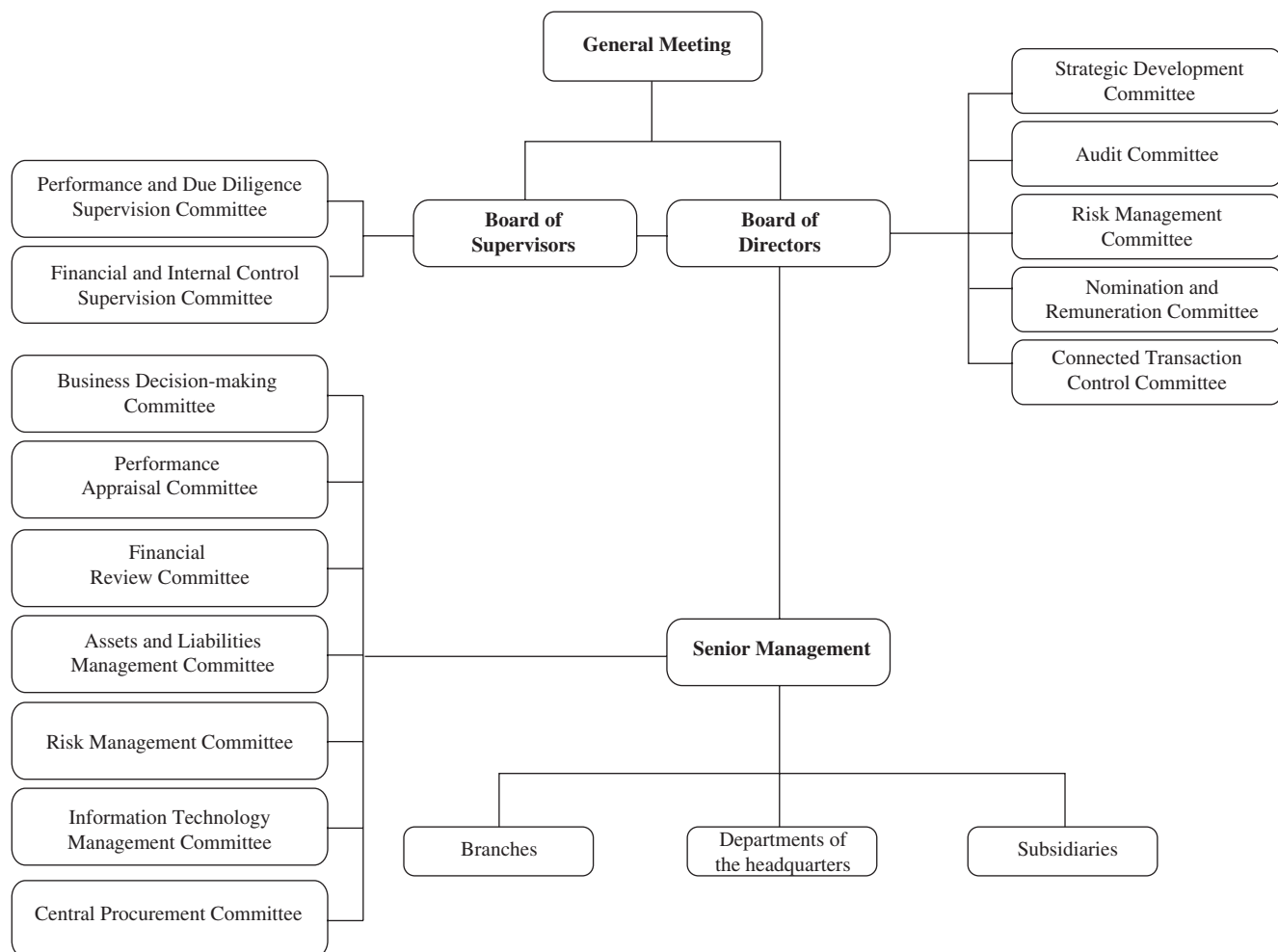
During the Reporting Period, the Company has fully complied with the code provisions and adopted most of the recommended best practices set out in the Corporate Governance Code (the "CG Code") under Appendix 14 to the Hong Kong Listing Rules.

Corporate Governance Functions

During the Reporting Period, the Board and its special committees performed the following corporate governance duties: (1) to review the Company's policies and practices on corporate governance so as to ensure their effectiveness; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the Company's policies and practices regarding legal and regulatory compliance; (4) to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees; and (5) to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

6.1.2 Corporate Governance Structure

During the Reporting Period, the corporate governance structure of the Company was as follows:



6.2 General Meeting

6.2.1 Responsibilities of general meeting

The general meeting is the body of authority of the Company and its main functions and powers include: (1) to decide the Company's operating policies and investment plans; (2) to elect and replace Directors and the non-employee representative Supervisors, and to decide on matters related to the emoluments of Directors and Supervisors; (3) to consider and approve the report of the Board and the report of the Board of Supervisors; (4) to consider and approve the annual financial budgets, final account plans, profit distribution plans and loss recovery plans of the Company; (5) to resolve on any increase or reduction in the Company's registered capital; (6) to resolve on the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listings; (7) to resolve on matters related to merger, separation, dissolution, liquidation of the Company or alternation on the form of the Company; (8) to amend the Articles, the procedural rules of the general meetings, the meetings of the Board and the Board of Supervisors; and (9) to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, write off of assets, external donations of the Company and other major decisions of the legal entity, etc.

6.2.2 Details of general meetings

During the Reporting Period, the Company held eight general meetings in Beijing, including one annual general meeting, four extraordinary general meetings, one class meeting for Domestic Shareholders, one class meeting for H Shareholders and one class meeting for 2016 Offshore Preference Shareholders, at which a total of 19 resolutions were considered and approved. The Company strictly complied with the legal procedures applicable to general meetings to ensure that shareholders are able to attend the meetings and exercise their rights. Shareholders voted at the general meetings by poll according to the Hong Kong Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged legal counsels to attend and attest general meetings and to issue legal opinions. Major resolutions considered and approved at the general meetings include:

- the proposal on issuance of offshore preference shares;
- participating in the capital increase of China Huarong Asset Management Co., Ltd. and relevant authorization;
- the granting of general mandate to issue additional H Shares to the Board;
- the external donation plan for 2021;
- the remuneration settlement scheme for the Directors for 2019;
- the remuneration settlement scheme for the Supervisors for 2019;

- the remuneration settlement scheme for the Directors for 2020;
- the remuneration settlement scheme for the Supervisors for 2020;
- the final financial account plan for 2020;
- the profit distribution plan for 2020;
- the budget of investment in capital expenditure for 2021;
- the appointment of accounting firms for 2021;
- the work report of the Board for 2020;
- the report of the Board of Supervisors for 2020;
- the election of Mr. Chen Xiaowu as a non-executive Director;
- the election of Supervisors.

Please refer to the relevant announcements of the voting results of the previous general meetings disclosed by the Company during the Reporting Period for the convening time, site, attendance, major topics and voting results and other particulars.

6.2.3 Shareholders' rights

Right to propose to convene extraordinary general meetings

Shareholders who individually or jointly hold 10% or more of the shares with voting rights (the “**Requesting Shareholders**”) shall have the right to request to convene an extraordinary general meeting or a class meeting by written proposal.

The Board shall make a response in writing as to whether or not it agrees to convene such meeting within ten days upon receipt of such proposal. If the Board agrees to convene an extraordinary general meeting or a class meeting, a notice for convening such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene an extraordinary general meeting or a class meeting, or fails to give its response, the Requesting Shareholders shall have the right to propose to the Board of Supervisors and such proposal shall be in writing. If the Board of Supervisors agrees to convene an extraordinary general meeting or a class meeting, a notice for convening such meeting shall be issued within five days upon receipt of such proposal. If the Board of Supervisors does not provide notice regarding this meeting, shareholders who individually or jointly hold 10% or more of the shares with voting rights for not less than 90 consecutive days shall be entitled to convene the meeting.

Right to propose resolutions to general meetings

Shareholders, individually or jointly holding 3% or more of the shares with voting rights, shall have the right to submit proposals to the Company in writing. The Company should incorporate all proposed matters that fall within the power of the general meeting on the agenda of such meeting.

Shareholders, individually or jointly holding 3% or more of the shares with voting rights, shall have the right to submit interim proposals in writing ten days before the general meeting to the convener of such meeting. The convener shall, within two days upon receiving such proposals, give supplemental notice to other shareholders and incorporate all proposed matters that fall within the power of the general meeting on the agenda of such meeting.

Right to propose to convene extraordinary Board meetings

The Chairman shall convene an extraordinary meeting of the Board within ten days from the date of receipt of the request of the shareholders who individually or jointly hold 10% or more of the shares with voting rights.

Right to propose resolutions to Board meetings

Shareholders who individually or jointly hold 10% or more of the shares with voting rights can submit proposals of the Board meetings to the Board.

Right to raise proposals and enquiries

Shareholders shall have the right to oversee, to present proposals or to raise enquiries regarding the Company's business operations. Shareholders are entitled to inspect the Articles, the register of shareholders, the state of the Company's share capital and minutes of general meetings of the Company. Shareholders may raise their enquiry or suggestion to the Board by mail to the registered address of the Company or by emailing to the Company. In addition, shareholders' enquiry on shares or dividends (if any) can be sent to Computershare Hong Kong Investor Services Limited, the share registrar of the H Shares of the Company, whose contact information is available in "Corporate Information" in this report.

Other rights

Shareholders shall be entitled to dividends and other types of interest distributed in proportion to the number of shares held and other rights as conferred by applicable laws, regulations and the Articles.

6.2.4 Attendance of Directors at general meetings

Attendance of Directors at general meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	7/8	88%
Zhang Weidong	7/8	88%
Non-executive Directors		
He Jieping	8/8	100%
Wang Shaoshuang	8/8	100%
Chen Xiaowu	—	—
Zhang Yuxiang	8/8	100%
Zhang Guoqing	8/8	100%
Liu Chong	8/8	100%
Independent Non-executive Directors		
Zhu Wuxiang	8/8	100%
Sun Baowen	8/8	100%
Lu Zhengfei	7/8	88%
Lam Chi Kuen	8/8	100%
Directors Resigned during the Reporting Period		
Xu Long	8/8	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conferences.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Mr. Zhang Zi'ai and Mr. Zhang Weidong were absent from the 2020 annual general meeting of the Company due to important temporary work arrangements.

6.2.5 Independence from controlling shareholder

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

6.3 Board

6.3.1 Composition and responsibilities of the Board

As of the Latest Practicable Date, the Board has 12 members, including two executive Directors, namely Mr. Zhang Zi'ai (Chairman) and Mr. Zhang Weidong, six non-executive Directors, namely Mr. He Jieping, Mr. Wang Shaoshuang, Mr. Chen Xiaowu, Ms. Zhang Yuxiang, Mr. Zhang Guoqing, and Mr. Liu Chong and four independent non-executive Directors, namely Mr. Zhu Wuxiang, Mr. Sun Baowen, Mr. Lu Zhengfei and Mr. Lam Chi Kuen.

During the Reporting Period and as at the date of this report, the Company has complied with Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules to have at least three independent non-executive directors and at least one of the independent non-executive directors has an appropriate professional qualification or accounting or related financial management expertise. Besides, the Company has complied with Rule 3.10A of the Hong Kong Listing Rules which stipulates that the number of independent non-executive directors appointed by a listed company shall not be less than one-third of the board.

The Board is responsible for the general meeting in accordance with the Articles. The main duties of the Board include: (1) to convene and report its work to the general meetings; (2) to implement the resolutions of the general meetings; (3) to determine the development strategies, operation plans and investment plans of the Company; (4) to formulate annual financial budgets and final financial account plans, profit distribution plans and loss recovery plans of the Company; (5) to appoint or dismiss the President and the Board Secretary; to appoint or dismiss the Vice Presidents, Assistants to the President and other Senior Management members (excluding the Board Secretary) according to the President's nominations; (6) to formulate plans for increasing or reducing registered capital, merger, division, dissolution and repurchase of shares of the Company; (7) to formulate the appraisal methods and remuneration scheme of Directors for approval at the general meeting; (8) to determine the remuneration, performance appraisal, and award and punishment mechanism for Senior Management members of the Company; (9) to determine the risk management, compliance and internal control policies of the Company and to formulate appropriate systems with regards to the internal control and compliance management of the Company; (10) to consider and approve the major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing-off assets, external donations of the Company and other major decisions of the legal entity, within the extent of authorization by the general meeting.

6.3.2 Diversity of members of the Board

The Company attaches great importance to the diversity of the Board and has formulated relevant policies to ensure and sustain that the Board is professional and well-structured. The Board is comprised of professionals in economics, finance, accounting, law, etc., who are diversified in gender, age and other aspects. This lifted the decision-making and governance of the Board to a new level.

To improve the effectiveness of the Board and the corporate governance, the Company strives to ensure diversity in the composition of the Board when selecting candidates of Directors. It also considers various factors including but not limited to the age, knowledge, cultural and education background, professional and industry experience and gender, in order to ensure that the Board members are equipped with appropriate skills, experience, diversified perspectives and opinions. The Nomination and Remuneration Committee evaluates the structure, size and composition of the Board as well as the performance of Directors and the independence of independent non-executive Directors and the improvement on the diversity of the Board annually.

6.3.3 Board Meetings

During the Reporting Period, the Board held ten meetings, including four regular meetings and six extraordinary meetings, at which 59 resolutions were passed and 27 work reports were reviewed. Before the meetings, Directors had been appropriately provided with notice and information necessary for making an informed decision in time. Among the resolutions passed, there were 16 resolutions on operational and management matters, four resolutions on major transactions, eight resolutions on work reports, four resolutions on the nomination of candidates, five resolutions on remuneration and insurance matters and 22 resolutions on other matters. The major matters were as follows:

- the final financial account plan and the profit distribution plan for 2020 and the budget of investment in capital expenditure for 2021;
- the 2020 annual report (annual results announcement) and the 2021 interim report (interim results announcement);
- the work report of the Board, risk management report, internal control evaluation report and social responsibility report for 2020;
- the internal audit work plan for 2021;
- the redemption of 2016 Offshore Preference Shares;
- the distribution of dividends for 2016 Offshore Preference Shares;
- participating in the capital increase of China Huarong Asset Management Co., Ltd.;
- Strategic Development Plan Outline (2021-2025);
- Informatization Plan Outline (2021-2025);
- the nomination of candidates for Directors and the election of members of special committees of the Board;
- the appointment of the Vice Presidents and assistants to President;
- reviewing the reports on the implementation of proposals passed at previous Board meetings and identification of connected persons of the Company.

In addition, the Board conducted internal evaluations on the effectiveness of risk management and internal control of the Group during the Reporting Period. For details, please see “Corporate Governance Report” – “Risk Management” and “Internal Control” in this report.

6.3.4 Directors' Attendance at Board Meetings

Directors' Attendance at Board Meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	10/10	100%
Zhang Weidong	10/10	100%
Non-executive Directors		
He Jieping	10/10	100%
Wang Shaoshuang	10/10	100%
Chen Xiaowu	1/1	100%
Zhang Yuxiang	10/10	100%
Zhang Guoqing	10/10	100%
Liu Chong	10/10	100%
Independent Non-executive Directors		
Zhu Wuxiang	10/10	100%
Sun Baowen	10/10	100%
Lu Zhengfei	10/10	100%
Lam Chi Kuen	10/10	100%
Directors Resigned during the Reporting Period		
Xu Long	9/9	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

6.4 Special Committees of the Board

The Board has five special committees, namely the Strategic Development Committee, the Audit Committee, the Risk Management Committee, the Nomination and Remuneration Committee and the Connected Transaction Control Committee.

6.4.1 Strategic Development Committee

As of the Latest Practicable Date, the Strategic Development Committee has nine Directors. Mr. Zhang Zi'ai (Chairman) serves as the chairman. The members include six non-executive Directors, namely Mr. He Jieping, Mr. Wang Shaoshuang, Mr. Chen Xiaowu, Ms. Zhang Yuxiang, Mr. Zhang Guoqing and Mr. Liu Chong and two independent non-executive Directors, namely Mr. Sun Baowen and Mr. Lam Chi Kuen.

The Strategic Development Committee shall perform, among others, the following duties: to review the general strategic development plan, annual operation plan and fixed asset investment budget, major organizational restructuring and adjustment proposals, major investments and financing proposals, major merger and acquisition proposals of the Company and make relevant recommendations to the Board; to review and assess the comprehensiveness of governance structure of the Company and to review corporate governance report to ensure that the disclosure therein complies with the relevant requirements of the CG Code and Corporate Governance Report.

During the Reporting Period, the Strategic Development Committee held six meetings to consider 16 resolutions, mainly including the final financial account plan for 2020, the annual consolidated operation plan of the Group for 2021, the budget of investment in capital expenditure for 2021, Strategic Development Plan Outline (2021-2025), Informatization Plan Outline (2021-2025), the redemption of 2016 Offshore Preference Shares, and participating in the capital increase of China Huarong Asset Management Co., Ltd., and debriefed on three reports including the 2020 corporate governance report.

Members' attendance at Strategic Development Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Zhang Zi'ai	6/6	100%
He Jieping	6/6	100%
Wang Shaoshuang	6/6	100%
Chen Xiaowu	1/1	100%
Zhang Yuxiang	6/6	100%
Zhang Guoqing	6/6	100%
Liu Chong	6/6	100%
Sun Baowen	6/6	100%
Lam Chi Kuen	6/6	100%
Member Resigned during the Reporting Period		
Xu Long	5/5	100%

Notes:

- Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
- Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.

6.4.2 Audit Committee

As at the date of this report, the Audit Committee consists of four Directors. Mr. Lu Zhengfei (independent non-executive Director) serves as the chairman. The members include one non-executive Director, Mr. He Jieping and two independent non-executive Directors, namely Mr. Sun Baowen and Mr. Lam Chi Kuen.

During the Reporting Period and as at the date of this report, the Company has complied with Rule 3.21 of the Hong Kong Listing Rules that at least one member of the Audit Committee has appropriate professional qualifications or accounting or relevant financial management expertise.

The Audit Committee shall perform, among others, the following duties: to review significant financial policies of the Company and their implementation, and supervise financial activities of the Company; to review the financial information and relevant disclosure of the Company; to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control and risk management of the Company; to supervise and evaluate the internal audit work of the Company; to propose the appointment or dismissal of the external auditor; to monitor the non-compliance of the Company in respect of financial reporting and internal control; and to evaluate whether the resources devoted to functions such as accounting, internal auditing and financial reporting (including qualification and experience of relevant personnel as well as the training provided to such personnel and the relevant budget) are sufficient.

During the Reporting Period, the Audit Committee held five meetings to review 11 resolutions including the 2020 annual report (annual results announcement), the internal control evaluation report for 2020, the risk management report for 2020, the internal audit work plan for 2021, the appointment of accounting firms for 2021, the 2021 interim report (interim results announcement), and debriefed on 11 reports including the report on internal audit work for 2020, auditor's report on the Company's 2020 management recommendations, 2021 interim financial statements review plan, and 2021 financial statements audit plan.

On March 28, 2022, the Audit Committee held a meeting to resolve the submission of the 2021 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditing firms jointly reviewed the accounting standards and practice adopted by the Group and the audited Consolidated Financial Statements for the year ended December 31, 2021.

During the Reporting Period, the Audit Committee duly performed its duties to review the financial information of the Company and its disclosure, regularly review financial reports of the Company and supervise operating activities of the Company; to supervise and guide the implementation of the internal control evaluation of the Company; to coordinate the communication between the internal audit department and the external auditors, consider auditors' recommendations on management and work together to determine external audit plans and work arrangements; to assess the effectiveness of risk management and internal control of the Company, draft internal audit work plans, and to monitor the non-compliance of the Company in respect of financial reporting and internal control.

Members' attendance at Audit Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Lu Zhengfei	5/5	100%
He Jieping	5/5	100%
Sun Baowen	5/5	100%
Lam Chi Kuen	5/5	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.

6.4.3 Risk Management Committee

As of the Latest Practicable Date, the Risk Management Committee consists of five Directors. Mr. He Jieping (non-executive Director) serves as the chairman. The members include Mr. Zhang Weidong, an executive Director, Mr. Wang Shaoshuang and Mr. Zhang Guoqing, non-executive Directors, and Mr. Lu Zhengfei, an independent non-executive Director.

The Risk Management Committee shall perform, among others, the following duties: to examine risk management strategies and policies of the Company and supervise their implementation and effectiveness; to continuously supervise the effectiveness of the risk management and internal control systems of the Company to ensure compliance with the provisions regarding the risk management and internal control under the CG Code and Corporate Governance Report; to review the effectiveness of risk management and internal control systems at least once a year; to review risk management reports of the Company; to evaluate the risk exposure of the Company; to supervise the performance of Senior Management in respect of credit, market and operation risk control; and to formulate and amend the compliance policies of the Company, and to evaluate and supervise the compliance of the Company.

During the Reporting Period, the Risk Management Committee held six meetings to review 14 resolutions, mainly including the 2020 risk management report, the internal control evaluation report for 2020, the risk appetite statement of the Group (2021), the risk management policy of the Group for 2021, the recovery plan of the Company (2021) and the proposal on the disposal of the Company (2021) and debriefed on ten reports including the quarterly risk management reports and the anti-money laundering work report for 2020.

By identifying the risk appetite of the Company in accordance with its strategic management target, reviewing the briefings on risk management reports and internal control evaluation reports, participating in risk management working meetings, and carefully carrying out investigation and research on site, the Risk Management Committee understood and evaluated the effectiveness of the operation of the Company's risk management and internal control system through the above measures.

Members' attendance at Risk Management Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
He Jieping	6/6	100%
Zhang Weidong	5/6	83%
Wang Shaoshuang	6/6	100%
Zhang Guoqing	6/6	100%
Lu Zhengfei	6/6	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.
3. A member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

6.4.4 Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee consists of three Directors. Mr. Sun Baowen (independent non-executive Director) serves as the chairman. The members include Mr. Chen Xiaowu, a non-executive Director, and Mr. Zhu Wuxiang, an independent non-executive Director.

The Nomination and Remuneration Committee shall perform, among others, the following duties: to formulate procedures and standards for the election of Directors and Senior Management members; to preliminarily examine the eligibility of the candidates for Directors and Senior Management members; to make recommendations to the Board on the candidates for Directors, President, Board Secretary, chairmen (other than the chairman of the Strategic Development Committee) and members of the special committees of the Board; to review the structure and composition of the Board; and to propose the remuneration distribution plan according to the performance appraisal of Directors and Senior Management members for the approval of the Board.

During the Reporting Period, the Nomination and Remuneration Committee held five meetings to consider ten resolutions, mainly including the nomination of candidates for the Directors, the nomination of members for special committees of the Board, preliminary review of the eligibility of Vice Presidents and assistants to President, remuneration settlement scheme for Senior Management for 2019, remuneration settlement scheme for Directors for 2019, remuneration settlement scheme for Senior Management for 2020 and remuneration settlement scheme for Directors for 2020 and renewal of liability insurance for Directors, Supervisors and Senior Management, discussed the structure and composition of the Board as well as the performance of Directors and the independence of independent non-executive Directors, and listened to the debriefing on the 2021 work plan of the Nomination and Remuneration Committee.

Members' attendance at Nomination and Remuneration Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Sun Baowen	5/5	100%
Chen Xiaowu	—	—
Zhu Wuxiang	4/5	80%
Member Resigned during the Reporting Period		
Xu Long	5/5	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.
3. A member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

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

1. Candidates of Directors shall be nominated through the proposal with their detailed information including factors such as:
 - personal particulars such as education background, working experience and any concurrently holding position;
 - whether there are any connected relationships with the Company or the controlling shareholder and de facto controller of the Company;
 - their shareholdings in the Company; and
 - any penalty or punishment imposed by the securities regulatory authorities of the State Council, and other relevant authorities and/or the stock exchanges.
2. A candidate for Director shall, prior to the convening of the general meeting, give a written undertaking letter stating that he/she has agreed to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrant that he/she will duly perform his/her duties as a Director after he/she is elected. A written notice of the intention to nominate a candidate of Director and willingness of the candidate to be elected as well as the written documents of the basic information of the candidate shall be given to the Company not less than ten days prior to the date of the general meeting;

3. The Company shall disclose the detailed information on the candidates of Directors to shareholders at least seven days before convening the general meeting to ensure that shareholders will have an adequate understanding of the candidates when they cast their votes;
4. The length of the period (starting from the next day after publishing the notice for convening a general meeting), during which the nominators and the candidates of Directors are allowed to submit the aforesaid notice and documents, shall be at least seven days;
5. The general meeting shall consider and vote on the election of each candidate by way of a separate resolution; and
6. A candidate of Director shall act as a Director upon approval at the general meeting and his/her qualification approved by the regulatory authorities.

6.4.5 Connected Transaction Control Committee

As at the date of this Report, the Connected Transaction Control Committee consists of three Directors. Mr. Zhu Wuxiang (independent non-executive Director) serves as the chairman. The members include Ms. Zhang Yuxiang, a non-executive Director and Mr. Lu Zhengfei, an independent non-executive Director.

The Connected Transaction Control Committee shall perform, among others, the following duties: to identify connected persons of the Company; to review basic management rules for connected transaction; to conduct preliminary reviews on connected transactions to be approved by the Board or general meetings; and to maintain records of connected transactions.

During the Reporting Period, the Connected Transaction Control Committee held eight meetings to consider nine resolutions that included material connected transactions, matters relating to the identification of connected persons of the Company and the connected transactions management report for 2020, and to debrief on seven reports including the quarterly reports on connected transactions.

Members' attendance at Connected Transaction Control Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Zhu Wuxiang	7/8	88%
Zhang Yuxiang	8/8	100%
Lu Zhengfei	8/8	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by members in person as a percentage of the total number of meetings required to attend.
3. A member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

6.5 Board of Supervisors

6.5.1 Duties of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Company and shall be responsible to and report its work to the general meeting pursuant to the Articles. The Board of Supervisors shall perform the following duties: (1) to supervise the adoption by the Board of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Company; (2) to assess the scientificity, rationality and effectiveness of the development strategies formulated by the Board on a regular basis and form assessment reports; (3) to examine and supervise the financial condition of the Company, and review the financial information including the financial reports and the profit distribution plan; (4) to conduct overall assessment of the performance of duties by Directors, Supervisors and Senior Management, and report to both of the banking supervision authorities under the State Council and the general meetings on the final assessment results; (5) to monitor, review and supervise the ratification of the operational decision-making, risk management and internal control of the Company, and supervise and direct the internal audit department of the Company; (6) to nominate shareholder representative Supervisors, external Supervisors and independent Directors, and supervise the election and appointment procedures of Directors; (7) to appraise the scientificity and rationality of the remuneration system and policy of the Company as well as the remuneration scheme of Senior Management; and formulate assessment methods and remuneration scheme of supervisors and submit to the general meeting for approval; and (8) to formulate amendments to the rule of procedures of the Board of Supervisors.

6.5.2 Composition of Board of Supervisors

As at the date of this report, the Board of Supervisors consists of seven Supervisors, including one shareholder representative Supervisor, Mr. Gong Jiande, and three external Supervisors, namely Mr. Zhang Zheng, Mr. Zhen Qinggui and Mr. Cai Xiaoqiang and three employee Supervisors, namely Ms. Gong Hongbing, Mr. Lu Baoxing and Mr. Yuan Liangming.

The shareholder representative Supervisors and external Supervisors are elected at the general meeting and the employee Supervisors are elected at the employees' representatives meeting.

6.5.3 Chairman of the Board of Supervisors

Mr. Gong Jiande acts as the Chairman of the Board of Supervisors and is responsible for the operation of the Board of Supervisors in accordance with the Articles.

6.5.4 Meetings of the Board of Supervisors

In 2021, the Board of Supervisors held seven meetings and approved 14 resolutions, including the work focus of the Board of Supervisors for 2021, the legal compliance for 2020, the final financial account plan for 2020, the profit distribution plan for 2020, the internal control evaluation report for 2020, the report on the performance of Directors, Supervisors and Senior Management for 2020, the report of the Board of Supervisors for 2020, the 2020 annual report (annual results announcement), the 2021 interim report (interim results announcement), and the nomination of candidates of Supervisors.

Supervisors' attendance at meetings of the Board of Supervisors

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Gong Jiande	7/7	100%
Zhang Zheng	7/7	100%
Zhen Qinggui	3/3	100%
Cai Xiaoqiang	3/3	100%
Gong Hongbing	7/7	100%
Lu Baoxing	7/7	100%
Yuan Liangming	7/7	100%
Supervisors Resigned during the Reporting Period		
Liu Yanfen	4/4	100%
Li Chun	4/4	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Supervisors in person as a percentage of the total number of meetings required to attend.

6.5.5 Special committees of the Board of Supervisors

The Board of Supervisors has two special committees, namely the Performance and Due Diligence Supervision Committee and the Financial and Internal Control Supervision Committee, which assist the Board of Supervisors to perform its obligations under the authorization of the Board of Supervisors, and be responsible for and report their work to the Board of Supervisors.

Performance and Due Diligence Supervision Committee

As at the date of this report, the Performance and Due Diligence Supervision Committee consists of three Supervisors, including Mr. Zhen Qinggui (external Supervisor) as chairman. The members include two employee Supervisors, namely Ms. Gong Hongbing and Mr. Yuan Liangming.

The duties of the Performance and Due Diligence Supervision Committee primarily include: (1) to provide supervision advices on the performance of duties of the Board, Senior Management and their members, and report to the Board of Supervisors; (2) to make recommendations to the Board of Supervisors on candidates of Supervisors and independent Directors; (3) to review the remuneration settlement scheme for Supervisors; (4) to perform other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Performance and Due Diligence Supervision Committee held five meetings and reviewed the following matters, including the resolution on the remuneration settlement scheme for Supervisors for 2019, report on the performance of Directors, Supervisors and Senior Management for 2020, and resolution on the nomination of candidates of Supervisors.

Financial and Internal Control Supervision Committee

As at the date of this report, the Financial and Internal Control Supervision Committee consists of three Supervisors, including Mr. Zhang Zheng (external Supervisor) as chairman. The members include Mr. Cai Xiaoqiang, an external Supervisor and Mr. Lu Baoxing, an employee Supervisor.

The duties of the Financial and Internal Control Supervision Committee primarily include: (1) to provide review suggestions on the financial condition of the Company and report to the Board of Supervisors; (2) to provide evaluation suggestions on the internal control reports of the Company and report to the Board of Supervisors; (3) to supervise the risk management of the Company; (4) to perform other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Financial and Internal Control Supervision Committee held six meetings to review the following matters, including the final financial account plan for 2020, the internal control evaluation report for 2020, the 2020 annual report (annual results announcement) and the 2021 interim report (interim results announcement).

6.6 Chairman and President

During the Reporting Period, in accordance with Code Provision C.2.1 of the CG Code and the Articles, the Chairman and the President shall be assumed by different individuals, and the Chairman shall not be concurrently assumed by the legal representative or key management of the controlling shareholder.

Mr. Zhang Zi'ai acts as the Chairman and the legal representative of the Company, and is responsible for presiding over the general meeting, reporting to the general meeting on behalf of the Board, convening and presiding over the Board meetings, supervising and inspecting the implementation of the resolutions of the Board, leading the Board to formulate the annual budget and final accounts and other major matters.

Mr. Zhang Weidong acts as the President and is responsible for the business operation and daily management of the Company. The President shall be appointed by the Board and is accountable to the Board. He shall perform his duties in accordance with the Articles and the authorization granted by the Board.

On March 16, 2022, the 2022 third meeting of the Board proposed to appoint Mr. Zhang Weidong as the Chairman of the Company. Mr. Zhang Zi'ai intends to resign as the Chairman for reason of his age. As of the Latest Practicable Date, the qualification of Mr. Zhang Weidong as the Chairman is subject to the approval by the CBIRC, and his appointment will take effect on the date of approval. Upon approval on his qualification for the Chairman by the CBIRC, Mr. Zhang Weidong will serve as both the Chairman and the President of the Company, which will be deviant from Code Provision C.2.1.

Notwithstanding the deviation from Code Provision C.2.1, vesting the same person serving as the Chairman and President is a transitional arrangement. In addition, as of the Latest Practicable Date, the Board consists of two executive Directors, six non-executive Directors and four independent non-executive Directors, which, under the supervision of the Board and the Board of the Supervisors, can fully and fairly represent the interests of the shareholders.

6.7 Senior Management

6.7.1 Composition and duties of Senior Management

The Senior Management is the executive body of the Company and is accountable to the Board. As at the date of this report, the Senior Management comprises ten members. For details of its composition, please see “Directors, Supervisors and Senior Management” – “Senior Management” in this report. There is a strict separation of power between the Senior Management and the Board. The Senior Management determines the operation management and decision-making matters within its duties and responsibilities as authorized by the Board. The Senior Management includes President, Vice Presidents, assistants to the President, Chief Risk Officer, Board Secretary, and Chief Financial Officer. Other members of Senior Management perform their duties and take responsibilities according to the authorization of the President.

6.7.2 Supervision and evaluation of the performance of Directors and Senior Management

The Board conducts performance appraisal on the Senior Management and its members in accordance with the evaluation requirements of MOF and the CBIRC, the results of which form the basis of the remuneration and other performance-based arrangements regarding the Senior Management.

In accordance with the regulations such as Measures on the Performance Supervision of the Board of Supervisors and the Focus of the Performance Supervision of the Directors and Senior Management for 2021, the Board of Supervisors conducted supervision over the performance of the Board, Senior Management and its members through attending the general meetings, presenting at the Board meetings, meetings of its special committees and the meetings of Senior Management, examining the minutes and records of the meetings, and performance reports of Director and Senior Management, and also through daily supervision arrangements.

6.7.3 Remuneration of Directors and Senior Management

For the remuneration policy of the Directors and Senior Management, please refer to the “Report of the Board of Directors” – “Remuneration Policy of Directors, Supervisors and Senior Management” in this report.

For the remuneration of Senior Management by band, please refer to Note VI. 19 “Key management personnel and five highest paid individuals” to the Consolidated Financial Statements.

6.8 Risk Management

The Company endeavours to develop a comprehensive risk management system which is in line with the scale and complexity of its business development, and has developed a comprehensive risk management framework consisting of four levels, namely the Board and the Board of Supervisors, the Senior Management, the risk management department and relevant functional departments at the headquarters, and its branches and subsidiaries, and three lines of defense comprising the business operation departments, the functional departments of risk management and the internal audit departments. During the Reporting Period, the Company’s risk management system is effective and the relevant risk is within the acceptable range of the Company.

Details of the Group’s establishment of the risk management system, risk management framework and control measures during the Reporting Period are set out in the “Management Discussion and Analysis” – “Risk Management” in this report.

6.9 Internal Control

The Board is responsible for the establishment and implementation of a sound and effective internal control system and the evaluation of its effectiveness, and truthfully disclosing the internal control evaluation report. The Board of Supervisors is responsible for supervising the establishment and implementation of the internal control system by the Board. The Senior Management is responsible for organizing the daily operation of the internal control system of the Company. The Board, the Board of Supervisors and Directors, Supervisors and members of the Senior Management of the Company undertake that information in this annual report does not contain any false representations, misleading statements or material omissions, and jointly and severally take responsibility for the truthfulness, accuracy and completeness of this report.

The objectives of the internal control of the Company are to reasonably ensure its operation and management are in compliance with laws and regulations, assets safety, the truthfulness and completeness of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Company to achieve its development strategic targets. Due to its inherent limitations, internal control can only provide reasonable assurance regarding the achievement of the above objectives. Moreover, changes in circumstances may render the internal control mechanisms inappropriate, or reduce the degree of compliance with policies and procedures, so that predicting the effectiveness of internal control in the future according to the evaluation results of internal control may involve certain risks.

The Company has established a management structure of internal control consisting of three precautionary mechanisms under the leadership of the Board, the Board of Supervisors and the management.

In respect of the corporate governance, the Board is responsible for the thorough examination and evaluation of the establishment, improvement and effective implementation of the internal control system as well as the effectiveness of the internal control, while the Board of Supervisors is responsible for supervising the Board and the management on the establishment, improvement, effective implementation and regular evaluation of the Company's internal control system. The management organizes and guides the daily operation of the internal control of the Company, establishes and improves the relevant systems of the operation segment's internal control system, and comprehensively promotes the implementation of the internal control system.

In respect of the Company's operation, the headquarters, branches, and subsidiaries, as the first line of defense, establishes an internal control mechanism of consciously implementing the internal control, self-assessing the risk exposure, self-correcting and reporting timely. The compliance department, as the second line of defense, acts as the functional department for internal control and compliance management, leads the establishment and maintenance of the internal control system, and supervises and examines the internal control by means of routine supervision and special inspection. The audit department, as the third line of defense, audits and evaluates the adequacy and effectiveness of internal control, reports the audit problems to the Board, and supervises and follows up the rectification.

The risk compliance management position in each department of the Company's headquarters, the compliance and internal control management position and the specified audit position in each branch has been set up and charged with the implementation and evaluation of the internal control management within the organization. The compliance and internal control department of each subsidiary is responsible for the establishment and maintenance of the internal control system. Each subsidiary has its own internal control contact person to be in charge of promoting the establishment and implementation of the internal control system within the subsidiary, the routine maintenance and inspection, and the communication with the headquarters about the significant events reports and periodic reports.

Pursuant to the Measures on the Internal Control of Financial Asset Management Companies, the Basic Internal Control Norms for Enterprises and the Guidelines for Internal Control of Commercial Banks, as well as the regulatory requirements of CG Code, the Company has established and continuously improved the internal control management system in line with the internal control objectives of the Company.

During the Reporting Period, the Company further improved the internal control management mechanism to build an optimizing environment.

The Company revised the Basic Internal Control Code and enhanced the overall quality and efficiency of internal control by implementing layered responsibilities and enhancing the cross range supervision, and building a network-based management system. The Company formulated the Rules for Troubleshooting Abnormal Behaviors of Staff to improve the practical operability of staff behavior management and offer management tools to prevent case risks and financial violations and crimes. The Company revised the Rules for Accountability of Violations in Business and Operation Management and relevant procedures-based regulations to regulate the accountability operation procedures to form a management loop; the Company improved the accountability system for compliance examination to evaluate the compliance management of each unit from the perspective of compliance risk and compliance performance and promote the responsible entity to demonstrate the guideline of compliance operation and high-quality development.

The Company, carrying out the activity of the “Internal Control Compliance Management Construction Year”, was dedicated to the rectification of lasting problems and specified the clearance targets and shaped the culture of compliance and steady operations. The Company organized the troubleshooting on staff abnormal behaviors and checked incompatible posts and moral risk, so as to cement the foundation for internal control management and enhance the binding force of internal control.

According to the Guidelines for the Evaluation of Internal Control of Enterprises, the CG Code and the Guidelines for Internal Control of Commercial Banks and the internal control system of the Company, the Company worked out the Implementation Plan for Internal Control Evaluation for 2021. The scope of evaluation in 2021 incorporated the departments of the headquarters, branches, subsidiaries, main business lines, products, and high-risk areas. The Company identified defects in internal control, actively implemented the rectification, and optimized the establishment and implementation of internal control, by organizing and conducting the comprehensive self-assessment, on-site and off-site tests and inspection of key aspects.

The Board and the Audit Committee conduct the evaluation of the effectiveness of the internal control every year and review the internal control evaluation report. The Board believes that the Company has maintained effective internal control of financial reporting in all material aspects in accordance with the requirements of the corporate internal control regulation system and relevant provisions. No material or significant defects in the internal control of the financial reporting and non-financial reporting were identified while some matters to be addressed did not have a substantial impact on the operation and management of the Company.

The Company had appointed Ernst & Young Hua Ming LLP to conduct an audit on the internal control of the Company. The audit opinions of the internal control were consistent with the evaluation results of the effectiveness of the internal control of the Company.

6.10 Internal Audit

The Company has implemented an internal audit system. An audit department is established at the headquarters of the Company with dedicated professional auditors with a mission to independently and objectively supervise, inspect and evaluate the income and expenditure, operating activities, risk exposure and internal control of the Company and report material deficiencies in the course of auditing to the Audit Committee or the Board.

In 2021, the Company further transformed working concepts and explored the new forms and ways of the organization of internal audits, and fully completed the annual internal audit as scheduled. In accordance with the regulatory requirements of listed companies and the corporate risk profile, with serving the development of the Company as core, the Company aimed to promote the establishment of a sound and effective risk management mechanism, internal control system and corporate governance procedures, and fully leverage the supervisory, appraisal and advisory functions of internal audit.

Carrying out regular audits. Centering on the strategic development goal of the Company and focusing on key business, major projects, important links, corporate finance and internal control, the Company completed the regular audits of certain branches.

Carrying out special audits. In accordance with the regulatory requirements, the Company, centering on the major and difficult points in its operation and management, completed the special audits of the settlement of the institution and layer contraction of the Group, bad debt verification and cancellation, management of Group's connected transactions, and asset classification.

Carrying out economic responsibility audits. In accordance with the regulatory requirements, the Company has established a sound audit system for the economic responsibilities of major cadres and carried out the economic responsibility audits and quitting audits to oversee the performance of cadres.

Improving internal audit mechanism. In accordance with the Corporate Governance Code for Banking and Insurance Institutions and the realities of the Company, the Company further improved its internal audit system and completed the addition and revision of the internal audit system; In accordance with the National Audit Work Development Plan during the "14th Five-Year Plan" Period, the Strategic Development Outline (2021-2025) of the Company and the realities of the internal audit, the Company complied the Internal Audit Work Development Plan (2022-2024), developed audit management systems to further improve the quality and efficiency of the audit work, continued to promote the construction of its internal audit teams and shaped multi-formed, multi-layered and multi-channeled training systems to improve the performance of the internal auditors.

6.11 Establishment and Implementation of Accountability System for Material Errors in Annual Reports

The Company has formulated and implemented the Administrative Measures on the Preparation of Regular Information Disclosure Reports, and indicated accountability of material errors in the disclosure of the annual reports. During the Reporting Period, the Company has strictly complied with the policies and regulations relating to the preparation and disclosure of annual reports to strengthen the awareness of this accountability, so as to enhance the quality and transparency of information disclosure in annual reports. During the Reporting Period, there were no material errors discovered in the information disclosed in the annual reports.

6.12 Procedures and Internal Controls for the Handling and Dissemination of Inside Information

During the Reporting Period, the Company improved the compliance awareness of employees and better managed inside information in accordance with the Insider Information Management System and the Information Disclosure System. The Company had also enhanced confidentiality of inside information and strictly implemented the insider registration to limit the number of insiders as well as proactively prevent inside dealing. To the knowledge of the Company, during the Reporting Period, there was no incident of inside trading of the shares of the Company by taking advantage of the inside information.

6.13 Communication with Shareholders

6.13.1 Information disclosure and investor relations

The Company has carried out information disclosure and investor relations management, in strict compliance with regulatory provisions and the internal requirements set out under the rules of the Company, including the Information Disclosure Policy, the Administrative Measures on the Preparation of Regular Reports for Information Disclosure, the Administrative Measures on the Internal Reporting of Material Information and the Provisional Measures of Investor Relations Work. The Company also communicated and interacted with shareholders and potential investors through various channels to assist them in making rational investment decisions and to protect investors' rights and interests.

The Company is dedicated to information disclosure in strict compliance with the principles of truth, accuracy, completeness, timeliness and fairness. The Company continued to immediately follow the business reform development and improve the disclosure form and content of the regular reports and increase the richness, effectiveness and transparency of disclosures contained in regular reports; the Company is also dedicated to accurately disclosing temporary announcements in a timely manner, protecting investors' right to know, focusing on major market concerns and carrying out voluntary disclosure; the Company strictly implemented the registration of insiders as a part of its efforts to strengthen confidentiality of its inside information.

The Company attached great importance to communication with investors, actively listened to their opinions and suggestions, and conducted two-way communication with investors to help them correctly understand its value. The Company has set up a multi-layered and all-around channel for interactive communication with investors. By means of results announcement, participation in large investment forums and investment bank summits, investor visits, and answering investor hotline, it introduced the development of the industry, and strategy, business philosophy, competitive advantages and business expansion of the Company to investors, and responded to their concerns in a timely manner, thus enhancing their confidence and fully demonstrating its expertise and commitments to social responsibilities, and further improving recognition and brand influence of the Company in the capital market.

During the Reporting Period, the Company grappled with the impact of the Pandemic and completed the preparation and disclosure of regular reports as scheduled. Furthermore, the Company expanded the online investor communication activities and communicated with the market by holding result announcement global analyst teleconferences and participating in online summits.

6.13.2 Contacts of Board of Directors' Office

The board of directors' office is responsible for assisting in the daily operation of the Board. Should investors have any enquiries or shareholders have any suggestions, enquiries or proposals, please contact:

The Board of Directors' Office of China Cinda Asset Management Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, PRC
Tel.: (86)10-63080528
Email address: ir@cinda.com.cn

6.14 Auditor's Remuneration

As approved by the annual general meeting for 2020, the Company had appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively “**Ernst & Young**”) as its domestic and international auditors for 2021, respectively, to provide audit service of the annual financial statements, review of the interim financial statements, and audit of internal control as well as other professional services for the Company for the year of 2021. During the Reporting Period, the audit fee incurred in respect to the audit of financial statements and audit of internal control provided by Ernst & Young and its member firms amounted to a total of RMB41.19 million. The related fees incurred in respect of other verification services provided by Ernst & Young and its member firms amounted to a total of RMB4.31 million. In 2021, the fees incurred in respect to consulting service provided by Ernst & Young and its member firms amounted to a total of RMB6.53 million. There are no non-audit services provided by Ernst & Young and its member firms to the Group other than those mentioned above.

6.15 Responsibilities of Directors in respect of Financial Statements

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

6.16 Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Senior Management which regulates securities transactions by Directors, Supervisors and Senior Management and is not less lenient than the Model Code for Securities Transactions by Directors of Listed Companies specified in Appendix 10 to the Hong Kong Listing Rules. The Company has made enquiries to all Directors and Supervisors who confirmed that they had complied with such code and the requirements set out there during the Reporting Period.

6.17 The Independence of Independent Non-executive Directors

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

6.18 Training for Directors

The Board focused on the professional development of the Directors by encouraging and organizing for them to take part in the training. In accordance with Code Provision C.1.4 of the CG Code, the Directors participated in relevant training organized by industry organizations, professional organizations and the Company. In addition, the Directors further improved their professionalism through multiple approaches such as attending seminars as well as conducting on-site research on our branches and subsidiaries. During the Reporting Period, the major topics of training the Directors participated in are as follows:

External Training

- **MOF** Thematic training on the new era and new momentum of China's economy, financial theory and innovation, financial regulatory policies and case analysis, prevention and resolution of financial risks, prevention and resolution of regional governments debt risks, policy-oriented financial reform and development, exchange and discussion on the theme of directors and executives performing their duties, etc.;
- **China Investment Corporation** Thematic training on the global economy and China's economy under the great changing situation, risks and opportunities in the financial system under unconventional monetary policy, financial support for the real economy, digital economy, financial technology, the current situation and prospect of the world economy, the improvement of the financial risk management system, the resolution of rigid bubbles and the prevention of financial risks of regional governments, the practice of risk control of listed companies, etc.;
- **The Hong Kong Chartered Governance Institute** Thematic training on the impact of the PRC Securities Law on the practice of directors and supervisors and overseas investors, overview and frontier issues of share transactions of listed companies in Hong Kong, inquiries and investigations by the SFC on directors and senior executives, interpretation and analysis of cases of continuing liability and penalties for violations of directors of listed companies, corporate governance and performance of directors, interpretation of the practical guide to A+H share connected transactions: connected transactions and insider trading control, etc.

Internal Training

- Macroeconomic and policy training on digital transformation innovation trends and leading practices, interpretation of current and future economic trends and latest policy of China, interpretation of the 6th Plenary Session of the 19th CPC Central Committee and macroeconomic policy analysis, accelerating the construction of a new development pattern, striving to open a new cycle of economic growth, artificial intelligence and enterprise digital transformation, etc.;
- Thematic training of Hong Kong Listing Rules on the basic principles of directors' responsibilities and ongoing liability, discloseable transactions, connected transactions, inside information, etc.;
- Business training on interpretation of the newly revised Audit Law, Audit Practices and Cases of Internal Control and Risk Management, overview of industrial chain research methods, discussion on the research framework of the pharmaceutical industry, wind power industry carding and new energy vehicle research framework, and other business areas;
- Case Training on integrated business of the Group for 2021;
- Training on anti-money laundering.

6.19 Company Secretary

Mr. Ai Jiuchao is the Company Secretary. He has served the Company for many years and is familiar with the Company's daily operations. In respect of corporate governance, the Hong Kong Listing Rules and other applicable laws and regulations related to the Company and other matters, Mr. Ai shall report to the Directors and/or the President. During the Reporting Period, Mr. Ai had participated in the relevant professional training courses for 15 hours, which is in compliance with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

7 REPORT OF THE BOARD OF DIRECTORS

7.1 Principal Business

The Group primarily engages in distressed asset management and financial services. Details of the analysis of business review and operating performance, major risks, risk management and future development of the Group are set out in “Management Discussion and Analysis” in this report. During the Reporting Period, there were no significant changes to the principal business scope of the Group.

7.2 Profit and Dividend Distribution

The profit and financial condition of the Group for the year ended December 31, 2021 are set out in the section headed “Management Discussion and Analysis” – “Analysis of Financial Statements” in this report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2021 in the amount of RMB0.9481 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appear on the register of members on the record date, representing total cash dividends of approximately RMB3.618 billion on the basis of 38,164,535,147 Domestic Shares and H Shares in issue on December 31, 2021.

The profit distribution plan for 2021 of the Company shall be subject to approval by the annual general meeting for 2021. Subject to the approval, the cash dividend for 2021 is expected to be distributed on or around August 19, 2022 to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Company on the record date for dividend distribution. The cash dividend will be denominated and declared in Renminbi and will be paid in Renminbi to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by PBOC one week prior to the date of the annual general meeting for 2021 (including the date of the meeting).

The Company will announce the date of the annual general meeting for 2021 and the period of closure of register of members of the Company for the determination of the entitlement of shareholders to attend the annual general meeting for 2021 and to vote thereon and the period of closure of registered of members of the Company to determine the entitlement of shareholders for 2021 cash dividends in due course.

The Company attaches great importance to shareholders’ return and has set up sound decision-making procedures and mechanisms for profit distribution. It is clearly provided in the Articles that the Company shall maintain a consistent and stable profit distribution policy, taking into account the Company’s long-term interest and sustainable development as well as the interests of its shareholders as a whole. Profit shall be distributed in cash dividend in priority. Any adjustment to the profit distribution policy of the Company shall be subject to approval of shareholders by a special resolution passed at the general meeting upon review of the Board.

For individual holders of H Shares, pursuant to the Individual Income Tax Law of the People’s Republic of China, the Implementation Regulations of the Individual Income Tax Law of the People’s Republic of China, other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2021 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macao.

For non-resident enterprise holders of H Shares in China, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to the Enterprise Income Tax Law of the People's Republic of China, the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, other laws and regulations and relevant regulatory documents of the State Administration of Taxation of the PRC. A non-PRC resident enterprise shareholder which is entitled to a preferential tax rate under a tax agreement or an arrangement may, directly or through its entrusted agent or withholding agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

China Securities Depository and Clearing Corporation Limited is the nominee of the Company's H Shares held by investors of H Shares of Southbound Trading, and the Company will then re-distribute the 2021 cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% on behalf of domestic individual investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

Should the holders of H Shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for the relevant tax impact in mainland China, Hong Kong and other countries (regions) on the holding and disposal of the H Shares of the Company.

Details of the Company's dividend on offshore preference shares during the Reporting Period are set out in the section headed "Changes in Share Capital and Information on Substantial Shareholders" – "Preference Shares" in this report.

7.3 Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2021 are set out in the Consolidated Statement of Financial Position in the Consolidated Financial Statements.

7.4 Financial Summary

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2021 are set out in the "Financial Summary" in this report.

7.5 Donations

Donations made by the Group for the year ended December 31, 2021 amounted to RMB22.555 million.

7.6 Property and Equipment

None of the percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) of the properties held by the Group exceeds 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2021 are set out in Note VI. 39 "Property and equipment" to the Consolidated Financial Statements.

7.7 Pension Plan

According to the relevant regulations of the PRC, the employees of the Group participate in the social basic pension insurance schemes implemented by the local labour and social security departments. The Group shall pay pension insurance fee to the local social basic pension insurance agency according to the base and proportion prescribed by the local regulations. Such insurance fees payable were charged to the profit or loss for the period on an accrual basis. Local labour and social security departments will pay basic social pension to the staff upon their retirement. Qualified employees of the institutions of the Group in Hong Kong have participated in a locally-defined pension plan or defined benefit plan.

Besides basic social pension insurance, employees of the Company also participate in the annuity scheme established by the Company in accordance with relevant policies of the annuity system of the PRC. The Company makes contributions to the annuity scheme at a certain proportion of the total salaries of the employees, and the contributions are recorded as costs when incurred.

For details of the payment of pension by the Company for its employees, please see Note VI. 11 “Employee remuneration” to the Consolidated Financial Statements.

7.8 Major Clients

During the Reporting Period, the combined revenue from the top five clients of the Company did not exceed 30% of its total revenue for 2021. There are no clients, suppliers, employees or others who have a significant impact on the Group and on which the Group’s success depends.

7.9 Share Capital and Public Float

As at December 31, 2021, the Company had a total of 38,164,535,147 shares in issue. Please see “Changes in Share Capital and Information on Substantial Shareholders” in this report for details. As of the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the public float of the Company was not lower than 25% and in compliance with the relevant laws and regulations and the requirement of the Hong Kong Listing Rules.

7.10 Pre-emptive Right

During the Reporting Period, none of the shareholders was entitled to any pre-emptive right to subscribe for any shares in accordance with applicable PRC laws and the Articles, and the Company did not have any share option arrangement.

7.11 Purchase, Sale, disposal and Redemption of Listed Securities

Details of the Company’s redemption of all 2016 Offshore Preference Shares during the Reporting Period are set out in the section headed “Changes in Share Capital and Information on Substantial Shareholders” – “Preference Shares” in this report.

Save as disclosed above, during the Reporting Period, neither the Company nor its subsidiaries has purchased, sold or redeemed any listed securities of the Company or its subsidiaries.

7.12 Equity-linked Agreement

During the Reporting Period, the Company set a trigger event term for 2021 Offshore Preference Shares, upon the occurrence of which 2021 Offshore Preference Shares would be irrevocably and compulsorily converted into H Shares. The details are set out in “Changes in Share Capital and Information on Substantial Shareholders” - “Preference Shares” in this report.

Save as disclosed above, during the Reporting Period, the Company did not enter into any equity-linked agreement. As at December 31, 2021, the Company did not have any other such agreement subsisted.

7.13 Issuance of Securities

7.13.1 Issuance of Securities of the Company

Details of the Company’s issuance of 2021 Offshore Preference Shares during the Reporting Period are set out in the section headed “Changes in Share Capital and Information on Substantial Shareholders” – “Preference Shares” in this report.

With the approval of the Company’s 2020 second extraordinary general meeting, and approved by the CBIRC and PBOC, the Company issued onshore undated capital bonds with an amount of RMB10 billion and RMB12 billion in the national interbank bond market on August 16, 2021 and February 24, 2022 respectively. For details, please refer to the Company’s announcements, circulars and notices dated December 3, 2020, December 22, 2020, April 6, 2021, August 16, 2021 and February 24, 2022.

During the Reporting Period, the issuance of bonds of the Company is set out in Note VI. 54 “Bonds payable” to the Consolidated Financial Statements.

7.13.2 Issuance of Securities of Subsidiaries

During the Reporting Period, the issuance of bonds of the subsidiaries of the Company are set out in Note VI. 54 “Bonds payable” to the Consolidated Financial Statements.

Save as disclosed, during the Reporting Period, the Company and its subsidiaries did not issue or grant any shares, convertible bonds, options or other securities.

7.14 Material Interests and Short Positions

For details of material interests and short positions of shareholders, please see “Changes in Share Capital and Information on Substantial Shareholders” – “Interests and Short Positions Held by the Substantial Shareholders and Other Persons” in this report.

7.15 Use of Proceeds

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

7.16 Borrowings

The borrowings of the Group as at December 31, 2021 amounted to approximately RMB555.08 billion. Details of the borrowings are set out in Note VI. 49 “Borrowings” to the Consolidated Financial Statements.

7.17 Directors, Supervisors and Senior Management

Lists, biographical information and changes of the Directors, Supervisors and Senior Management are set out in “Directors, Supervisors and Senior Management” in this report. The daily operations of the Board are set out in “Corporate Governance Report” in this report.

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

As at December 31, 2021, none of the Directors, Supervisors or chief executive officer had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO), which was required to be recorded in the register kept by the Company pursuant to Section 352 of the Hong Kong SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Hong Kong Listing Rules.

7.19 Interests in Major Transactions, Arrangements or Contracts and Service Contracts of Directors and Supervisors

In 2021, none of the Directors and Supervisors (or their connected entities) had any material interests, directly or indirectly, in any major transactions, arrangements or contracts (except service contracts) regarding the business of the Group entered into by the Company or any of its controlling companies, subsidiaries or fellow subsidiaries.

None of the Directors and Supervisors had entered into any service contract with the Company which was not terminable by the Company within one year without payment of compensation (other than statutory compensation).

7.20 Interests of Directors in Business Competing with the Company

During the Reporting Period, none of the Directors held any interest in business which directly or indirectly competed, or was likely to compete with the business of the Company.

7.21 Material Contracts with Controlling Shareholders

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

7.22 Management Contracts

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

7.23 Remuneration Policy of Directors, Supervisors and Senior Management

The Company has clearly standardized its remuneration policies for Directors, Supervisors and Senior Management. The remuneration policy for Chairman, President, Chairman of the Board of Supervisors and other deputy responsible persons shall be implemented according to the regulations on the Management of Remuneration of Representatives of State-owned Financial Enterprises. The independent non-executive Directors, external Supervisors and employee Supervisors receive allowances in the Company. Non-executive Directors do not receive remuneration in the Company. The remuneration of other Senior Management gives consideration to both incentive and restriction and is based on their performance as well as the risks and responsibilities of their positions and is subject to government supervision and adjustment along with market condition which comprises basic salary, bonus and other benefits. The Company organizes the Directors, Supervisors and Senior Management who are employees to participate in the corporate pension scheme in accordance with relevant state regulations. During the Reporting Period, the Company had no arrangement for any stock incentive plan for Directors, Supervisors and Senior Management.

7.24 Relationship between Directors, Supervisors and Senior Management

There was no financial, business or family relationship, or other relationships which is required to be disclosed between any of the Directors, Supervisors and Senior Management.

7.25 Indemnity for Directors, Supervisors and Senior Management

According to the Articles, the Company may establish a liability insurance system for Directors, Supervisors and Senior Management as necessary in order to lower the risk exposure arising from their normal discharge of obligations. During the Reporting Period, the Company maintained liability insurance for directors, supervisors and senior management of the Group to protect them against any potential liability arising from the Group's activities to which they may be held liable.

During the Reporting Period, there was no permitted indemnity provision for the benefit of Directors.

7.26 Connected Transactions

During the Reporting Period, the Company did not conduct any connected transaction or continuing connected transaction required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Hong Kong Listing Rules. Details of related party transactions as defined under the IFRS are set out in Note VI. 69 "Related party transactions" to the Consolidated Financial Statements, which do not constitute the connected transaction or continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

The Company, as one of the existing shareholder of Huainan Mining Industry (Group) Co., Ltd. ("**Huainan Mining Group**"), together with other existing shareholders of Huainan Mining Group, collectively as parties to the agreement, entered into the Absorption and Merger Agreement between Huaihe Energy and Huainan Mining Group with Huainan Mining Group and Huaihe Energy (Group) Co., Ltd. ("**Huaihe Energy**") on February 21, 2022, pursuant to which, the parties including the Company agreed that Huaihe Energy would absorb and merge Huainan Mining Group by issuing shares and/or convertible corporate bonds (if any) and paying cash to all the existing shareholders of Huainan Mining Group, including the Company. Upon completion of the absorption and merger, the Company will become a shareholder of Huaihe Energy. As Huainan Mining Group currently holds more than 10% of equity interest in Cinda Real Estate, a subsidiary of the Company, according to Chapter 14A of the Hong Kong Listing Rules, Huainan Mining Group constitutes a connected person at the subsidiary level of the Company. At the same time, Huainan Mining Group currently holds 56.61% of equity interest in Huaihe Energy, and therefore, Huaihe Energy is an associate of such connected person, the absorption and merger is subject to the reporting and announcement requirements but exempt from circular, advice from independent financial advisor and shareholders' approval requirements. For details of this absorption and merger, please refer to the Company's connected transaction announcement dated February 22, 2022.

7.27 Social Responsibility

Adhering to the mission of “providing excellent service for customers, creating best return for shareholders, building a development platform for employees, resolving financial risks for the country, and assuming greater responsibility for the society”, the Company practiced the environmental, social and governance (“ESG”) management concept, explored new sustainable development practices and took initiative to shoulder social responsibilities in preventing and defusing risks, serving the real economy, caring for the growth of employees, developing green finance, supporting rural revitalization and implementing Pandemic prevention and control. Great results have been achieved.

The Company adapted to the trend of green and low-carbon development, to achieve the goal of “carbon dioxide emission and carbon neutrality”. By taking the implementation of the newly revised Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange as an opportunity, the Company formulated the ESG management strategy, determined the importance of ESG issues, identified the risks of major ESG issues and set economic, environmental and social targets. The Company continued promoting the integration and innovation of the ESG concept with its operation and management, and enhancing the quality and effectiveness of ESG management.

For detailed information on the Company’s performance in implementing social responsibility and the environmental, social and governance requirements of the Hong Kong Stock Exchange, Please refer to the 2021 Corporate Social Responsibility Report of China Cinda to be published separately.

7.28 Compliance with Relevant Laws and Regulations

During the Reporting Period, the Company has complied with the relevant laws and regulations which are material to its business and operation in all material respects, and obtained all material qualifications and permits necessary for its business operations in accordance with relevant laws and regulations.

7.29 Auditors

The financial reports of the Company for 2021 prepared under the IFRS and PRC GAAP have been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

7.30 Statement for Changes of Auditors in the Past Three Years

As approved at the annual general meeting for 2020 on June 25, 2021, the Company re-appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively, “**Ernst & Young**”) as its domestic and international auditors for 2021, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2021. By 2021, Ernst & Young has provided audit services to the Company for seven consecutive years. The Company has not changed its auditors in the past three years.

By Order of the Board
ZHANG Zi'ai
Chairman

March 29, 2022

8 REPORT OF THE BOARD OF SUPERVISORS

In 2021, the Board of Supervisors, in accordance with the laws, regulations and the Articles, made use of various means, such as research and inspection, monitoring and analysis, to conscientiously perform its supervisory duties, strive to enhance the supervision effectiveness, promote to improve the corporate governance, give full play to its role in corporate governance and facilitate the compliant operation of the Company.

8.1 Major Work Completed

Convene the Board of Supervisors meetings in accordance with the law. The Board of Supervisors held seven meetings in 2021, and considered 14 resolutions, including the Company's regular reports, internal control evaluation report, performance evaluation reports and the nomination of Supervisors. The Performance and Due Diligence Supervision Committee held five meetings and the Finance and Internal Control Supervision Committee held six meetings. Five special meetings were also held. The Board of Supervisors was briefed on the implementation of the Company's strategic planning, operational development, risk management, internal audit findings, quality of assets and implementation and rectification of regulatory advices. Members of the Board of Supervisors performed their duties faithfully and diligently and provided independent opinions on the legal operation, financial report, duty performance, and internal control of the Company for 2021 in accordance with the relevant laws and regulations.

Practically perform the due diligence supervision. By participating in important meetings such as the meetings of the Board and its special committees, working meetings of the Company and regulatory briefings, carrying out discussions, researches and reviewing documents, the Board of Supervisors continued strengthening the due diligence supervision. The Board of Supervisors further improved the performance evaluation mechanism based on the latest regulatory requirements, paid attention to the measures taken by the Company to implement regulatory requirements and promoted the improvement of corporate governance. The Board of Supervisors strengthened supervision by focusing on the procedures, decision-making process and results of deliberations, and conducted annual performance evaluation. Based by the daily supervision, the Board of Supervisors formulated the evaluation report on the annual performance of duties of the Board, the Board of Supervisors, Senior Management and their members, and reported the evaluation of the performance of duties to the general meeting and the supervisory authorities in accordance with the regulations.

Earnestly carry out financial supervision. The Board of Supervisors earnestly performed the duty of financial reporting supervision and put forward opinions and suggestions on assets and liability management, capital operation, capital replenishment and business model transformation in light of the views expressed. Focusing on the Pandemic prevention and control and the impact of the economic situation, the Board of Supervisors strengthened the tracking and supervision of financial indicators, conducted research and judgment on relevant financial data, and kept abreast of the main operating conditions and the difficulties and challenges faced by the Company in a timely manner. The Board of Supervisors regularly listened to the analysis of the Company's operation and made opinions and suggestions such as increasing effective investment, optimizing the business structure and model, alleviating the pressure of assets quality deterioration and adjusting the strategy of assets-liability match. The Board of Supervisors emphasized adhering to the principle of prudence and implementing audits in key areas of concern.

Constantly enhance internal control and compliance supervision. Being concerned about the improvement of the internal control and compliance system, the Board of Supervisors regularly listened to reports on internal audit findings and rectification, internal control evaluation and supervisory inspections, and progress of rectification of disclosed problems, to supervise the faithful rectification of key problems. The Board of Supervisors was also concerned about the weaknesses in key areas such as anti-money laundering, case prevention and staff conduct management, and made recommendations to strengthen internal control and compliance management and internal audit construction. Following up the activity themed “Internal Control and Compliance Management Construction Year”, the Board of Supervisors urged the Company to conduct in-depth self-examination and self-correction, paid attention to the centralized rectification, and promoted the construction of a long-term mechanism for internal control and compliance, to reinforce the foundation of sound and compliant operation.

Continue to strengthen risk management supervision. Paying continuous attention to the impact of changes in Pandemic and the external environment on the Company’s operation and development, the Board of Supervisors focused on key business and areas and deepened risk management supervision. The Board of Supervisors listened to reports on the Company’s business and subsidiary management, and paid attention to the assets quality and risk situation, with the focus on mitigating and preventing of risks. Through analyzing important control indicators, business investment and fixed income projects, the Board of Supervisors made recommendations on and supervised the implementation of risk management, regulatory advices and concentration control. The Board of Supervisors regularly received reports on the Company’s connected transactions, focusing on the internal control mechanism of connected transactions and the examination and approval of major projects, and made corresponding opinions and recommendations.

Focus on strengthening self-construction. The Board of Supervisors kept a close eye on changes in regulatory policies and the implementation, such as following up the implementation of the Code of Corporate Governance for Banking and Insurance Institutions and other polices in a timely manner, analyzing the main content against benchmarks, and making arrangements for the convergence and adjustment of various policies of the Company. The Board of Supervisors made constant improvements to the communication and coordination mechanism by conducting regular regulatory discussions with the CBIRC with a watchful eye on regulatory priorities, in order to dovetail with the supervision aspect; strengthening communication with the Board and the management while conducting research into the headquarter departments, branches and subsidiaries; paying attention to the major problems faced by the Company in promoting the integration of Party building and operation, facilitating business transformation and defusing major risks, to enhance the understanding of the Company’s operation and the supervision effectiveness.

8.2 Independent Opinions on Relevant Matters

Lawful operation

During the Reporting Period, the operation of the Company was in compliance with laws and regulations, and its decision-making procedures were in compliance with relevant laws, regulations and the requirements of the Articles. The Board of Supervisors had no objection to the matters submitted to the general meetings for consideration. The Board duly implemented the resolutions approved at the general meetings. Directors and Senior Management duly performed their duties. The Board of Supervisors was not aware of any breach of laws, regulations and the Articles or any act detrimental to the interests of the Company by any of the Directors or Senior Management in performing their duties.

Financial reports

The financial reports for the year reflected the financial position and operating results of the Company truthfully and fairly.

Opinions on the performance evaluation of Directors, Supervisors and Senior Management

The results of the performance evaluation of all Directors, Supervisors and Senior Management for 2021 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no disagreement with the evaluation opinions on internal control of the Company for 2021.

By Order of the Board of Supervisors
GONG Jiande
Chairman of the Board of Supervisors

March 29, 2022

9 SIGNIFICANT EVENTS

9.1 Material Litigation and Arbitration

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

9.2 Major Acquisition and Disposal of Assets and Merger

On November 17, 2021, the Company, as one of the investors, and the other investors separately entered into the share subscription agreements with China Huarong Asset Management Co., Ltd. (“**China Huarong**”). The Company shall contribute not more than RMB4 billion to subscribe for not more than 3,921,568,627 (inclusive) domestic shares in cash (the “**Investment**”). The Investment has been reviewed and approved at 2021 fourth extraordinary general meeting. Upon completion of the Investment, the Company holds 3,921,568,627 domestic shares of China Huarong, representing 4.89% of the total issued share capital of China Huarong. For details of the Investment, please refer to the announcements and circulars of the Company dated August 18, 2021, November 17, 2021 and December 2, 2021.

During the Reporting Period, save as the aforementioned issue, the Company did not have any major acquisitions, disposal of assets and business mergers.

9.3 Appropriation of Funds by the Controlling Shareholder and other Related Parties

The controlling shareholder and other related parties have not appropriated the funds of the Company.

9.4 Implementation of Share Incentive Plan

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

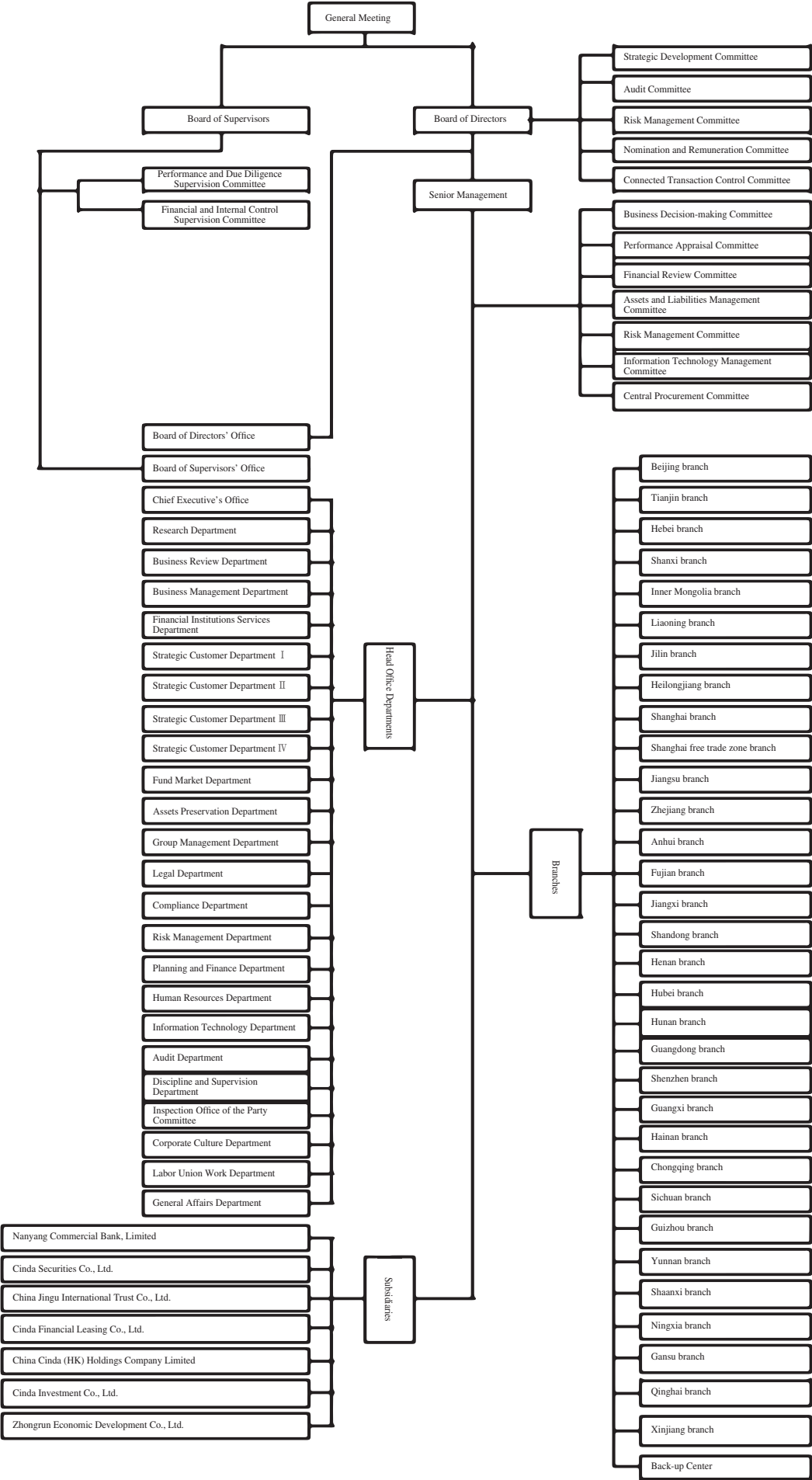
9.5 Major Custody, Contracting and Leasing

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

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

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

10 ORGANIZATIONAL CHART



11 AUDIT REPORT AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR’S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR’S REPORT

TO THE SHAREHOLDERS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.

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

OPINION

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 132 to 387, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the “Code”) issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>(1) Classification and impairment assessment of financial assets</i>	
The Group classifies financial assets into three categories: amortized cost (Note VI.29), fair value through other comprehensive income (Note VI.27) and fair value through profit or loss (Note VI.25) based on the business model for managing the financial assets and their contractual cash flow characteristics according to IFRS 9 – Financial Instruments (hereinafter referred to as “IFRS 9”). The significant judgements used in the classification of financial assets by the Group involve assessing the business model for managing a portfolio of financial assets and assessing whether contractual cash flows are solely payments of principal and interest on the principal amount. The Group’s disclosures about accounting judgements and estimations are included in Note V.1 Classification of financial assets. The Group adopts the expected credit loss model to assess the impairment of financial assets according to IFRS 9. Complex models and assumptions are used in the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost, for example: • Significant increases in credit risk – The selection of criteria for identifying significant increases in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for financial assets with longer remaining periods to maturity; • Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.	1. Classification of financial assets Our audit procedures included reviewing accounting policies related to the Group’s classification of financial assets, assessing and testing the design and operating effectiveness of controls over the assessment of the business model for managing the financial assets and the assessment of contractual cash flow characteristics in the process of classification of financial assets. We reviewed management’s business model assessment by obtaining supporting evidence on how the business performance is measured and assessing the frequency and relative amount in sales in the past. We obtained understanding and assessed the logic of the contractual cash flow assessment, and on a sampling basis, we reviewed management’s contractual cash flow assessment by reading the relevant contractual terms and performing an independent assessment of the contractual cash flows. 2. Impairment assessment of financial assets Our audit procedures included assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost.

Key audit matter	How our audit addressed the key audit matter
<i>(1) Classification and impairment assessment of financial assets (Continued)</i>	
- Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; and - Individual impairment assessments – Identifying credit impaired financial assets requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. The Group's disclosures about accounting judgements and estimations of impairment of financial assets and the details of these financial assets are included in Note V.1 Classification of financial assets, Note V.3 Impairment of financial assets, Note VI.28 Loans and advances to customers, Note VI.29 Financial assets at amortized cost and Note VI.70.1 Credit risk.	With the support of our internal credit risk modelling experts, we evaluated and tested the reasonableness of the methodology, important parameters of the expected credit loss model, management's major judgements and related assumptions, including: - Assessing the reasonableness of the expected credit loss model methodology; - Assessing the reasonableness of related parameters, including the probability of default, loss given default, risk exposure, and the significant increases in credit risk, in response to the macroeconomic changes and the COVID-19 pandemic implications; - Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and different weights of multiple macroeconomic scenarios; and - Evaluating the models and the related assumptions used in individual impairment assessments and analyzing the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral. Based on the financial and non-financial information of the debtors and other external evidence, we selected samples and assessed the appropriateness of the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we selected samples and checked key data used in the models, including historical data and measurement data, to evaluate the accuracy and completeness of the data used. Furthermore, we checked the appropriateness of related disclosures including the disclosures of credit risk and expected credit losses.

Key audit matter	How our audit addressed the key audit matter
<i>(2) Valuation of financial instruments</i>	
Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note V.2 Fair value of financial instruments and Note VI.71 Fair values of financial instruments.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data. For unobservable inputs, such as estimated future cash flows, we checked the appropriateness by comparing the cash flows against relevant contractual terms or performing assessments of cash flows from collaterals or profit forecasts. We re-performed and re-performed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we checked the appropriateness of related disclosures of fair value including the disclosure of the fair value hierarchy.
<i>(3) Assessment of control, joint control and significant influence</i>	
The Group makes significant judgements to assess whether the Group has control over structured entities, and joint control or significant influence over the structured entities and other investees. - The Group has interests in various structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The consolidation of those entities is determined by the Group on the basis of control, which involves management's judgement upon power over the structured entities' relevant activities, exposure to variable returns from its involvement with the structured entities, and the ability to use the power to affect the amount of its returns; - The joint control over the structured entities and other investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control; and	We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it has control, joint control or significant influence over structured entities and other investees. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities' relevant activities, and the magnitude and variability of variable returns from its involvement with structured entities. We also evaluated the appropriateness of the Group's assessment on its legal or constructive obligation to absorb loss of structured entities by reviewing relevant agreements or contracts, and whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we checked the appropriateness of related disclosures including interests in consolidated and unconsolidated structured entities.

Key audit matter	How our audit addressed the key audit matter
<i>(3) Assessment of control, joint control and significant influence (Continued)</i>	
The significant influence over the structured entities and other investees is determined by the Group's assessment of its power to participate in the structured entities and other investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the structured entities and other investees' policy-making process, composition of the board of directors or other governing bodies, change in ownership and existence of contractual arrangements. Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this was considered as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note V.5 Control on structured entities, Note V.6 Judgement on joint control, Note V.7 Judgement on significant influence and Note VI.34 Interests in subsidiaries, Note VI.36 Interests in consolidated structured entities, Note VI.37 Interests in associates and joint ventures and Note VI.38 Interests in unconsolidated structured entities.	We also assessed the Group's analysis and conclusions on the existence of joint control or significant influence over the structured entities and other investees. We made inquiries and inspections of the relevant contracts and agreements of investments to evaluate the Group's assessment of its power to joint control over the structured entities and other investees' relevant activities, or to participate in the structured entities and other investees' financial and operating policy decisions. We also reviewed the minutes of the meetings of the investors or shareholders, the board of directors or other governing bodies of the structured entities and other investees. We evaluated the Group's reassessment of its influence over the structured entities and other investees on a continuous basis if facts and circumstances indicated that there were changes. Furthermore, we checked the appropriateness of related disclosures of interests in associates and joint ventures.

Key audit matter	How our audit addressed the key audit matter
(4) <i>impairment assessment of goodwill</i>	
As at December 31, 2021, the amount of goodwill in the Group’s consolidated financial statements was RMB21,422 million. Certain risks may exist that the carrying amount of the goodwill cannot be recovered. The Group is required to, at least annually, perform impairment assessment of goodwill. For the purpose of impairment assessment, the Group allocated goodwill of RMB21,135 million to the cash generating units of Nanyang Commercial Bank, Limited (the “NCB”). To evaluate the recoverability of the goodwill, the Group engaged external appraisal experts to calculate the recoverable amount of NCB’s cash-generating units using discounted cash flow model based on management’s forecasted future cash flows. The Group adopted key assumptions, including forecasted periods, forecasted cash flows, growth rates, discounted rates in impairment assessment of goodwill. These assumptions are subject to inherent uncertainty. Considering the significant impact and the usage of key assumptions, we treated the impairment assessment of goodwill as a key audit matter. The Group’s disclosures about accounting judgements and estimation and the details of goodwill are included in Note V.10 Impairment of goodwill and Note VI.40 Goodwill.	Our audit procedures included reviewing accounting policies in relation to impairment assessment of goodwill, assessing and testing the design and operating effectiveness of controls over impairment assessment of goodwill, assessing management’s identification of cash-generating units and allocation of goodwill, and evaluating professional competency of external appraisal experts. With the support of our internal valuation specialists, we evaluated and tested the model and key assumptions adopted by management in the goodwill’s impairment assessment, including: • Evaluating the impairment assessment model for goodwill; • Assessing management’s future cash flow forecasts, including forecasted revenues and costs, forecasted periods, and growth rates, and comparing the forecast with the Group’s business plan, economic growth and development of the industry, and historical actual operating performances; • Recalculating discounted rates using Capital Asset Pricing Model (“CAPM”) based on information of risk-free interest rate, market return rate, comparable companies and risk factors, and comparing the results with the discounted rates adopted in the impairment assessment to evaluate its reasonableness; • Testing the accuracy of the calculation of goodwill’s recoverable amount; and • Evaluating the sensitivity analysis of key management’s assumptions, to ascertain if adverse changes would impact the result of impairment assessment of goodwill. Furthermore, we checked the appropriateness and completeness of related disclosures of goodwill.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants

Hong Kong
 March 29, 2022

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS*FOR THE YEAR ENDED DECEMBER 31, 2021*

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	<i>Notes VI</i>	2021	2020
Continuing operations			
Income from distressed debt assets at amortized cost	<i>1</i>	13,466,628	19,150,708
Fair value changes on distressed debt assets	<i>2</i>	15,475,828	12,546,970
Fair value changes on other financial instruments	<i>3</i>	14,674,802	12,566,515
Investment income	<i>4</i>	156,762	322,490
Interest income	<i>5</i>	25,100,843	23,899,176
Revenue from sales of inventories	<i>6</i>	20,385,467	24,316,307
Commission and fee income	<i>7</i>	5,291,344	4,444,900
Net gains on disposal of subsidiaries, associates and joint ventures	<i>8</i>	303,992	1,842,272
Other income and other net gains or losses	<i>9</i>	2,875,375	1,044,680
Total		97,731,041	100,134,018
Interest expense	<i>10</i>	(41,936,940)	(39,618,504)
Employee benefits	<i>11</i>	(6,398,341)	(6,158,895)
Purchases and changes in inventories	<i>6</i>	(16,906,350)	(17,360,392)
Commission and fee expense	<i>12</i>	(688,671)	(635,894)
Taxes and surcharges		(612,718)	(599,311)
Depreciation and amortization expenses		(2,016,301)	(2,057,749)
Other expenses		(3,866,232)	(3,532,097)
Impairment losses on assets	<i>13</i>	(11,722,947)	(14,096,819)
Total		(84,148,500)	(84,059,661)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (Continued)*FOR THE YEAR ENDED DECEMBER 31, 2021*

(Amounts in thousands of RMB, unless otherwise stated)

	<i>Notes VI</i>	Year ended December 31 2021	2020
Change in net assets attributable to other holders of consolidated structured entities	36	<u>(20,141)</u>	<u>(17,815)</u>
Profit before share of results of associates and joint ventures and tax		13,562,400	16,056,542
Share of results of associates and joint ventures		<u>5,816,507</u>	<u>252,715</u>
Profit before tax from continuing operations	14	<u>19,378,907</u>	<u>16,309,257</u>
Income tax expense	15	<u>(6,378,441)</u>	<u>(5,324,010)</u>
Profit for the year from continuing operations		<u>13,000,466</u>	<u>10,985,247</u>
Discontinued operation			
Profit after tax for the year from a discontinued operation	74	<u>–</u>	<u>3,752,030</u>
Profit for the year		<u>13,000,466</u>	<u>14,737,277</u>
Profit attributable to:			
Equity holders of the Company		12,061,721	13,247,880
Non-controlling interests		<u>938,745</u>	<u>1,489,397</u>
		<u>13,000,466</u>	<u>14,737,277</u>
Earnings per share attributable to ordinary equity holders of the Company (Expressed in RMB Yuan per share)	16		
– Basic		0.29	0.32
– Diluted		<u>0.29</u>	<u>0.32</u>
Earnings per share attributable to ordinary equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	16		
– Basic		0.29	0.22
– Diluted		<u>0.29</u>	<u>0.22</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME*FOR THE YEAR ENDED DECEMBER 31, 2021*

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2021	2020
Profit for the year	<u>13,000,466</u>	<u>14,737,277</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	42,272	(180,875)
Amounts reclassified to profit or loss upon disposal	(155,535)	(88,227)
Amounts of profit or loss upon impairment	<u>135,783</u>	<u>16,303</u>
	<u>22,520</u>	<u>(252,799)</u>
Exchange differences arising on translation of foreign operations	(312,477)	(907,831)
Share of other comprehensive income of associates and joint ventures	<u>104,419</u>	<u>206,835</u>
Subtotal	<u>(185,538)</u>	<u>(953,795)</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	2,721	(16,118)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	178,415	(546,815)
Share of other comprehensive income of associates and joint ventures	<u>(33,352)</u>	<u>—</u>
Subtotal	<u>147,784</u>	<u>(562,933)</u>
Other comprehensive income/(loss) for the year, net of income tax	<u>(37,754)</u>	<u>(1,516,728)</u>
Total comprehensive income for the year	<u>12,962,712</u>	<u>13,220,549</u>
Total comprehensive income attributable to:		
Equity holders of the Company	12,045,617	12,046,154
Non-controlling interests	<u>917,095</u>	<u>1,174,395</u>
	<u>12,962,712</u>	<u>13,220,549</u>

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION*AS AT DECEMBER 31, 2021*

(Amounts in thousands of RMB, unless otherwise stated)

	<i>Notes VI</i>	As at December 31 2021	2020
Assets			
Cash and balances with central banks	21	18,045,729	15,375,048
Deposits with banks and financial institutions	22	99,921,346	87,953,563
Deposits with exchanges and others	23	2,202,860	1,946,984
Placements with banks and financial institutions	24	25,045,776	19,909,505
Financial assets at fair value through profit or loss	25	456,203,750	446,916,674
Financial assets held under resale agreements	26	68,204,309	36,241,153
Financial assets at fair value through other comprehensive income	27	122,592,326	123,728,468
Loans and advances to customers	28	368,031,445	353,456,297
Financial assets at amortized cost	29	183,535,039	220,232,956
Accounts receivable	30	3,203,037	3,255,410
Properties held for sale	32	44,061,194	48,892,723
Investment properties	33	9,426,590	9,180,878
Interests in associates and joint ventures	37	79,833,138	70,502,660
Property and equipment	39	15,551,141	17,224,542
Goodwill	40	21,422,080	22,043,558
Other intangible assets	41	3,519,626	3,801,384
Deferred tax assets	42	7,782,053	8,989,874
Other assets	43	35,697,835	28,431,971
Total assets		<u>1,564,279,274</u>	<u>1,518,083,648</u>
Liabilities			

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

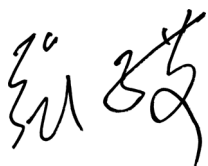
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)*AS AT DECEMBER 31, 2021*

(Amounts in thousands of RMB, unless otherwise stated)

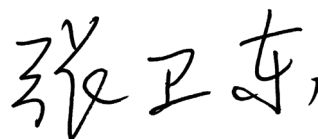
	<i>Notes VI</i>	As at December 31 2021	2020
Borrowings from central bank	44	996,043	986,058
Accounts payable to brokerage clients	45	17,605,589	16,583,847
Financial liabilities at fair value through profit or loss	46	7,942,939	7,276,909
Financial assets sold under repurchase agreements	47	15,095,770	15,990,678
Placements from banks and financial institutions	48	16,277,657	14,044,334
Borrowings	49	555,079,140	556,912,148
Due to customers	50	298,748,119	273,644,174
Deposits from banks and financial institutions	51	19,976,906	15,542,184
Accounts payable	52	5,389,488	4,886,693
Tax payable	53	3,814,474	4,751,823
Bonds issued	54	367,806,745	355,777,530
Contract liabilities	55	13,681,373	14,855,727
Deferred tax liabilities	42	2,159,381	2,412,778
Other liabilities	56	37,930,170	39,376,345
Total liabilities		<u>1,362,503,794</u>	<u>1,323,041,228</u>
Equity			
Share capital	57	38,164,535	38,164,535
Other equity instruments	58	20,795,600	21,281,215
Capital reserve	59	20,541,741	20,409,660
Other comprehensive income	60	(1,372,178)	(1,237,414)
Surplus reserve	61	10,114,703	8,948,922
General reserve	62	17,065,621	15,665,320
Retained earnings		73,490,789	68,876,486
Equity attributable to equity holders of the Company		<u>178,800,811</u>	<u>172,108,724</u>
Non-controlling interests		<u>22,974,669</u>	<u>22,933,696</u>
Total equity		<u>201,775,480</u>	<u>195,042,420</u>
Total equity and liabilities		<u>1,564,279,274</u>	<u>1,518,083,648</u>

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

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



CHAIRMAN



PRESIDENT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company						Non-controlling interests	Total
	Share capital (Note VI.57)	Other equity instruments (Note VI.58)	Capital reserve (Note VI.59)	Other comprehensive income (Note VI.60)	Surplus reserve (Note VI.61)	General reserve (Note VI.62)	Retained earnings	Subtotal
As at January 1, 2021	38,164,535	21,281,215	20,409,660	(1,237,414)	8,948,922	15,665,320	68,876,486	172,108,724
Profit for the year	-	-	-	-	-	-	12,061,721	12,061,721
Other comprehensive income for the year	-	-	-	(16,104)	-	-	-	(16,104)
Total comprehensive income for the year	-	-	-	(16,104)	-	-	12,061,721	12,045,617
Issuance of other equity instruments	-	20,795,600	-	-	-	-	-	20,795,600
Redemption of other equity instruments	-	(21,281,215)	609,535	-	-	-	-	(20,671,680)
Acquisition of additional interests in subsidiaries	-	-	17,052	-	-	-	-	17,052
Disposal of subsidiaries	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	-	1,165,781	-	(1,165,781)	-
Appropriation to general reserve	-	-	-	-	-	1,400,301	(1,400,301)	-
Dividends recognized as distribution (Note VI.16, Note VI.17)	-	-	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	(4,999,996)	(4,999,996)
Dividends paid to capital securities	-	-	-	-	-	-	(208,837)	(208,837)
Share of associates' equity changes other than comprehensive income and distribution	-	-	(494,506)	(118,660)	-	-	(384,358)	(384,358)
As at December 31, 2021	38,164,535	20,795,600	20,541,741	(1,372,178)	10,114,703	17,065,621	73,490,789	178,800,811
							22,974,669	201,775,480

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company							Non-controlling interests	Total	
	Share capital (Note VI.57)	Other equity instruments (Note VI.58)	Capital reserve (Note VI.59)	Other comprehensive income (Note VI.60)	Surplus reserve (Note VI.61)	General reserve (Note VI.62)	Retained earnings			Subtotal
As at January 1, 2020	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461
Profit for the year	-	-	-	-	-	-	13,247,880	13,247,880	1,489,397	14,737,277
Other comprehensive income for the year	-	-	-	(1,201,726)	-	-	-	(1,201,726)	(315,002)	(1,516,728)
Total comprehensive income for the year	-	-	-	(1,201,726)	-	-	13,247,880	12,046,154	1,174,395	13,220,549
Capital contribution from non-controlling interests of subsidiaries	-	-	43,069	-	-	-	-	43,069	1,565,431	1,608,500
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(2,419,597)	(2,419,597)
Appropriation to surplus reserve	-	-	-	-	438,775	-	(438,775)	-	-	-
Amounts reversed from the general reserve	-	-	-	-	-	(296,101)	296,101	-	-	-
Dividends recognized as distribution (Note VI.16, Note VI.17)	-	-	-	-	-	-	(5,005,880)	(5,005,880)	-	(5,005,880)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(485,484)	(485,484)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(413,387)	(413,387)
Share of associates' equity changes other than comprehensive income and distribution	-	-	127,258	-	-	-	-	127,258	-	127,258
As at December 31, 2020	38,164,535	21,281,215	20,409,660	(1,237,414)	8,948,922	15,665,320	68,876,486	172,108,724	22,933,696	195,042,420

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2021	2020
OPERATING ACTIVITIES		
Profit before tax from continuing operations	19,378,907	16,309,257
Profit before tax from a discontinued operation	–	265,621
Adjustments for:		
Impairment losses on assets	11,722,947	14,098,259
Depreciation of property and equipment, investment properties and right-of-use assets	1,641,033	1,694,972
Amortization of intangible assets and other long-term assets	375,268	367,690
Share of results of associates and joint ventures	(5,816,507)	(265,662)
Net gains on disposal of property and equipment, investment properties and other intangible assets	(155,546)	(136,206)
Net gains on disposal of subsidiaries, associates and joint ventures	(303,992)	(1,842,272)
Fair value changes on financial assets	(14,231,494)	(8,731,389)
Investment income	(153,500)	(524,760)
Interest income	(2,593,127)	(6,292,439)
Borrowing costs	18,392,005	17,911,199
Change in reserves for insurance contracts	–	(3,286,516)
Operating cash flows before movements in working capital	28,255,994	29,567,754
Decrease/(increase) in balances with central banks and deposits with banks and financial institutions	376,548	(1,343,275)
(Increase)/decrease in financial assets at fair value through profit or loss	(15,206,905)	8,808,554
(Increase)/decrease in placements with banks and financial institutions	(2,882,172)	1,286,768
(Increase)/decrease in financial assets held under resale agreements	(701,354)	970,687
Decrease in financial assets at amortized cost	31,417,731	1,536,602
Increase in loans and advances to customers	(16,628,908)	(14,533,899)
Increase in accounts receivable	(118,007)	(1,018,320)
Decrease in properties held for sale	5,742,248	9,196,732
Increase/(decrease) in due to customers and deposits from banks and financial institutions	29,538,667	(176,536)
Increase in accounts payable to brokerage clients	1,021,742	2,263,503
Decrease in financial assets sold under repurchase agreements	(703,533)	(3,440,611)
Increase in borrowings	5,915,207	23,765,613
Increase/(decrease) in accounts payable	502,795	(157,634)
Decrease in contract liabilities	(1,174,354)	(9,231,309)
Increase/(decrease) in other operating assets	(5,507,653)	2,075,848
Decrease in other operating liabilities	(3,989,925)	(6,937,943)
Cash inflow from operations	55,858,121	42,632,534
Income taxes paid	(6,944,708)	(5,838,877)
NET CASH INFLOW FROM OPERATING ACTIVITIES	48,913,413	36,793,657

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)*FOR THE YEAR ENDED DECEMBER 31, 2021*

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2021	2020
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	154,600,873	87,915,031
Dividends received from investment securities	14,929,501	9,695,152
Dividends received from associates and joint ventures	1,084,226	1,150,148
Interest received from investment securities	2,490,800	3,568,731
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	620,608	176,991
Net cash (outflows)/inflows from disposals of subsidiaries	(883,172)	6,229,859
Net cash flows from disposals of associates and joint ventures	4,379,531	4,403,073
Cash payments to acquire investment securities	(152,290,980)	(131,945,753)
Net cash inflows/(outflows) due to acquisition of subsidiaries	179,799	(1,854)
Net cash inflows/(outflows) from consolidated structured entities	1,989,430	(1,771,959)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	(847,380)	(4,941,519)
Cash payments for establishment and acquisition of interests in associates and joint ventures	(5,468,547)	(593,933)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	20,784,689	(26,116,033)
FINANCING ACTIVITIES		
Proceeds from issuance of other equity instruments	20,795,600	–
Capital contribution from non-controlling interests of subsidiaries of the Company	–	1,608,500
Cash receipts from borrowings raised	27,938,707	21,554,455
Cash receipts from bonds issued	128,622,505	134,141,307
Cash repayments of borrowings	(36,073,203)	(21,934,075)
Cash repayments of bonds	(110,826,442)	(79,511,021)
Interest expenses on borrowings and bonds	(17,467,100)	(16,346,762)
Repayments of other equity instruments issued	(20,671,680)	–
Dividends paid	(4,999,996)	(5,005,880)
Dividends paid to non-controlling interests of subsidiaries	(591,765)	(898,135)
Cash payments for other financing activities	(297,425)	(793,727)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	(13,570,799)	32,814,662

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)*FOR THE YEAR ENDED DECEMBER 31, 2021*

(Amounts in thousands of RMB, unless otherwise stated)

	<i>Notes VI</i>	Year ended December 31	
		2021	2020
NET INCREASE IN CASH AND CASH EQUIVALENTS		56,127,303	43,492,286
CASH AND CASH EQUIVALENTS AT BEGINNING OF			
THE YEAR		120,733,347	82,749,337
Effect of foreign exchange changes		<u>(3,534,594)</u>	<u>(5,508,276)</u>
CASH AND CASH EQUIVALENTS AT END OF			
THE YEAR	<i>64</i>	<u>173,326,056</u>	<u>120,733,347</u>
Net cash flows from operating activities include:			
Interest received		22,507,716	18,132,503
Interest paid		<u>23,565,076</u>	<u>21,869,168</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

I. CORPORATE AND GROUP INFORMATION

China Cinda Asset Management Co., Ltd. (the “Company”) was transformed from China Cinda Asset Management Corporation (the “Former Cinda”), which was a wholly state-owned financial enterprise established in the People’s Republic of China (the “PRC”) by the Ministry of Finance (the “MOF”) on April 19, 1999 as approved by the State Council of the PRC (the “State Council”). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at December 31, 2021, the MOF directly owned 58.00% of the share capital of the Company.

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

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

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

II. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards issued by IASB, and the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statement. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. Impairment is recognized if there is objective evidence of impairment of assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION (Continued)

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note V. Critical accounting judgements and key sources of estimation.

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective in 2021

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

IFRS 9, IAS 39, IFRS 7, IFRS 4 *Interest Rate Benchmark Reform Phase 2*
and IFRS 16 Amendments

IFRS 16 Amendment *COVID-19-Related Rent Concessions beyond 30 June 2021*

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address the accounting issues that arise when financial instruments that reference Interbank Offered Rates ("IBOR") transition to nearly RFRs. The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is "separately identifiable" to be eligible for hedge accounting, the amendments 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. Additional disclosures are required for adoption.

IFRS 16 Amendment provides for rent relief during COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease modification in IFRS 16 for rent relief granted due to the impact of COVID-19. In March 2021, the IASB extended the period of application of the rent concession to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations that are not yet effective in 2021

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

		Effective for annual periods beginning on or after
IFRS 3 Amendments	<i>Reference to the Conceptual Framework</i>	January 1, 2022
IAS 16 Amendments	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	January 1, 2022
IAS 37 Amendments	<i>Onerous Contracts – Costs of Fulfilling a Contract</i>	January 1, 2022
IFRS 17 and Amendments	Insurance Contracts	January 1, 2023
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 1 and IFRS Practice Statement 2 Amendments	Disclosure of Accounting Policies	January 1, 2023
IAS 8 Amendments	Definition of Accounting Estimates	January 1, 2023
IAS 12 Amendments	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		January 1, 2022

IFRS 3 Amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to be capable of operating in the manner intended by management (including location and condition). Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations that are not yet effective in 2021 (Continued)

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IFRS 17 Insurance Contracts and its amendments replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 covers the recognition, measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts.

IAS 1 Amendments *Classification of Liabilities as Current or Non-current* specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In July 2021, the IASB tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024.

IAS 1 Amendments *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. IFRS Practice Statement 2 Amendments provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

IAS 8 Amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

IAS 12 Amendments narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognize a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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**III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
(Continued)**

**Standards, amendments and interpretations that are not yet effective in 2021
(Continued)**

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

Annual Improvements to IFRSs 2018-2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments, which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the "10 per cent" test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The improvements also include an amendment to lease incentives, which removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16 Leases, so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities (including structured entities) directly or indirectly controlled by the Company. Control is achieved if and only if the Company has all the following: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting and potential voting rights; and
- any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of consolidation (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income and expenses of a subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The carrying amount of the non-controlling interests is adjusted at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments: Classification, recognition and measurement of financial assets* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

4. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill arising on a business combination is measured at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Goodwill (Continued)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

5. Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Foreign currency transactions

The functional currency of the Company and its subsidiaries operating in the Mainland China is RMB. The Company's subsidiaries operating outside the Mainland China choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Foreign currency transactions (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for (I) exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (II) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortized cost of the monetary assets) which are recognized in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at a rate that approximates the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

7. Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

7.1 Determination of fair value

Fair value is determined in the manner described in Note VI.71 Fair values of financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.2 *Effective interest method*

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

7.3 *Classification, recognition and measurement of financial assets*

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The entity's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.3 Classification, recognition and measurement of financial assets (Continued)

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identify whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Financial assets at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortized cost, which mainly include distressed debt assets, loans and advances to customers as well as other debt investments.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.3 Classification, recognition and measurement of financial assets (Continued)

Financial assets at fair value through other comprehensive income (Continued)

Such financial assets that the Group hold mainly include debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for interests calculated using effective interest method, impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognized in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognized in profit or loss.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, which mainly include distressed debt assets, equity investments as well as fund.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognized in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss.

Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument, except a trading equity instrument as a financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognized the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified from other comprehensive income to retained earnings under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss. Such equity instruments do not recognize impairment losses.

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model under the perspective method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment allowances to financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

The expected credit loss (ECL) is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;
- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;
- Stage III: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the impairment provision has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date according to the ECL in the next 12 months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

For purchased or originated credit-impaired financial assets, the Group only recognizes the lifetime cumulative change in expected credit losses after initial recognition on the financial reporting date as impairment allowance. On each financial reporting date, the Group recognizes the amount of the changes in expected credit losses as an impairment loss or gain in profit or loss.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by borrowers and the corresponding losses). The Group adopts judgement, assumption and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters of the ECL measurement
- Forward-looking information
- Modification of contractual cash flows

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(i) Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The main criteria considered are as follows:

- Significant adverse change in the issuer or the debtor's operation or financial status;
- Significant downgrade in debtor's actual or expected internal and external credit ratings;
- The creditor offers the debtor a grace period or an extension period or debt restructuring;
- Significant increase in credit spread; and
- Overdue information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(ii) Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- Overdue information.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluate the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(iii) Parameters of the ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of the ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirement of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties) and forward-looking information in order to establish the models of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment in the next 12 months or throughout the entire remaining lifetime;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure, and is the percentage of loss of risk exposure at the time of default. LGD is calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(iv) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP and CPI. The forecast 2022 GDP growth rate used by the Group is between 5% and 8%.

The impact of these economic indicators on the ECL measurement varies according to different types of business. The Group applies experts' judgement in this process, and predicts these economic indicators on a regular basis and determines the impacts on these economic indicators on the ECL measurement by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage I) or life time (Stage II and Stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(v) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage III or Stage II to Stage I, the impairment allowance is changed to measure at an amount equivalent to the ECL of the financial instruments for the next 12 months from the ECL over the lifetime of the financial instruments.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.5 *Transfer of financial assets*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes the financial liability for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received and receivable for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

7.6 *Classification, recognition and measurement of financial liabilities*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

On initial recognition, the Group's financial liabilities are generally classified into financial liabilities at FVTPL or other financial liabilities.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.6 Classification, recognition and measurement of financial liabilities (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.7 *Derecognition of financial liabilities*

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

7.8 *Derivative financial instruments and hedge accounting*

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or
- hedges of a net investment in a foreign operation.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.8 Derivative financial instruments and hedge accounting (Continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is “an economic relationship” between the hedged item and the hedging instrument.
- The effect of credit risk does not “dominate the value changes” that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

The amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.8 *Derivative financial instruments and hedge accounting (Continued)*

Fair value hedge

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

8. Inventories

Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realizable value on an individual basis. Cost comprises the acquisition cost and other costs directly attributable to such properties as well as borrowing costs capitalized in accordance with the Group's accounting policy.

Others

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

9. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the statement of financial position based on the relationship between performance obligations and customer payments.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Contract assets and contract liabilities (Continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Incremental costs of obtaining a contract

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to obtain a contract with a customer are capitalized as an asset, unless the amortization period of the assets is one year or less, if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized.

10. Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant require unanimous consent of the parties sharing control.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Interests in associates and joint ventures (Continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates or joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

10. Interests in associates and joint ventures (Continued)

When the Group can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition of a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of associates and joint ventures. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it can no longer exercise joint control of or significant influence over an investee. When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

11. Investment properties

Investment properties are initially measured at cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Investment properties are depreciated or amortized in accordance with the same policies of buildings and land use rights.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Depreciation period	Residual value rates	Annual depreciation rates
Buildings	20-50 years	3%-10%	1.80%-4.85%
Aircrafts	25 years	5%-15%	3.40%-3.80%
Machinery and equipment	2-15 years	0%-5%	6.33%-50.00%
Electronic equipment and furniture	2-15 years	0%-5%	6.33%-50.00%
Motor vehicles	2-15 years	0%-5%	6.33%-50.00%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss and borrowing cost capitalized in accordance with the Group's accounting policy. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

14. Intangible assets

Intangible assets include trading seat fee, computer software systems and others, trade names, core deposits intangible and credit card customer relationships, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the reporting period, and makes adjustments when necessary.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Resale and repurchase agreements

16.1 Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the consolidated statement of financial position. The cost (including interests) of purchasing such assets is presented under “financial assets held under resale agreements” in the consolidated statement of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the consolidated statement of financial position. The proceeds (including interests) from selling such assets are presented under “financial assets sold under repurchase agreements” in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

17. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Insurance contracts and significant insurance risk testing

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts held by the Group are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group should unbundle the insurance component and the deposit component.

The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as investment contract liabilities according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it will be performed at the initial recognition of such contracts, and based on a group of contracts with similar nature. When performing the insurance risk significance test, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

19. Insurance contract liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring the long-term life insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit and mainly considers the characteristics of policies, including product type, gender, age, and durations of policies, when determining the measurement unit, etc.

The Group's short-term insurance contracts, which include non-life and short-term accident and health insurance policies, are grouped into certain measurement units by business line.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Insurance contract liabilities (Continued)

Insurance contract liabilities are measured based on reasonable estimates of the amount of payments when the Group fulfills relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e. the expected future net cash outflows.

- Expected future cash outflows represent cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:
 - (i) Guaranteed benefits under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and other benefits guaranteed by the insurance contracts;
 - (ii) Non-guaranteed benefits under the insurance contracts which are subject to certain level of discretion by the Group, including policyholder dividends; and
 - (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information available at the end of each reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.
- At inception of an insurance contract, any “Day 1” gain is not recognized in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. However, any “Day 1” loss should be recognized in the statement of profit or loss at inception when it occurs. Any residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin, and will not be adjusted for future changes in assumptions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Insurance contract liabilities (Continued)

For long-term life insurance contracts, the Group amortizes the residual margin on the basis of the effective sum of insured amount or estimated dividends payout during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

The Group uses information available at the end of each reporting period to derive the following assumptions used for measuring the reserve of long-term life insurance contracts:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.
- The Group reasonably estimates the insurance incident occurrence rate, lapse and surrender rate, expenses assumption and policy dividend assumption based on actual experience and expected future development trends.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to re-price the premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Insurance contract liabilities (Continued)

Unearned premium reserves

Unearned premium reserves for short-term insurance contracts represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

At inception of the insurance contracts, unearned premium reserves are measured based on premiums received less relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 basis according to the insurance coverage period.

The risk margin of the unearned premium reserves is determined by reference to the industry ratio and the Group's experience.

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, Incurred but not reported reserves ("IBNR") and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on the best estimates of the future payments for claim expenses.

The risk margin of the claim reserves is determined by reference to the industry ratio and the Group's experience.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Insurance contract liabilities (Continued)

Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flow with available information at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceed their carrying amounts on the date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

Investment contracts

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk and are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of profit or loss. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.
- Charges including policy administration fees are recognized as other income during the period of service provided.

Universal life contracts

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. Certain group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

19. Insurance contract liabilities (Continued)

Universal life contracts (Continued)

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in investment contract liabilities. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.
- Fees from surrenders and other service charges are recognized in other income.

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are treated as financial assets. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once held for sale.

Assets and liabilities held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; Or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

21. Preference shares and Perpetual bonds

Preference shares issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and preference shares issued are non-derivative instruments that will be settled in the Company's own equity instruments, but includes no contractual obligation for the Company to deliver a variable number of its own equity instruments. The Company classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognized as profit distribution at the time of declaration.

Perpetual bonds issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and perpetual bonds issued includes no terms and arrangements that the bonds must or will alternatively be settled in the Company's own equity instruments. The Company classifies perpetual bonds issued as an equity instrument. Fees, commissions and other transaction costs of perpetual bonds issuance are deducted from equity. The interest on perpetual bonds is recognized as profit distribution at the time of declaration.

22. Revenue recognition

22.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income and gains or losses arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.22.5 Interest income and expense.

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.22.7 Dividend income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

22. Revenue recognition (Continued)

22.2 Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services etc. which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed.

22.3 Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders. Premiums from direct short-term insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

22.4 Revenue from sale of goods

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

22. Revenue recognition (Continued)

22.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within “interest income” and “interest expense” in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

22.6 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

22.7 Dividend income

Dividend income from investments is recognized when the shareholders’ rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

22.8 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

Property management fee

The Group earns property management fee income from property management services which the Group provides to the customers. For those services that are provided over a period of time, property management fee income is accrued in accordance with the actual progress. For other property management services, property management fee income is recognized when the services are completed.

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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

23. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

23.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

23.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

23. Taxation (Continued)

23.2 Deferred tax (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24. Leasing

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24. Leasing (Continued)

24.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Group includes the renewal period as part of the lease term for leases when the renewal options are reasonably certain to be exercised. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of low-value asset. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of a low-value assets, and the rent is amortized on a straight-line basis in each period of the lease term and included in profit or loss.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payments. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24. Leasing (Continued)

24.1 As Lessee (Continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, machinery and equipment, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred when the Group is a lessee; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is shorter. The right-of-use assets are also subject to impairment assessment, which is detailed in Note IV.15 Impairment losses on tangible and intangible assets other than goodwill.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24. Leasing (Continued)

24.1 As Lessee (Continued)

Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

24. Leasing (Continued)

24.2 As Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognizes the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which consists of the receivable and the unguaranteed residual value, and the sum of the present value is recognized as unearned finance income. The Group uses the effective interest method to recognize the current finance income. In the initial measurement of the finance lease receivable, the Group recognizes the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognized in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortized on a straight-line basis in each period of the lease term and recognized in profit or loss. Variable lease payments that are not measured as part of the receivable in the lease are recognized in profit or loss as incurred.

25. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

26. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

The employees of the Group participate in Annuity scheme set up by the Company (the "Annuity scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Defined benefit plans

The Group's subsidiary Nanyang Commercial Bank, Limited (the "NCB") operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

27. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include assessment of business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial asset (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

2. Fair value of financial instruments

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

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V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
(Continued)

3. Impairment of financial assets

The models and assumptions used by the Group in assessing the expected credit losses on financial assets are highly dependent on management's judgement. When determining whether the credit risk of an asset has increased significantly or not, the Group needs to consider internal and external historical information, current conditions and future economic forecasts. The criteria for a significant increase in credit risk will be used to determine whether an asset needs to accrue lifetime expected credit losses, rather than expected credit losses for the subsequent 12 months. The parameters used by the Group to measure the ECL, including PD, LGD and EAD, where each of them involves numerous judgements and assumptions. The Group applies expert judgements to predict macroeconomic indicators, analyses the correlations with model parameters such as PD, and makes forward-looking adjustments. At the same time, the Group also needs to judge the probability of occurrence of multiple different macroeconomic scenarios and calculate probability-weighted expected credit losses. The estimation of future cash flows is critical for an impaired asset that uses a single assessment method to measure expected credit losses. Factors that may affect this estimate include, but are not limited to: the level of detail of the financial information of a particular debtor, the relationship between industry trends and the future performance of a particular debtor and cash flows which can be recovered from realizing collateral and so on.

4. Transfer of financial assets

Whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as whether, and to what extent, derecognition is appropriate requires significant judgement. In making this judgement, the Group evaluates whether it has transferred the right to collect the contractual cash flows, retained substantially all the risks and rewards of the transferred assets, or retained control of the transferred assets.

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**V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
(Continued)**

5. Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of the structured entities. If such power and exposure exist, the Group should consolidate such structured entities. The judgments the Group used in determining if it has control over the structured entities are detailed in Note VI.36 Interests in consolidated structured entities.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note IV.2 Basis of consolidation.

6. Judgment on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgment on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

7. Judgment on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgment based on factors such as the investees' policy-making process, composition of board of directors or other governing body, change in ownership and existence of contractual arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION
(Continued)

8. Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognized as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in current period is accumulated in properties under development and the common cost among construction periods cost is allocated among each period on the basis of saleable area.

9. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

10. Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the cash-generating units to which goodwill is allocated. When estimating the present value of future cash flows, the Group needs to adopt key assumptions, including forecasted periods, forecasted cash flows, and growth rates to anticipate future cash flows from the cash-generating units, and select the appropriate discount rate to determine the present value of future cash flows. These assumptions are subject to inherent uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note VI.29 Financial assets at amortized cost).

For the year ended December 31, 2021, the net gain on the derecognition of distressed debt assets at amortized cost was RMB1,315 million (For the year ended December 31, 2020, the net gain was RMB1,908 million).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets at fair value through profit or loss during the year (see Note VI.25 Financial assets at fair value through profit or loss).

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

3. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note VI.25 Financial assets at fair value through profit or loss and Note VI.46 Financial liabilities at fair value through profit or loss).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

3. Fair value changes on other financial instruments (Continued)

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

For the year ended December 31, 2021 and 2020, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	Year ended December 31	
	2021	2020
Financial instruments at fair value through profit or loss	<u>14,674,802</u>	<u>12,566,515</u>
Total	<u>14,674,802</u>	<u>12,566,515</u>

4. Investment income

	Year ended December 31	
	2021	2020
Net realized gain from disposal of		
– Financial assets at fair value through other comprehensive income	167,141	305,290
– Loans and advances to customers at amortized cost	3,262	18,434
– Other debt assets at amortized cost (1)	–	3,544
Dividend income from		
– Financial assets at fair value through other comprehensive income	1,580	1,924
Others	<u>(15,221)</u>	<u>(6,702)</u>
Total	<u>156,762</u>	<u>322,490</u>

- (1) For the year ended December 31, 2021, there were no net gains or losses recognized from derecognition of other debt assets at amortized cost. (For the year ended December 31, 2020, all the net gains recognized from derecognition of other debt assets at amortized cost are resulting from disposing bonds.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

5. Interest income

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

	Year ended December 31	
	2021	2020
Loans and advances to customers		
– Corporate and personal loans and advances	12,814,424	13,157,774
– Finance lease receivables	3,139,456	2,456,763
– Loans to margin clients	680,232	608,712
Other debt investments at amortized cost	2,638,917	2,312,390
Financial assets at fair value through other comprehensive income	2,265,884	2,740,188
Financial assets held under resale agreements	1,785,630	779,641
Deposits with banks and financial institutions	1,378,579	1,321,700
Placements with banks and financial institutions	245,748	314,089
Others	151,973	207,919
Total	<u>25,100,843</u>	<u>23,899,176</u>

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

	Year ended December 31	
	2021	2020
Revenue from sales of inventories	20,385,467	24,316,307
Purchases and changes in inventories	<u>(16,906,350)</u>	<u>(17,360,392)</u>
Including:		
Revenue from sales of properties held for sale	20,370,764	24,078,700
Purchases and changes in properties held for sale	<u>(16,906,350)</u>	<u>(17,131,566)</u>
Gross profit from sales of properties	<u>3,464,414</u>	<u>6,947,134</u>
Revenue from other trading operations	14,703	237,607
Purchases and changes in inventories of other trading operations	<u>–</u>	<u>(228,826)</u>
Gross profit from other trading operations	<u>14,703</u>	<u>8,781</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

6. Revenue from sales of inventories and purchases and changes in inventories (Continued)

Recognition time of revenue from sales of properties held for sale

	Year ended December 31	
	2021	2020
Recognized revenue at a point in time		
Sales of properties held for sale	<u>20,370,764</u>	<u>24,078,700</u>

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2021	2020
Amounts expected to be recognized as revenue:		
Within one year	8,902,621	14,809,670
After one year	<u>4,920,489</u>	<u>18,231</u>
Total	<u>13,823,110</u>	<u>14,827,901</u>

7. Commission and fee income

	Year ended December 31	
	2021	2020
Securities and futures brokerage	1,406,428	1,210,809
Fund and asset management business	1,237,566	869,161
Banking business	992,032	1,040,909
Agency business	606,784	460,807
Trustee services	483,762	315,550
Consultancy and financial advisory	229,841	245,174
Securities underwriting	182,833	212,066
Others	<u>152,098</u>	<u>90,424</u>
Total	<u>5,291,344</u>	<u>4,444,900</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

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

	Year ended December 31	
	2021	2020
Net gains on disposal of subsidiaries	525,675	324,655
Net gains on disposal of associates and joint ventures	(221,683)	1,517,617
Total	<u>303,992</u>	<u>1,842,272</u>

9. Other income and other net gains or losses

	Year ended December 31	
	2021	2020
Rental income	945,027	889,096
Income from liquidated damages	592,981	184,018
Revenue from project supervision	406,199	274,574
Revenue from hotel operation	355,311	234,083
Revenue from property management business	321,484	299,888
Government grants and compensation (1)	177,044	147,737
Net gains on disposal of other assets	130,891	127,081
Net losses on exchange differences	(485,402)	(1,529,321)
Others	431,840	417,524
Total	<u>2,875,375</u>	<u>1,044,680</u>

- (1) For the year ended December 31, 2021, the government grant and compensation from operating activities, as part of other income and other net gains or losses, amounted to RMB165.96 million (for the year ended December 31, 2020: RMB121.69 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

10. Interest expense

	Year ended December 31	
	2021	2020
Borrowings		
– Wholly repayable within five years	(22,790,316)	(20,120,856)
– Not wholly repayable within five years	(1,234,509)	(1,468,957)
Bonds issued	(14,039,405)	(13,287,827)
Due to customers	(3,158,278)	(4,103,497)
Financial assets sold under repurchase agreements	(233,161)	(196,879)
Placements from banks and financial institutions	(126,966)	(143,288)
Deposits from banks and financial institutions	(175,036)	(135,455)
Accounts payable to brokerage clients	(68,192)	(55,362)
Lease liabilities	(48,913)	(36,722)
Others	(62,164)	(69,661)
Total	<u>(41,936,940)</u>	<u>(39,618,504)</u>

11. Employee benefits

	Year ended December 31	
	2021	2020
Wages or salaries, bonuses, allowances and subsidies	(4,845,311)	(4,909,830)
Defined contribution plans	(545,589)	(361,465)
Social insurance	(319,781)	(250,791)
Housing funds	(229,439)	(204,454)
Labour union fees and staff education expenses	(116,315)	(120,391)
Defined benefit plans	(4,918)	(4,364)
Others	(336,988)	(307,600)
Total	<u>(6,398,341)</u>	<u>(6,158,895)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

12. Commission and fee expense

	Year ended December 31	
	2021	2020
Securities and futures brokerage	(424,117)	(373,029)
Entrusted asset management	(89,771)	(86,914)
Securities underwriting business	(13,289)	(58,532)
Others	(161,494)	(117,419)
	<u>(688,671)</u>	<u>(635,894)</u>
Total	<u>(688,671)</u>	<u>(635,894)</u>

13. Impairment losses on assets

	Year ended December 31	
	2021	2020
Allowances of impairment losses on assets		
Financial assets at amortized cost		
– Distressed debt assets	(4,334,279)	(7,659,893)
– Other debt investments	(640,764)	(636,463)
Loans and advances to customers	(3,933,477)	(2,699,360)
Properties held for sale	(1,398,893)	(1,343,877)
Interests in associates and joint ventures	(380,071)	(403,566)
Assets in satisfaction of debts	(182,792)	(636,974)
Accounts receivable	(96,088)	63,930
Property and equipment	(73,371)	(3,137)
Goodwill	–	(103,534)
Interest receivable	22,843	(111,216)
Financial assets held under resale agreements	49,139	(150,753)
Other assets	(755,194)	(411,976)
	<u>(11,722,947)</u>	<u>(14,096,819)</u>
Total	<u>(11,722,947)</u>	<u>(14,096,819)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

14. Profit before tax

	Year ended December 31	
	2021	2020
Profit before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	(863,019)	(899,657)
Depreciation of right-of-use assets	(396,703)	(439,931)
Amortization	(391,812)	(375,509)
Depreciation of investment properties	(364,767)	(342,652)
Operating lease expenses	(128,603)	(63,070)

Principal auditors' remuneration for the year ended December 31, 2021 was RMB45.50 million (for the year ended December 31, 2020: RMB43.72 million).

15. Income tax expense

	Year ended December 31	
	2021	2020
Current income tax:		
– PRC Enterprise Income Tax	(4,162,374)	(5,471,470)
– PRC Land Appreciation Tax (“LAT”)	(990,312)	(1,165,330)
– Hong Kong Profits Tax	(350,568)	(550,892)
– Overseas taxation	–	(89)
Overprovision in prior years	52,925	33,461
Subtotal	(5,450,329)	(7,154,320)
Deferred income tax (<i>Note VI.42</i>)	(928,112)	1,830,310
Total	(6,378,441)	(5,324,010)

The statutory income tax rate applicable to PRC enterprises is 25% for the year (2020: 25%). A subsidiary of the Company set up in the Western Region (as defined in Note VI.70.1 Credit Risk) of the PRC is taxed at 15% (2020: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profit for the year.

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VI. EXPLANATORY NOTES (Continued)

15. Income tax expense (Continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31	
	2021	2020
Profit before tax from continuing operations	19,378,907	16,309,257
Profit before tax from a discontinued operation	–	265,621
Profit before tax	19,378,907	16,574,878
Income tax calculated at the tax rate of 25%	(4,844,727)	(4,143,719)
Effect of tax losses and deductible temporary differences not recognized	(1,929,163)	(1,368,094)
Tax effect of expenses not deductible for tax purpose (2)	(294,560)	(258,402)
LAT	(990,312)	(1,165,330)
Tax effect of LAT	247,578	291,332
Tax effect of income not taxable for tax purpose (1)	674,313	499,015
Effect of different tax rates of subsidiaries	254,327	381,160
Tax effect of share of results of associates and joint ventures	251,303	64,790
Overprovision in prior years	52,925	175,142
Adjustment in respect of cost and distribution payment for additional equity instruments	63,868	68,119
Effect of utilization of tax losses not previously recognized	136,007	111,586
Tax effect of a discontinued operation	–	(1,200,107)
Income tax expense	<u>(6,378,441)</u>	<u>(6,544,508)</u>
Income tax expense attributable to continuing operations	<u>(6,378,441)</u>	<u>(5,324,010)</u>
Income tax credit attributable to a discontinued operation	<u>–</u>	<u>(1,220,498)</u>

(1) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.

(2) Expenses not deductible for tax purpose mainly include commission and fee expense, employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

16. Earnings per share

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

	Year ended December 31	
	2021	2020
Earnings:		
Profit attributable to equity holders of the Company:	12,061,721	13,247,880
Continuing operations	12,061,721	9,616,026
Discontinued operation	<u>–</u>	<u>3,631,854</u>
Profit attributable to equity holders of the Company	12,061,721	13,247,880
Less: Dividends on preference shares declared and distributed	1,027,068	1,090,199
Profit attributable to ordinary equity holders of the Company	11,034,653	12,157,681
Profit attributable to ordinary equity holders of the Company from continuing operations	<u>11,034,653</u>	<u>8,525,827</u>
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	<u>38,164,535</u>	<u>38,164,535</u>
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	<u>38,164,535</u>	<u>38,164,535</u>
Basic earnings per share (RMB Yuan)	<u>0.29</u>	<u>0.32</u>
Diluted earnings per share (RMB Yuan)	<u>0.29</u>	<u>0.32</u>
Basic earnings per share from continuing operations (RMB Yuan)	<u>0.29</u>	<u>0.22</u>
Diluted earnings per share from continuing operations (RMB Yuan)	<u>0.29</u>	<u>0.22</u>

There were no potentially dilutive shares outstanding for the year ended December 31, 2021 and December 31, 2020.

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VI. EXPLANATORY NOTES (Continued)

17. Dividends

	Year ended December 31	
	2021	2020
Final dividend of 2020	<u>3,972,928</u>	<u>—</u>
Final dividend of 2019	<u>—</u>	<u>3,915,681</u>
Dividends recognized as distribution during the year	<u>3,972,928</u>	<u>3,915,681</u>

The resolution on the profit distribution plan for 2020 was duly approved by the shareholders at the Annual General Meeting held on June 25, 2021. In accordance with the plan, the dividend of RMB3,972.93 million was distributed during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

18. Emoluments of directors and supervisors

	Year ended December 31, 2021			
			All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
	Fees	Paid remuneration		
Executive directors				
ZHANG Zi'ai	–	481	224	705
ZHANG Weidong	–	481	212	693
Non-executive directors				
HE Jieping (1)	–	–	–	–
XU Long (1)(2)	–	–	–	–
WANG Shaoshuang (1)	–	–	–	–
CHEN Xiaowu (1)(3)	–	–	–	–
ZHANG Yuxiang (1)	–	–	–	–
ZHANG Guoqing (1)	–	–	–	–
LIU Chong (1)	–	–	–	–
Independent non-executive directors				
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
LU Zhengfei	250	–	–	250
LAM Chi Kuen	250	–	–	250
Supervisors				
GONG Jiande	–	481	210	691
LIU Yanfen (4)	150	–	–	150
ZHANG Zheng	200	–	–	200
LI Chun (5)	150	–	–	150
ZHEN Qinggui (6)	52	–	–	52
CAI Xiaoqiang (7)	52	–	–	52
GONG Hongbing (8)	20	–	–	20
LU Baoxing (8)	20	–	–	20
YUAN Liangming (8)	20	–	–	20
Total	<u>1,664</u>	<u>1,443</u>	<u>646</u>	<u>3,753</u>

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VI. EXPLANATORY NOTES (Continued)

18. Emoluments of directors and supervisors (Continued)

- (1) These non-executive directors did not receive any fees from the Company.
- (2) Xu Long ceased to be the non-executive director in December 2021.
- (3) Chen Xiaowu was nominated as the non-executive director by the Board in September 2021, which was approved by the third extraordinary general meeting in September 2021, and his qualification was approved by the CBIRC in December 2021.
- (4) Liu Yanfen ceased to be the supervisor in August 2021.
- (5) Li Chun ceased to be the supervisor in August 2021.
- (6) Zhen Qinggui was elected as the supervisor in August 2021.
- (7) Cai Xiaoqiang was elected as the supervisor in August 2021.
- (8) The amounts only included fees for their services as employee representative supervisors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

18. Emoluments of directors and supervisors (Continued)

	Year ended December 31, 2020				
			All kinds of social insurance, housing funds and annuity schemes	incentive income for 2018-2020	Total (before tax)
	Fees	Paid remuneration			
Executive directors					
ZHANG Zi'ai	–	812	191	503	1,506
ZHANG Weidong (1)	–	812	178	243	1,233
Non-executive directors					
HE Jieping (2)	–	–	–	–	–
XU Long (2)	–	–	–	–	–
YUAN Hong (2)(3)	–	–	–	–	–
WANG Shaoshuang (2)(4)	–	–	–	–	–
ZHANG Yuxiang (2)(5)	–	–	–	–	–
ZHANG Guoqing (2)	–	–	–	–	–
LIU Chong (2)	–	–	–	–	–
Independent non-executive directors					
ZHU Wuxiang	250	–	–	–	250
SUN Baowen	250	–	–	–	250
LU Zhengfei	250	–	–	–	250
LAM Chi Kuen	250	–	–	–	250
Supervisors					
GONG Jiande	–	811	178	576	1,565
LIU Yanfen	200	–	–	–	200
ZHANG Zheng	200	–	–	–	200
LI Chun	200	–	–	–	200
GONG Hongbing (6)	20	–	–	–	20
LU Baoxing (6)	20	–	–	–	20
YUAN Liangming (6)	20	–	–	–	20
Total	<u>1,660</u>	<u>2,435</u>	<u>547</u>	<u>1,322</u>	<u>5,964</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

18. Emoluments of directors and supervisors (Continued)

- (1) Zhang Weidong was appointed as the proposed president by the Board in October 2019, and his qualification was approved by the CBIRC in January 2020.

Zhang Weidong was nominated as the executive director by the Board in October 2019, which was approved by the second extraordinary general meeting in December 2019, and his qualification was approved by the CBIRC in January 2020.

- (2) These non-executive directors did not receive any fees from the Company.
- (3) Yuan Hong ceased to be the non-executive director in February 2020.
- (4) Wang Shaoshuang was nominated as the non-executive director by the Board in July 2020, which was approved by the first extraordinary general meeting in September 2020, and his qualification was approved by the CBIRC in November 2020.
- (5) Zhang Yuxiang was nominated as the non-executive director by the Board in June 2020, which was approved by the 2019 General meeting, and her qualification was approved by the CBIRC in August 2020.
- (6) The amounts only included fees for their services as employee representative supervisors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

18. Emoluments of directors and supervisors (Continued)

The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2021 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined. The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2020 have been approved by the Annual General Meeting.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in Note VI.19 Key management personnel and five highest paid individuals below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

19. Key management personnel and five highest paid individuals

(1) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to key management personnel for employment services, excluding the directors and supervisors whose emolument details have been reflected in Note VI.18 Emoluments of directors and supervisors, is as follows:

	Year ended December 31	
	2021	2020
Emoluments of key management personnel		
Paid emoluments	8,417	10,950
All kinds of social insurance, housing funds and annuity schemes	1,877	1,785
Total (before tax)	10,294	12,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

19. Key management personnel and five highest paid individuals (Continued)

(1) Key management personnel (Continued)

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2021	2020
RMB0 to RMB100,000	2	—
RMB100,001 to RMB500,000	2	4
RMB500,001 to RMB1,000,000	2	1
RMB1,000,001 to RMB1,500,000	—	1
RMB1,500,001 to RMB2,000,000	—	4
RMB2,000,001 to RMB2,500,000	3	—
Total	9	10

(2) Five highest paid individuals

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2021 were as follows:

	Year ended December 31	
	2021	2020
Remuneration	17,329	16,801
All kinds of social insurance, housing funds and annuity schemes	1,697	1,623
Total (before tax)	19,026	18,424

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

19. Key management personnel and five highest paid individuals (Continued)

(2) Five highest paid individuals (Continued)

Among the five highest paid individuals in the Group, none of them was a director. The number of these five individuals with emoluments within the following bands is as follows:

	Year ended December 31	
	2021	2020
RMB3,000,001 to RMB3,500,000	3	4
RMB3,500,001 to RMB4,000,000	2	1
Total	5	5

20. Statement of financial position

		As at December 31	
	<i>Notes VI</i>	2021	2020
Assets			
Cash and balances with central banks	21	2,649	2,667
Deposits with banks and financial institutions	22	39,236,127	28,324,705
Financial assets at fair value through profit or loss	25	338,445,506	347,540,534
Financial assets held under resale agreements	26	65,391,479	34,112,502
Financial assets at fair value through other comprehensive income	27	7,685,875	8,014,318
Financial assets at amortized cost	29	139,610,326	182,569,154
Accounts receivable	30	915,919	805,417
Amounts due from subsidiaries	31	28,551,872	27,331,231
Investment properties	33	263,060	279,512
Interests in subsidiaries	34	39,484,717	39,484,717
Interests in consolidated structured entities	36	50,610,363	49,024,530
Interests in associates and joint ventures	37	58,185,869	49,037,278
Property and equipment	39	1,013,920	1,068,203
Other intangible assets	41	18,173	23,998
Deferred tax assets	42	3,612,965	4,798,106
Other assets	43	21,343,347	18,163,027
Total assets		794,372,167	790,579,899

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

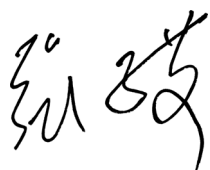
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

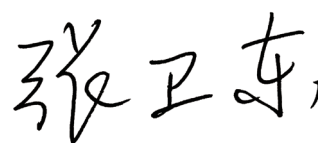
20. Statement of financial position (Continued)

	<i>Notes VI</i>	As at December 31	
		2021	2020
Liabilities			
Borrowings from central bank	44	986,058	986,058
Financial liabilities at fair value through profit or loss	46	164,524	204,201
Borrowings	49	438,812,556	443,968,344
Accounts payable	52	433,000	1,000
Tax payable	53	–	778,176
Bonds issued	54	202,658,138	199,874,325
Other liabilities	56	9,570,244	9,487,441
Total liabilities		652,624,520	655,299,545
Equity			
Share capital	57	38,164,535	38,164,535
Other equity instruments	58	20,795,600	21,281,215
Capital reserve	59	19,269,194	19,135,464
Other comprehensive income	60	(418,702)	(461,409)
Surplus reserve	61	10,104,125	8,938,344
General reserve	62	11,107,014	10,629,877
Retained earnings	63	42,725,881	37,592,328
Total equity		141,747,647	135,280,354
Total equity and liabilities		794,372,167	790,579,899

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



CHAIRMAN



PRESIDENT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

21. Cash and balances with central banks

Group

	As at December 31	
	2021	2020
Cash	447,078	527,358
Mandatory reserve deposits with central banks (1)	7,715,146	7,854,243
Surplus reserve deposits with central banks	5,100,428	4,405,397
Other deposits with central banks	4,783,077	2,588,050
Total	18,045,729	15,375,048
Including:		
Restricted		
– Balances with central banks	7,715,146	7,972,114

Company

	As at December 31	
	2021	2020
Cash	230	257
Other deposits with central banks	2,419	2,410
Total	2,649	2,667

- (1) In accordance with relevant regulations, NCB, a subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at December 31, 2021, the mandatory deposits were calculated at 8% (As at December 31, 2020: 9%) of customer deposits denominated in RMB and 9% (As at December 31, 2020: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

22. Deposits with banks and financial institutions

Group

	As at December 31	
	2021	2020
Deposits with banks		
– House accounts	79,967,119	71,245,503
– Cash held on behalf of clients	13,788,042	12,891,950
Clearing settlement funds		
– House accounts	511,177	442,731
– Clients	2,790,398	2,679,062
Deposits with other financial institutions		
– House accounts	2,786,124	711,243
Interest receivable	78,581	47,359
Subtotal	99,921,441	88,017,848
Less: Allowance for impairment losses	95	64,285
Total	99,921,346	87,953,563
Including:		
Restricted funds	24,093,393	28,453,655

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

22. Deposits with banks and financial institutions (Continued)

Company

	As at December 31	
	2021	2020
Deposits with banks	39,233,321	28,313,038
Interest receivable	2,806	11,667
Subtotal	39,236,127	28,324,705
Less: Allowance for impairment losses	—	—
Total	39,236,127	28,324,705

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at December 31, 2021, the Group's pledged bank deposits was nil (As at December 31, 2020: RMB300.00 million).

The Group's clearing settlement funds were interest-bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at December 31, 2021, the Group's restricted clearing settlement funds amounted to RMB2,790.40 million (As at December 31, 2020: RMB2,679.06 million).

As at December 31, 2021, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB99,921.44 million, nil and nil, respectively (December 31, 2020: RMB87,954.58 million, nil and RMB63.27 million, respectively). The allowance for impairment losses amounted to RMB0.10 million, nil and nil, respectively (December 31, 2020: RMB1.02 million, nil and RMB63.27 million, respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

23. Deposits with exchanges and others

Group

	As at December 31	
	2021	2020
Shenzhen Stock Exchange	49,754	51,296
Shanghai Stock Exchange	44,673	84,977
Shanghai Clearing House	22,830	–
The Stock Exchange of Hong Kong Limited	5,766	7,515
National Equities Exchange and Quotations	702	1,123
Hong Kong Securities Clearing Company Limited	350	380
China Securities Finance Corporation Limited	470,184	139,615
China Financial Futures Exchange	431,423	571,922
Shanghai Futures Exchange	427,162	337,156
Zhengzhou Commodity Exchange	375,648	310,797
Dalian Commodity Exchange	354,065	412,507
Shanghai International Energy Exchange	20,296	28,427
The SEHK Options Clearing House Limited	–	1,262
Others	7	7
Total	<u>2,202,860</u>	<u>1,946,984</u>

The Company had no deposits with exchanges or financial institutions at the end of 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

24. Placements with banks and financial institutions

Group

	As at December 31	
	2021	2020
Banks	24,268,463	19,890,230
Other financial institutions	764,837	100,000
Interest receivable	14,254	5,715
Subtotal	25,047,554	19,995,945
Less: Allowance for impairment losses	1,778	86,440
Total	25,045,776	19,909,505

As at December 31, 2021, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB25,047.55 million, nil and nil, respectively (December 31, 2020: RMB19,910.23 million, nil and RMB85.71 million, respectively). The allowance for impairment losses amounted to RMB1.78 million, nil and nil, respectively (December 31, 2020: RMB0.73 million, nil and RMB85.71 million, respectively).

As at December 31, 2021 and December 31, 2020, the Company had no placements with banks and financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

25. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2021	2020
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	19,169,262	13,561,934
Debt securities		
– Government bonds	1,342,652	5,579,784
– Public sector and quasi-government bonds	–	10,341
– Financial institution bonds	666,349	–
– Corporate bonds	16,530,536	6,278,631
Funds	5,693,792	7,295,378
Corporate convertible bonds	343,869	123,082
Certificates of deposit	1,268,874	–
Subtotal	45,015,334	32,849,150
Unlisted investments:		
Distressed debt assets	203,739,505	198,746,185
Funds	93,315,437	101,702,383
Equity investments	51,174,895	49,474,894
Debt instruments	22,393,054	31,674,575
Trust products and asset management plans	26,176,595	25,083,228
Security investments	11,433,796	2,569,332
Wealth management products	1,531,919	2,344,900
Derivative financial assets (1)	1,087,428	2,416,116
Others	335,787	55,911
Subtotal	411,188,416	414,067,524
Total	456,203,750	446,916,674

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

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

Group (Continued)

(1) Derivative financial instruments

	As at December 31, 2021			As at December 31, 2020		
	Contractual/ Notional amount	Fair value		Contractual/ Notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	70,605,504	494,075	(288,520)	84,471,580	561,471	(1,053,077)
Currency options	4,695,966	99,665	(83,089)	4,204,646	97,215	(88,077)
Subtotal	75,301,470	593,740	(371,609)	88,676,226	658,686	(1,141,154)
Interest rate derivatives						
Interest rate swaps and futures	123,151,385	158,304	(291,029)	146,410,467	143,535	(460,036)
Equity derivatives (i)	7,546,622	206,055	–	7,598,893	1,613,324	(12,243)
Commodity derivatives and others	483,658	129,329	(5,908)	66,014	571	(3,132)
Total	206,483,135	1,087,428	(668,546)	242,751,600	2,416,116	(1,616,565)

- (i) Please refer to Note VI.71.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis for fair value measurement of equity derivatives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

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

Company

	As at December 31	
	2021	2020
Financial assets classified as at fair value through profit or loss		
Distressed debt assets	202,262,856	198,870,483
Funds	63,421,991	70,339,626
Equity investments	35,323,036	29,883,714
Debt instruments	20,754,372	29,916,848
Trust products and asset management plans	15,765,528	17,006,247
Security investments	917,723	1,523,616
Total	<u>338,445,506</u>	<u>347,540,534</u>
Analysed as:		
Listed	14,326,028	8,250,452
Unlisted	<u>324,119,478</u>	<u>339,290,082</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

26. Financial assets held under resale agreements

Group

	As at December 31	
	2021	2020
By collateral type:		
Bonds	66,939,741	35,117,764
Stocks	1,496,606	1,499,720
Interest receivable	64,890	41,775
Subtotal	68,501,237	36,659,259
Less: Allowance for impairment losses	296,928	418,106
Total	68,204,309	36,241,153

As at December 31, 2021, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB68,070.96 million, nil and RMB430.28 million, respectively (As at December 31, 2020: RMB36,094.17 million, RMB3.17 million and RMB561.92 million, respectively). The allowance for impairment losses amounted to RMB11.13 million, nil and RMB285.80 million, respectively (As at December 31, 2020: RMB11.45 million, RMB0.16 million and RMB406.50 million, respectively).

Company

	As at December 31	
	2021	2020
By collateral type:		
Bonds	65,346,340	34,083,349
Interest receivable	56,036	38,861
Subtotal	65,402,376	34,122,210
Less: Allowance for impairment losses	10,897	9,708
Total	65,391,479	34,112,502

As at December 31, 2021, all the Company's assets held under resale agreements were in Stage I, and amounted to RMB65,402.38 million (As at December 31, 2020: RMB34,122.21 million). The allowance for impairment losses amounted to RMB10.90 million (As at December 31, 2020: RMB9.71 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
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VI. EXPLANATORY NOTES (Continued)

27. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2021	2020
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	42,358,523	40,320,392
– Public sector and quasi-government bonds	3,701,620	4,856,989
– Financial institution bonds	35,188,300	34,772,123
– Corporate bonds	31,738,947	27,692,655
Certificates of deposit	–	10,484,628
Interest receivable	894,062	1,128,596
Subtotal	113,881,452	119,255,383
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	8,710,874	4,473,085
Subtotal	8,710,874	4,473,085
Total	122,592,326	123,728,468

As at December 31, 2021, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB113,306.81 million, RMB133.42 million, RMB302.59 million, respectively (As at December 31, 2020: RMB118,591.28 million, nil, RMB150.05 million, respectively). The allowance for impairment losses amounted to RMB82.87 million, RMB21.75 million and RMB241.69 million, respectively (As at December 31, 2020: RMB71.41 million, nil and RMB150.05 million, respectively).

As at December 31, 2021, the Group's equity investments at fair value through other comprehensive income amounted to RMB8,710.87 million (December 31, 2020: RMB4,473.09 million). The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended December 31, 2021, the Group received dividends in the amounts of RMB1.58 million (During the year ended December 31, 2020: RMB1.92 million) from equity investments designated as at fair value through other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

27. Financial assets at fair value through other comprehensive income (Continued)

Company

	As at December 31	
	2021	2020
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	–	1,501,742
Certificates of deposit	–	3,024,881
Interest receivable	–	44,324
Subtotal	–	4,570,947
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	7,685,875	3,443,371
Subtotal	7,685,875	3,443,371
Total	<u>7,685,875</u>	<u>8,014,318</u>

As at December 31, 2021, all the Company's debt investments at fair value through other comprehensive income was nil (As at December 31, 2020, all the Company's debt investments at fair value through other comprehensive income was in Stage I, and amounted to RMB4,626.80 million, The allowance for impairment losses amounted to RMB0.42 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

28. Loans and advances to customers

Group

	As at December 31	
	2021	2020
At amortized cost		
Corporate loans and advances		
– Loans and advances	232,002,826	231,519,952
– Discounted bills	355,175	555,932
Personal loans and advances		
– Mortgages	29,538,886	27,332,895
– Personal consumption loans	22,064,294	21,239,038
Loans to margin clients	10,912,566	9,706,705
Finance lease receivables	60,954,059	48,645,645
Subtotal	355,827,806	339,000,167
Interest accrued	2,593,997	2,395,050
Total loans and advances to customers at amortized cost	358,421,803	341,395,217
At fair value through profit or loss		
Corporate loans and advances	19,207,444	19,546,738
Total loans and advances to customers	377,629,247	360,941,955
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	9,597,802	7,485,658
Net loans and advances to customers	368,031,445	353,456,297

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

28. Loans and advances to customers (Continued)

Group (Continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2021				
Gross loans and advances	332,675,530	17,811,478	7,934,795	358,421,803
Less: Allowances for impairment losses	2,697,758	2,326,250	4,573,794	9,597,802
Net loans and advances to customers	<u>329,977,772</u>	<u>15,485,228</u>	<u>3,361,001</u>	<u>348,824,001</u>
As at December 31, 2020				
Gross loans and advances	324,629,534	11,056,135	5,709,548	341,395,217
Less: Allowances for impairment losses	2,351,618	1,948,428	3,185,612	7,485,658
Net loans and advances to customers	<u>322,277,916</u>	<u>9,107,707</u>	<u>2,523,936</u>	<u>333,909,559</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

28. Loans and advances to customers (Continued)

Group (Continued)

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

	2021			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	2,351,618	1,948,428	3,185,612	7,485,658
Convert to Stage I	157,583	(157,583)	–	–
Convert to Stage II	(208,989)	208,989	–	–
Convert to Stage III	(44,376)	(1,164,403)	1,208,779	–
Impairment losses recognized	1,419,535	426,784	1,788,436	3,634,755
Impairment losses reversed	(832,716)	(171,980)	(931,236)	(1,935,932)
Stage conversion	(132,474)	1,328,140	1,038,988	2,234,654
Write-off and transfer out	–	(84,502)	(1,692,887)	(1,777,389)
Recovery of loans and advances written off in previous years	–	–	26,305	26,305
Unwinding of discount on allowance	–	–	(23,645)	(23,645)
Exchange differences	(12,423)	(7,623)	(26,558)	(46,604)
As at December 31	<u>2,697,758</u>	<u>2,326,250</u>	<u>4,573,794</u>	<u>9,597,802</u>

The gross carrying amount of loans and advances to customers transferred from Stage II to Stage I due to the modification of the contractual cash flows in the year of 2021 was not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

28. Loans and advances to customers (Continued)

Group (Continued)

	2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	2,681,287	2,211,544	3,377,581	8,270,412
Convert to Stage I	413,534	(413,522)	(12)	–
Convert to Stage II	(245,012)	391,014	(146,002)	–
Convert to Stage III	(26,367)	(980,474)	1,006,841	–
Impairment losses recognized	1,164,557	270,741	2,024,648	3,459,946
Impairment losses reversed	(1,228,124)	(188,004)	(306,789)	(1,722,917)
Stage conversion	(378,731)	709,039	632,023	962,331
Write-off and transfer out	–	(40,062)	(3,432,309)	(3,472,371)
Recovery of loans and advances written off in previous years	–	–	94,542	94,542
Unwinding of discount on allowance	–	–	(18,182)	(18,182)
Exchange differences	(29,526)	(11,848)	(46,729)	(88,103)
As at December 31	<u>2,351,618</u>	<u>1,948,428</u>	<u>3,185,612</u>	<u>7,485,658</u>

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020 was not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

28. Loans and advances to customers (Continued)

Group (Continued)

Finance lease receivable are analyzed as follow:

	As at December 31	
	2021	2020
Minimum finance lease receivables:		
Within 1 year (inclusive)	25,035,349	20,048,878
1 year to 2 years (inclusive)	18,319,538	14,262,674
2 years to 3 years (inclusive)	11,724,668	8,024,371
3 years to 4 years (inclusive)	6,525,934	4,313,437
4 years to 5 years (inclusive)	3,322,117	3,605,488
Over 5 years	2,550,580	4,175,985
Gross amount of finance lease receivables	67,478,186	54,430,833
Less: Unearned finance income	6,524,127	5,785,188
Subtotal	60,954,059	48,645,645
Interest accrued	341,556	249,832
Net amount of finance lease receivables	61,295,615	48,895,477
Less: Allowance for impairment losses	2,402,776	2,317,846
Carrying amount of finance lease receivables	58,892,839	46,577,631
Present value of minimum lease receivables:		
Within 1 year (inclusive)	22,593,459	18,060,685
1 year to 2 years (inclusive)	16,634,748	12,891,251
2 years to 3 years (inclusive)	10,677,802	7,239,074
3 years to 4 years (inclusive)	6,044,827	3,712,478
4 years to 5 years (inclusive)	3,082,986	3,308,055
Over 5 years	2,261,793	3,683,934
Total	61,295,615	48,895,477
Including:		
Finance lease receivables pledged for borrowings	7,630,758	3,354,728

The Company had no loans and advances to customers as at December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

29. Financial assets at amortized cost

Group

	As at December 31	
	2021	2020
Distressed debt assets		
– Acquired from financial institutions	6,335,992	5,889,582
– Acquired from non-financial institutions	138,207,028	181,520,507
Subtotal	144,543,020	187,410,089
Interest accrued	4,389,571	5,621,172
Gross of distressed debt assets	148,932,591	193,031,261
Less: Allowance for impairment losses	14,459,897	16,524,845
Net of distressed debt assets	134,472,694	176,506,416
Other debt investments	50,052,184	44,704,861
Interest accrued	900,072	1,099,705
Gross of other debt investments	50,952,256	45,804,566
Less: Allowance for impairment losses	1,889,911	2,078,026
Net of other debt investments	49,062,345	43,726,540
Total	183,535,039	220,232,956

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

29. Financial assets at amortized cost (Continued)

Group (Continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2021				
Gross distressed debt assets	107,656,389	32,392,405	8,883,797	148,932,591
Less: Allowance for impairment losses	<u>4,517,581</u>	<u>6,635,010</u>	<u>3,307,306</u>	<u>14,459,897</u>
Net distressed debt assets	<u><u>103,138,808</u></u>	<u><u>25,757,395</u></u>	<u><u>5,576,491</u></u>	<u><u>134,472,694</u></u>

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB16,779 million were transferred from Stage I to Stage II, and the corresponding impairment allowance was increased by RMB837 million. The gross carrying amount of distressed debt assets transferred from Stage I and Stage II to Stage III was RMB14,839 million, with a corresponding increase in impairment allowance of RMB2,402 million. The gross carrying amount of distressed debt assets transferred from Stage II to Stage I was RMB1,890 million, with a corresponding decrease in impairment allowance of RMB20 million.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB10,615 million, resulting in a corresponding reduction of RMB5,944 million in impairment allowance for Stage III distressed debt assets.

The Group had no distressed debt assets transferred from Stage III to Stage II or Stage I due to the modification of the contractual cash flows in the year of 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

29. Financial assets at amortized cost (Continued)

Group (Continued)

The movements of allowance for distressed debt assets in the year of 2021 are as follows:

	2021			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	5,575,629	7,690,661	3,258,555	16,524,845
Convert to Stage I	168,622	(168,622)	–	–
Convert to Stage II	(760,353)	760,353	–	–
Convert to Stage III	(5,388)	(3,175,931)	3,181,319	–
Impairment losses recognized	2,115,448	1,800,815	793,193	4,709,456
Impairment losses reversed	(2,324,597)	(934,941)	(334,980)	(3,594,518)
Stage conversion	(19,680)	836,538	2,402,483	3,219,341
Write-off and transfer out	(232,100)	(173,863)	(5,943,567)	(6,349,530)
Unwinding of discount on allowance	–	–	(49,697)	(49,697)
As at December 31	<u>4,517,581</u>	<u>6,635,010</u>	<u>3,307,306</u>	<u>14,459,897</u>

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2020				
Gross distressed debt assets	142,993,369	42,304,988	7,732,904	193,031,261
Less: Allowance for impairment losses	<u>5,575,629</u>	<u>7,690,661</u>	<u>3,258,555</u>	<u>16,524,845</u>
Net distressed debt assets	<u>137,417,740</u>	<u>34,614,327</u>	<u>4,474,349</u>	<u>176,506,416</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

29. Financial assets at amortized cost (Continued)

Group (Continued)

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB23,065 million were transferred from Stage I to Stage II, and the corresponding impairment allowance was increased by RMB2,309 million. The gross carrying amount of debt assets transferred from Stage I and Stage II to Stage III was RMB6,662 million, with a corresponding increase in impairment allowance of RMB1,876 million. No distressed debt assets were transferred from Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB4,968 million, resulting in a corresponding reduction of RMB2,461 million in impairment allowance for Stage III debt assets.

The Group had no distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020.

The movements of allowance for distressed debt assets in the year of 2020 are as follows:

	2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	5,767,608	2,403,302	3,339,700	11,510,610
Convert to Stage I	–	–	–	–
Convert to Stage II	(754,554)	754,554	–	–
Convert to Stage III	(30,335)	(334,484)	364,819	–
Impairment losses recognized	3,064,381	2,776,089	570,499	6,410,969
Impairment losses reversed	(2,357,182)	(205,030)	(373,350)	(2,935,562)
Stage conversion	–	2,308,500	1,875,986	4,184,486
Write-off and transfer out	(114,289)	(12,270)	(2,460,916)	(2,587,475)
Unwinding of discount on allowance	–	–	(58,183)	(58,183)
As at December 31	<u>5,575,629</u>	<u>7,690,661</u>	<u>3,258,555</u>	<u>16,524,845</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

29. Financial assets at amortized cost (Continued)

Company

	As at December 31	
	2021	2020
Distressed debt assets		
– Acquired from financial institutions	6,335,992	5,889,582
– Acquired from non-financial institutions	138,013,503	181,600,881
Subtotal	144,349,495	187,490,463
Interest accrued	4,389,571	5,623,022
Gross of distressed debt assets	148,739,066	193,113,485
Less: Allowance for impairment losses	14,288,997	16,380,750
Net of distressed debt assets	134,450,069	176,732,735
Other debt investments	6,492,968	6,001,951
Interest accrued	54,564	28,544
Gross of other debt investments	6,547,532	6,030,495
Less: Allowance for impairment losses	1,387,275	194,076
Net of other debt investments	5,160,257	5,836,419
Total	139,610,326	182,569,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

29. Financial assets at amortized cost (Continued)

Company (Continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2021				
Gross distressed debt assets	107,656,389	32,392,405	8,690,272	148,739,066
Less: Allowance for impairment losses	<u>4,517,581</u>	<u>6,635,010</u>	<u>3,136,406</u>	<u>14,288,997</u>
Net distressed debt assets	<u><u>103,138,808</u></u>	<u><u>25,757,395</u></u>	<u><u>5,553,866</u></u>	<u><u>134,450,069</u></u>

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2021 are as follows:

	2021			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	5,602,841	7,690,661	3,087,248	16,380,750
Convert to Stage I	168,622	(168,622)	–	–
Convert to Stage II	(760,353)	760,353	–	–
Convert to Stage III	(5,388)	(3,175,931)	3,181,319	–
Impairment losses recognized	2,115,448	1,800,815	793,600	4,709,863
Impairment losses reversed	(2,351,808)	(934,941)	(334,980)	(3,621,729)
Stage conversion	(19,680)	836,538	2,402,483	3,219,341
Write-off and transfer out	(232,101)	(173,863)	(5,943,567)	(6,349,531)
Unwinding of discount on allowance	–	–	(49,697)	(49,697)
As at December 31	<u><u>4,517,581</u></u>	<u><u>6,635,010</u></u>	<u><u>3,136,406</u></u>	<u><u>14,288,997</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

29. Financial assets at amortized cost (Continued)

Company (Continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at December 31, 2020				
Gross distressed debt assets	143,269,118	42,304,988	7,539,379	193,113,485
Less: Allowance for impairment losses	<u>5,602,841</u>	<u>7,690,661</u>	<u>3,087,248</u>	<u>16,380,750</u>
Net distressed debt assets	<u><u>137,666,277</u></u>	<u><u>34,614,327</u></u>	<u><u>4,452,131</u></u>	<u><u>176,732,735</u></u>

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2020 are as follows:

	2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	5,818,128	2,403,302	3,190,972	11,412,402
Convert to Stage I	–	–	–	–
Convert to Stage II	(754,554)	754,554	–	–
Convert to Stage III	(30,335)	(334,484)	364,819	–
Impairment losses recognized	3,064,381	2,776,089	547,920	6,388,390
Impairment losses reversed	(2,380,490)	(205,030)	(373,350)	(2,958,870)
Stage conversion	–	2,308,500	1,875,986	4,184,486
Write-off and transfer out	(114,289)	(12,270)	(2,460,916)	(2,587,475)
Unwinding of discount on allowance	<u>–</u>	<u>–</u>	<u>(58,183)</u>	<u>(58,183)</u>
As at December 31	<u><u>5,602,841</u></u>	<u><u>7,690,661</u></u>	<u><u>3,087,248</u></u>	<u><u>16,380,750</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

30. Accounts receivable

Group

	As at December 31	
	2021	2020
Accounts receivable relating to equity assets	1,082,384	1,156,676
Accounts receivable from sales of properties	974,055	1,002,444
Commission and fee receivables	464,260	380,343
Accounts receivable relating to distressed debt assets	432,003	226,712
Others	529,309	699,932
Gross of accounts receivable	3,482,011	3,466,107
Less: Allowance for impairment losses	278,974	210,697
Net of accounts receivable	3,203,037	3,255,410

Company

	As at December 31	
	2021	2020
Accounts receivable relating to equity assets	400,008	473,276
Accounts receivable relating to distressed debt assets	393,492	199,951
Others	412,468	382,889
Gross of accounts receivable	1,205,968	1,056,116
Less: Allowance for impairment losses	290,049	250,699
Net of accounts receivable	915,919	805,417

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

30. Accounts receivable (Continued)

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

Group

	As at December 31							
	2021			2020				
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	405,847	49	(39,350)	366,497	212,154	34	–	212,154
1 year to 2 years (inclusive)	11,927	1	–	11,927	14,558	2	–	14,558
2 years to 3 years (inclusive)	14,229	2	–	14,229	–	–	–	–
Over 3 years	400,008	48	(15,640)	384,368	400,008	64	(15,640)	384,368
Total	<u>832,011</u>	<u>100</u>	<u>(54,990)</u>	<u>777,021</u>	<u>626,720</u>	<u>100</u>	<u>(15,640)</u>	<u>611,080</u>

Company

	As at December 31							
	2021			2020				
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	393,492	50	(39,350)	354,142	199,951	33	–	199,951
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	400,008	50	(15,640)	384,368	400,008	67	(15,640)	384,368
Total	<u>793,500</u>	<u>100</u>	<u>(54,990)</u>	<u>738,510</u>	<u>599,959</u>	<u>100</u>	<u>(15,640)</u>	<u>584,319</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

30. Accounts receivable (Continued)

The movements of allowance for impairment losses during the years are as follows:

Group

	Year ended December 31	
	2021	2020
At beginning of the year	210,697	277,512
Impairment losses recognized	106,175	90,915
Impairment losses reversed	(10,087)	(154,845)
Amounts written off and transferred out	(27,811)	(2,885)
At end of the year	278,974	210,697

Company

	Year ended December 31	
	2021	2020
At beginning of the year	250,699	375,457
Impairment losses recognized	39,350	15,640
Impairment losses reversed	–	(140,398)
At end of the year	290,049	250,699

31. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured. The Company expected to recover a majority portion of the amounts due from subsidiaries within one year from the end of 2021 of the fiscal year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

32. Properties held for sale

Group

	As at December 31	
	2021	2020
Completed properties	17,466,952	13,515,329
Properties under development	29,456,322	37,453,058
Others	12,695	13,993
Subtotal	46,935,969	50,982,380
Less: Allowance for impairment losses	2,874,775	2,089,657
Total	44,061,194	48,892,723
Including:		
Pledged for borrowings	12,875,515	20,628,453

As at December 31, 2021 and 2020, included in the properties held for sale were amounts of RMB15,607 million and RMB30,506 million which represented the carrying amounts of the properties not expected to be completed and sold within twelve months from the end of each reporting period.

The Company had no properties held for sale at the end of 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

33. Investment properties

Group

	Year ended December 31	
	2021	2020
Cost		
At beginning of the year	10,646,919	6,989,677
Additions during the year	411,493	3,749,345
Transfer in/(out)	224,652	(41,220)
Disposals	(18,860)	(50,883)
Disposal of subsidiaries	(18,079)	—
At end of the year	11,246,125	10,646,919
Accumulated depreciation		
At beginning of the year	(1,371,267)	(1,047,588)
Charge for the year	(364,767)	(342,652)
Disposals	5,208	18,973
Disposal of subsidiaries	4,068	—
At end of the year	(1,726,758)	(1,371,267)
Allowance for impairment losses		
At beginning of the year	(94,774)	(81,030)
Charge for the year	(3,689)	(19,236)
Written-offs during the year	5,686	5,492
At end of the year	(92,777)	(94,774)
Net book value		
At beginning of the year	9,180,878	5,861,059
At end of the year	9,426,590	9,180,878
Net book value of investment properties pledged for borrowings	2,558,013	3,151,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

33. Investment properties (Continued)

Group (Continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2021	2020
Net book value:		
– on long-term leases (over 50 years)	27,679	85,789
– on medium-term leases (10 to 50 years)	9,095,446	8,785,540
– on short-term leases (less than 10 years)	303,465	309,549
Total	9,426,590	9,180,878

As at December 31, 2021, the Group's investment properties for which the Group has not obtained a certificate of land use right or certificate of property ownership amounted to RMB211.67 million (As at December 31, 2020: nil).

Company

	Year ended December 31	
	2021	2020
Cost		
At beginning of the year	448,526	448,526
At end of the year	448,526	448,526
Accumulated depreciation		
At beginning of the year	(169,014)	(152,563)
Charge for the year	(16,452)	(16,451)
At end of the year	(185,466)	(169,014)
Net book value		
At beginning of the year	279,512	295,963
At end of the year	263,060	279,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
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VI. EXPLANATORY NOTES (Continued)

33. Investment properties (Continued)

Company (Continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2021	2020
Net book value:		
– on medium-term leases (10 to 50 years)	<u>263,060</u>	<u>279,512</u>

34. Interests in subsidiaries

Company

	As at December 31	
	2021	2020
At cost	<u>39,484,717</u>	<u>39,484,717</u>
Total	<u>39,484,717</u>	<u>39,484,717</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

34. Interests in subsidiaries (Continued)

Company (Continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2021 (In '000)	Proportion of ownership held by the Group As at December 31		Proportion of voting rights held by the Group As at December 31		Principal activities
				2021 2020 %(1) %(1)	2020 2021 %(1) %(1)	2021 2020 %(1) %(1)	2020 2021 %(1) %(1)	
China Cinda (HK) Holdings Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HKD24,975,487	100.00	100.00	100.00	100.00	Investment holding
Zhongrun Economic Development Co., Ltd.* (f)	Beijing, PRC	May 8, 2000	RMB30,000	100.00	100.00	100.00	100.00	Investment management
Cinda Securities Co., Ltd.* (e)	Beijing, PRC	September 4, 2007	RMB2,918,700	87.42	87.42	87.42	87.42	Securities brokerage
Cinda Investment Co., Ltd.* (a)	Beijing, PRC	August 1, 2000	RMB2,000,000	100.00	100.00	100.00	100.00	Business investment
China Jingu International Trust Co., Ltd.* (f)	Beijing, PRC	April 21, 1993	RMB2,200,000	92.29	92.29	92.29	92.29	Trust service
Cinda Financial Leasing Co., Ltd.* (f)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	99.92	99.92	99.92	99.92	Financial leasing
Nanyang Commercial Bank, Limited	Hong Kong, PRC	February 2, 1948	HKD3,144,517	100.00	100.00	100.00	100.00	Commercial Bank
China Cinda (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HKD 0.002	100.00	100.00	100.00	100.00	Asset management
China Cinda Fund Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HKD 0.002	100.00	100.00	100.00	100.00	Fund management
China Cinda (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HKD 0.001	100.00	100.00	100.00	100.00	Investment holding
Cinda (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HKD10	100.00	100.00	100.00	100.00	Investment holding
China Cinda (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP100	100.00	100.00	100.00	100.00	Asset management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD1,000	100.00	100.00	100.00	100.00	Investment holding
Cinda Financial Holdings Co., Limited	Hong Kong, PRC	August 11, 2015	HKD68,000,001	100.00	100.00	100.00	100.00	Investment holding

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VI. EXPLANATORY NOTES (Continued)

34. Interests in subsidiaries (Continued)

Company (Continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at	Proportion of ownership held by		Proportion of voting rights held by		Principal activities
			December 31,	the Group		the Group		
			2021 <i>(In '000)</i>	As at December 31 2021 <i>% (1)</i>	2020 <i>% (1)</i>	As at December 31 2021 <i>% (1)</i>	2020 <i>% (1)</i>	
Cinda Futures Co., Ltd. (a)	Hangzhou, PRC	October 5, 1995	RMB600,000	87.42	87.42	100.00	100.00	Futures and brokerage
Xinfeng Investment Management Co., Ltd. (a)	Beijing, PRC	April 9, 2012	RMB400,000	87.42	87.42	100.00	100.00	Investment management
Cinda Innovation Investment Co., Ltd. (a)	Beijing, PRC	August 20, 2013	RMB700,000	87.42	87.42	100.00	100.00	Investment management
First State Cinda Fund Management Co., Ltd. (b)	Shenzhen, PRC	June 5, 2006	RMB100,000	47.20	47.20	54.00	54.00	Fund management
Hainan Jianxin Investment Management Co., Ltd. (e)	Haikou, PRC	April 10, 1993	RMB412,500	100.00	100.00	100.00	100.00	Investment management
Sanya Horizon Industry Co., Ltd. (c)	Sanya, PRC	December 19, 1992	RMB60,000	51.00	51.00	51.00	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd. (d)(I)(2)	Shanghai, PRC	July 27, 1991	RMB139,144	41.02	41.02	41.02	41.02	Investment management
Shenzhen Jianxin Investment Development Co., Ltd. (a)	Shenzhen, PRC	April 21, 1993	RMB400,000	100.00	100.00	100.00	100.00	Business investment
Hebei Cinda Jinjian Investment Co., Ltd. (a)	Langfang, PRC	November 24, 1998	RMB76,000	100.00	100.00	100.00	100.00	Business investment
Henan Jinboda Investment Co., Ltd. (a)	Zhengzhou, PRC	February 23, 1993	RMB400,000	100.00	100.00	100.00	100.00	Property leasing
Cinda Capital Management Co., Ltd. (f)	Tianjin, PRC	December 16, 2008	RMB200,000	100.00	100.00	100.00	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd. (f)	Wuhan, PRC	December 15, 1995	RMB282,000	90.25	90.25	90.25	90.25	Hotel management
Cinda Real Estate Co., Ltd. (d) (I)	Beijing, PRC	July 20, 1984	RMB2,851,879	55.45	55.45	55.45	55.45	Real estate development
Changhuai Cinda Real Estate Co., Ltd. (a)	Anhui, PRC	June 8, 2006	RMB5,136,643	55.45	55.45	100.00	100.00	Real estate development

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VI. EXPLANATORY NOTES (Continued)

34. Interests in subsidiaries (Continued)

Company (Continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital	Proportion of ownership		Proportion of voting rights		Principal activities
			as at	held by	held by			
			December 31,	the Group	the Group			
			2021	As at December 31	As at December 31			
			(In '000)	2021	2020	2021	2020	
				%(1)	%(1)	%(1)	%(1)	
Cinda Jianrun Real Estate Co., Ltd. (b)	Beijing, PRC	December 28, 2007	RMB200,000	70.00	70.00	70.00	70.00	Real estate development
Cinda International Holdings Limited (II)	Bermuda	April 19, 2000	HKD64,121	55.07	55.07	63.00	63.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd. (a)	Beijing, PRC	May 11, 2015	RMB10,000	55.45	55.45	100.00	100.00	Asset management
Beijing Cinda Real Estate Development Co., Ltd. (a)	Beijing, PRC	September 14, 2015	RMB10,000	55.45	55.45	100.00	100.00	Real estate development
Jade Aviation LLC	Cayman Islands	January 11, 2018	USD87,440	80.00	80.00	80.00	80.00	Aircraft leasing
China Cinda (2020) I Management Limited	BVI	November 26, 2019	USD10	100.00	100.00	100.00	100.00	Capital raising (debt issuing)

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of management, result in particulars of excessive length.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

34. Interests in subsidiaries (Continued)

Company (Continued)

- * These subsidiaries are directly held by the Company.
- (a) This entity is registered as solely invested by a corporation limited liability company under the PRC laws.
- (b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.
- (c) This entity is registered as a mainland joint venture with a Hong Kong, Macao or Taiwan limited liability company under the PRC laws.
- (d) This entity is registered as a listed joint stock limited company under the PRC laws.
- (e) This entity is registered as an unlisted joint stock limited company under the PRC laws.
- (f) This entity is registered as other limited liability company under the PRC laws.
- (I) The shares of these subsidiaries are listed in Mainland China.
- (II) The shares of these subsidiaries are listed in Hong Kong.
- (1) The percentage of voting rights is combined by a direct holding percentage and an indirect controlling percentage of the subsidiaries. The percentage of ownership is the multiple of the holding percentages of different control levels.
- (2) The Group's shareholding in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") is less than 50%, but the shareholding percentage of other shareholders is widely dispersed. Moreover, according to the corporate charter, the Board's resolutions must be approved by more than half of all the directors, and the Group takes three of the four seats of Shanghai Tongda's Board. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

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VI. EXPLANATORY NOTES (Continued)

35. Non-controlling interests in the subsidiaries of the Group

Cinda Real Estate Co., Ltd. (“Cinda Real Estate”) is a subsidiary which has significant non-controlling interests in the consolidated financial statements of the Group.

General information about Cinda Real Estate has been set out in Note VI.34 Interests in subsidiaries. The financial information about Cinda Real Estate before intra-group eliminations is as follows:

Cinda Real Estate

	As at December 31	
	2021	2020
Current assets	67,001,060	82,736,848
Non-current assets	19,920,684	11,541,800
Current liabilities	36,579,961	50,965,898
Non-current liabilities	25,695,000	19,102,149
Total equity	24,646,783	24,210,601
Non-controlling interests of the subsidiary	11,414,467	11,409,114
	Year ended December 31	
	2021	2020
Total revenue	22,105,283	25,863,803
Profit before tax	1,466,568	3,060,634
Total comprehensive income	844,858	1,744,458
Profit attributable to non-controlling interests of the subsidiary during the year	392,805	911,585
Dividend distribution to non-controlling interests	82,780	412,970
	Year ended December 31	
	2021	2020
Net cash flow from operating activities	2,771,788	7,361,074
Net cash flow from investing activities	(9,027,113)	1,837,730
Net cash flow from financing activities	(4,106,584)	(2,540,097)
Net (Decrease)/Increase in cash and cash equivalents	(10,421,909)	6,658,707

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VI. EXPLANATORY NOTES (Continued)

36. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, and asset management plans. To determine whether control exists, the Group uses the following judgements:

- (1) For the private equity funds, trusts and asset management plans, to which the Group provides financial guarantees, the Group has an obligation to fund the losses beyond its investments, if any, in accordance with the guarantee agreements. The Group concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.
- (2) For the private equity funds where the Group is involved as both general partner and limited partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that the Group is a principal. The funds shall be consolidated if the Group acts in the role of principal.
- (3) For the trusts or asset management plans where the Group is involved as manager or trustee and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of such trusts or asset management plans that is of such significance that it indicates that the Group is a principal. The trusts or asset management plans shall be consolidated if the Group acts in the role of principal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

36. Interests in consolidated structured entities (Continued)

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Paid-in capital/size of trust plan As at December 31 2021 (In RMB'000)	Proportion of interests held by the Group As at December 31		Principal activities
		2021 (%)	2020 (%)	
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	5,746,898	80.86	81.97	Investment management
Ningbo Meishan Bonded Port Area Cinda Runze Investment Partnership (Limited Partnership)	4,790,653	100.00	100.00	Investment management
Jingu•Borui Single Capital Trust No.[95]	4,461,000	100.00	100.00	Trust
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	4,058,290	100.00	100.00	Investment management
Jingu•Borui Assembled Capital Trust No.[94]	3,672,813	100.00	100.00	Trust
Jingu•Pingmei Shenma Bailout Single Capital Trust	2,663,649	100.00	100.00	Trust
Ningbo Meishan Bonded Port Area Jinxin Tairun Investment Partnership (Limited Partnership)	2,585,250	99.92	99.93	Investment management
Ningbo Jingxinhuicheng Investment Partnership (Limited Partnership)	2,501,000	100.00	100.00	Investment management
Ningbo Huirong Qinqi Equity Investment Partnership (Limited Partnership)	2,501,000	99.96	47.09	Investment management
China Cinda – Kunlun Trust•Coal Restruction (Guanghui Energy) Single Capital Trust No.[2]	2,500,000	100.00	100.00	Trust
Bohai Trust•Hangzhou Chengmao Capital Trust	2,315,000	100.00	100.00	Trust
Jingu•Shenzhen Baoneng Motor Single Capital Trust	2,290,000	100.00	100.00	Trust
Jingu•Jinxin Single Capital Trust No.[3]	1,900,000	100.00	–	Trust
Ningbo Meishan Bonded Port Area Xinzhe Investment Partnership (Limited Partnership)	1,681,000	100.00	100.00	Investment management
Tianjin Wentai Investment Partnership (Limited Partnership)	1,361,000	100.00	100.00	Investment management
Wuhu Xinshi Xinye Investment Management Partnership (Limited Partnership)	1,355,530	100.00	100.00	Investment management
Wuhu Xinyuan Yanghe Investment Management Partnership (Limited Partnership)	1,101,000	90.92	–	Investment management
Jingu•Huiyin Single Capital Trust No.[73]	1,100,000	100.00	100.00	Trust
Ningbo Meishan Bonded Port Area Xinji Investment Partnership (Limited Partnership)	1,094,910	100.00	100.00	Investment management
Cinda Securities (Private enterprise development) Single Asset Management FOF.[1]	1,037,200	100.00	–	Asset management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

36. Interests in consolidated structured entities (Continued)

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2021 and 2020, and results and cash flows for the years ended December 31, 2021 and 2020, though consolidated, were not significant and therefore were not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB50,610.36 million and RMB49,024.53 million at December 31, 2021 and 2020, respectively.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other liabilities in the consolidated statement of financial position as set out in Note VI.56 Other liabilities.

37. Interests in associates and joint ventures

Group

	As at December 31	
	2021	2020
Interests in associates		
Carrying amount of unlisted companies	39,616,258	34,894,817
Carrying amount of listed companies	27,177,381	21,502,033
Allowance for impairment losses	(503,979)	(489,721)
Net carrying amounts of associates	66,289,660	55,907,129
Interests in joint ventures		
Carrying amount of unlisted companies	13,950,404	14,997,347
Allowance for impairment losses	(406,926)	(401,816)
Net carrying amounts of joint ventures	13,543,478	14,595,531
Net carrying amounts	79,833,138	70,502,660

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VI. EXPLANATORY NOTES (Continued)

37. Interests in associates and joint ventures (Continued)

Company

	As at December 31	
	2021	2020
Interests in associates		
Carrying amount of unlisted companies	34,229,276	28,869,959
Carrying amount of listed companies	19,834,049	14,170,025
Net carrying amounts of associates	54,063,325	43,039,984
Interests in joint ventures		
Carrying amount of unlisted companies	4,122,544	6,149,514
Allowance for impairment losses	–	(152,220)
Net carrying amounts of joint ventures	4,122,544	5,997,294
Net carrying amounts	58,185,869	49,037,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

37. Interests in associates and joint ventures (Continued)

Name of entity	Place of incorporation/ establishment/ principal activities	Authorized/ paid-in capital	Book value			Proportion of equity interests held by the Group		Proportion of voting power held by the Group		Principal activities
		As at December 31	As at December 31		As at December 31		As at December 31			
		2021	2021	2020	2021	2020	2021	2020		
		(In '000)	(In '000)	(In '000)	%	%	%	%		
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	17,152,756	16,124,516	42.24	42.24	42.24	42.24	Coal mining	
Founder Securities Co., Ltd. (1)	Changsha, PRC	RMB8,232,101	5,530,315	–	8.62	–	8.62	–	Securities brokerage	
Yancoal Australia Ltd. (2)	Australia	AUD6,482,000	4,758,999	4,392,683	15.89	15.89	15.89	15.89	Coal mining	
Wengfu Group Co., Ltd. (3)	Guiyang, PRC	RMB4,609,091	4,199,283	3,544,554	32.74	32.74	32.74	32.74	Chemical materials and products	
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (4)	Shenzhen, PRC	RMB11,007,330	4,112,480	4,054,702	36.35	36.35	50.00	50.00	Investment holding	
China Nuclear Engineering Co., Ltd. (5)	Beijing, PRC	RMB2,648,934	3,922,373	3,776,308	11.67	11.67	11.67	11.67	Construction	
Huainan Mining (Group) Co., Ltd. (6)	Huainan, PRC	RMB18,102,549	3,440,001	3,222,247	8.32	8.32	8.32	8.32	Coal mining	
Ordos Yihua Mining Resources Co., Ltd. (7)	Ordos, PRC	RMB1,274,087	3,259,169	2,983,226	29.96	29.96	29.96	29.96	Coal mining	
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	3,083,065	2,918,887	21.24	22.24	21.24	22.24	Coal mining	
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	2,181,689	2,325,052	51.00	51.00	51.00	51.00	Hydraulic generation	
Baiyin Nonferrous Group Co., Ltd. (8)	Baiyin, PRC	RMB7,404,775	2,035,403	2,261,116	4.63	5.06	4.63	5.06	Mining	
China Shipbuilding Industry Group Power Co., Ltd. (9)	Baoding, PRC	RMB2,160,682	1,993,000	1,966,055	5.47	5.47	5.47	5.47	Manufacturing	
Wuhu Xinyunhanshi Investment Partnership (Limited Partnership) (10)	Wuhu, PRC	RMB3,000,652	1,485,929	2,539,194	79.89	79.89	33.33	33.33	Investment holding	
Ningxia Western Venture Industrial Co., Ltd. (11)	Yinchuan, PRC	RMB1,458,375	1,178,052	1,208,027	14.92	15.71	14.92	15.71	Transportation	

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VI. EXPLANATORY NOTES (Continued)

37. Interests in associates and joint ventures (Continued)

The above table lists the principal associates and joint ventures of the Group. To give details of other associates and joint ventures would, in the opinion of the management, result in particulars of excessive length. The directors, therefore do not disclose them separately.

- (1) The Company has a 8.62% interest in Founder Securities Co., Ltd. (“Founder Securities”), and the Group has the ability to accredit a director to its board of directors and exercise significant influence on the financial and operating policy decision of Founder Securities. The Group accounts for this investment by equity method as an associate.
- (2) The Group has a 15.89% interest in Yancoal Australia Ltd. (“YAL”), thus the Group can exercise significant influence on the financial and operating policy decision of YAL by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.
- (3) The Company has a 32.74% interest in Wengfu Group Co., Ltd. (“Wengfu Group”), thus the Group can exercise significant influence on the financial and operating policy decision of Wengfu Group by nominating five directors to its board of directors. The Group accounts for this investment by equity method as an associate.
- (4) The Group has a 36.35% interest in Shenzhen Tencent Cinda Limited Partnership (Limited Partnership), and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture.
- (5) The Group has a 11.67% interest in China Nuclear Engineering Co., Ltd. (“CNE”), thus the Company can exercise significant influence on the financial and operating policy decision of CNE by nominating a director to its board of directors.
- (6) The Company has a 8.32% interest in Huainan Mining(group) Co., Ltd. (“Huainan Mining”), thus the Group can exercise significant influence on the financial and operating policy decision of Huainan Mining by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

37. Interests in associates and joint ventures (Continued)

- (7) The Company has a 29.96% interest in Ordos Yihua Mining Resources Co., Ltd. (“Yihua Mining”), thus the Group can exercise significant influence on the financial and operating policy decision of Yihua Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate.
- (8) The Company has a 4.63% interest in Baiyin Nonferrous Group Co., Ltd. (“Baiyin Nonferrous”), thus the Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.
- (9) The Company has a 5.47% interest in China Shipbuilding Industry Group Power Co., Ltd. (“China Shipbuilding”), thus the Company can exercise significant influence on financial and operating policy decision of China Shipbuilding by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.
- (10) The Group has a 79.89% interest in Wuhu Xinyunhanshi Investment Partnership (Limited Partnership), and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture. The decrease of the book value for the year ended 31 December 2021 was mainly due to the recovery of part of investment.
- (11) The Company has a 14.92% interest in Ningxia Western Venture Industrial Co., Ltd. (“Western Venture”), thus the Company can exercise significant influence on financial and operating policy decision of Western Venture by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.

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VI. EXPLANATORY NOTES (Continued)

38. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. Whether control exists is determined by the manner described in Note VI.36 Interests in consolidated structured entities. The unconsolidated structured entities include private equity funds, trust products, asset management plans and mutual funds, etc. The interests held by the Group in the unconsolidated structured entities are set out as below.

As at December 31, 2021, the maximum exposure to risk and the book value of relevant investments of the Group arising from the interests held in directly invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	December 31, 2021		December 31, 2020	
	Carrying amount	Maximum exposure to risk	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	124,424,129	124,424,129	130,802,146	130,802,146
Financial assets at amortized cost	22,791,893	22,791,893	18,458,563	18,458,563
Interests in associates and joint ventures	<u>6,075,008</u>	<u>6,075,008</u>	<u>5,100,587</u>	<u>5,100,587</u>

In 2021, the Group obtained management fee, commission and performance fee amounting to RMB1,273.18 million (2020: RMB821.11 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

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VI. EXPLANATORY NOTES (Continued)

39. Property and equipment

Group

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2021	14,416,805	5,359,198	307,089	825,303	230,457	20,928	21,159,780
Acquisition of subsidiaries	-	-	-	90	-	-	90
Additions	55,863	-	17,318	82,140	14,966	139,845	310,132
Disposals of subsidiaries	-	-	-	(560)	(813)	-	(1,373)
Disposals	(6,480)	(512,645)	(11,663)	(50,438)	(29,012)	-	(610,238)
Construction in progress transfer in/(out)	15,288	-	7,781	212	-	(119,946)	(96,665)
Transfer in/(out)	(222,385)	-	-	-	-	-	(222,385)
Exchange differences	(259,734)	(62,186)	(1,764)	(2,710)	(329)	(425)	(327,148)
As at December 31, 2021	<u>13,999,357</u>	<u>4,784,367</u>	<u>318,761</u>	<u>854,037</u>	<u>215,269</u>	<u>40,402</u>	<u>20,212,193</u>
Accumulated depreciation							
As at January 1, 2021	(2,579,116)	(334,505)	(202,152)	(646,679)	(167,189)	-	(3,929,641)
Charge for the year	(492,316)	(247,214)	(32,136)	(79,520)	(12,916)	-	(864,102)
Disposals of subsidiaries	-	-	-	392	772	-	1,164
Disposals	2,932	70,992	10,888	47,162	26,898	-	158,872
Exchange differences	38,551	5,676	1,263	1,924	250	-	47,664
As at December 31, 2021	<u>(3,029,949)</u>	<u>(505,051)</u>	<u>(222,137)</u>	<u>(676,721)</u>	<u>(152,185)</u>	<u>-</u>	<u>(4,586,043)</u>
Allowance for impairment losses							
As at January 1, 2021	(4,751)	-	(16)	-	(346)	(484)	(5,597)
Charge for the year	-	(73,371)	-	-	-	-	(73,371)
Written-offs during the year	3,137	-	-	-	-	-	3,137
Exchange difference	6	816	-	-	-	-	822
As at December 31, 2021	<u>(1,608)</u>	<u>(72,555)</u>	<u>(16)</u>	<u>-</u>	<u>(346)</u>	<u>(484)</u>	<u>(75,009)</u>
Net book value							
As at January 1, 2021	<u>11,832,938</u>	<u>5,024,693</u>	<u>104,921</u>	<u>178,624</u>	<u>62,922</u>	<u>20,444</u>	<u>17,224,542</u>
As at December 31, 2021	<u>10,967,800</u>	<u>4,206,761</u>	<u>96,608</u>	<u>177,316</u>	<u>62,738</u>	<u>39,918</u>	<u>15,551,141</u>
Including:							
Net book value of assets pledged as at December 31, 2021	<u>-</u>	<u>2,154,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,154,484</u>

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VI. EXPLANATORY NOTES (Continued)

39. Property and equipment (Continued)

Group (Continued)

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2020	14,742,735	4,654,679	306,543	815,712	241,495	44,944	20,806,108
Acquisition of subsidiaries	–	–	–	120	272	–	392
Additions	1,836	909,874	12,605	87,546	17,419	29,687	1,058,967
Disposals of subsidiaries	–	–	–	(83)	–	–	(83)
Disposals	(579)	–	(13,976)	(77,118)	(28,021)	–	(119,694)
Construction in progress transfer in/(out)	17,802	–	5,346	4,182	–	(54,237)	(26,907)
Transfer in/(out)	164,973	–	–	–	–	–	164,973
Exchange differences	(509,962)	(205,355)	(3,429)	(5,056)	(708)	534	(723,976)
As at December 31, 2020	<u>14,416,805</u>	<u>5,359,198</u>	<u>307,089</u>	<u>825,303</u>	<u>230,457</u>	<u>20,928</u>	<u>21,159,780</u>
Accumulated depreciation							
As at January 1, 2020	(2,068,199)	(126,953)	(183,931)	(632,895)	(180,346)	–	(3,192,324)
Charge for the year	(541,315)	(221,340)	(34,829)	(88,991)	(12,949)	–	(899,424)
Disposals of subsidiaries	–	–	–	80	–	–	80
Disposals	134	–	13,618	71,569	25,544	–	110,865
Exchange differences	30,264	13,788	2,990	3,558	562	–	51,162
As at December 31, 2020	<u>(2,579,116)</u>	<u>(334,505)</u>	<u>(202,152)</u>	<u>(646,679)</u>	<u>(167,189)</u>	<u>–</u>	<u>(3,929,641)</u>
Allowance for impairment losses							
As at January 1, 2020	(1,629)	–	(16)	–	(346)	(484)	(2,475)
Charge for the year	(3,137)	–	–	–	–	–	(3,137)
Exchange difference	15	–	–	–	–	–	15
As at December 31, 2020	<u>(4,751)</u>	<u>–</u>	<u>(16)</u>	<u>–</u>	<u>(346)</u>	<u>(484)</u>	<u>(5,597)</u>
Net book value							
As at January 1, 2020	<u>12,672,907</u>	<u>4,527,726</u>	<u>122,596</u>	<u>182,817</u>	<u>60,803</u>	<u>44,460</u>	<u>17,611,309</u>
As at December 31, 2020	<u>11,832,938</u>	<u>5,024,693</u>	<u>104,921</u>	<u>178,624</u>	<u>62,922</u>	<u>20,444</u>	<u>17,224,542</u>
Including:							
Net book value of assets pledged as at December 31, 2020	<u>–</u>	<u>2,002,789</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,002,789</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

39. Property and equipment (Continued)

Group (Continued)

As at December 31, 2021 and 2020, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB751.82 million and RMB627.42 million, respectively.

As at December 31, 2021 and 2020, the Group's property and equipment for which the Group has not obtained a certificate of property ownership amounted to RMB504.89 million and RMB530.66 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2021	2020
Net book value:		
– on long-term leases (over 50 years)	2,412,947	2,969,476
– on medium-term leases (10 to 50 years)	8,415,833	8,713,773
– on short-term leases (less than 10 years)	139,020	149,689
Total	10,967,800	11,832,938

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VI. EXPLANATORY NOTES (Continued)

39. Property and equipment (Continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2021	1,057,609	104,690	340,675	99,445	1,602,419
Additions	–	25	27,758	7,148	34,931
Disposals	–	(374)	(8,347)	(7,350)	(16,071)
	<u>1,057,609</u>	<u>104,341</u>	<u>360,086</u>	<u>99,243</u>	<u>1,621,279</u>
As at December 31, 2021					
Accumulated depreciation					
As at January 1, 2021	(150,504)	(61,024)	(247,825)	(74,863)	(534,216)
Charge for the year	(34,867)	(7,230)	(41,330)	(5,300)	(88,727)
Disposals	–	363	8,066	7,155	15,584
	<u>(185,371)</u>	<u>(67,891)</u>	<u>(281,089)</u>	<u>(73,008)</u>	<u>(607,359)</u>
As at December 31, 2021					
Net book value					
As at January 1, 2021	<u>907,105</u>	<u>43,666</u>	<u>92,850</u>	<u>24,582</u>	<u>1,068,203</u>
As at December 31, 2021	<u>872,238</u>	<u>36,450</u>	<u>78,997</u>	<u>26,235</u>	<u>1,013,920</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

39. Property and equipment (Continued)

Company (Continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2020	1,057,609	104,665	323,565	99,961	1,585,800
Additions	–	25	44,400	7,515	51,940
Disposals	–	–	(27,290)	(8,031)	(35,321)
	<u>1,057,609</u>	<u>104,690</u>	<u>340,675</u>	<u>99,445</u>	<u>1,602,419</u>
As at December 31, 2020					
Accumulated depreciation					
As at January 1, 2020	(115,637)	(53,797)	(224,890)	(77,683)	(472,007)
Charge for the year	(34,867)	(7,227)	(48,966)	(4,819)	(95,879)
Disposals	–	–	26,031	7,639	33,670
	<u>(150,504)</u>	<u>(61,024)</u>	<u>(247,825)</u>	<u>(74,863)</u>	<u>(534,216)</u>
As at December 31, 2020					
Net book value					
As at January 1, 2020	<u>941,972</u>	<u>50,868</u>	<u>98,675</u>	<u>22,278</u>	<u>1,113,793</u>
As at December 31, 2020	<u>907,105</u>	<u>43,666</u>	<u>92,850</u>	<u>24,582</u>	<u>1,068,203</u>

As at December 31, 2021 and 2020, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB304.5 million and RMB243.71 million, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

39. Property and equipment (Continued)

Company (Continued)

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31 2021	2020
Net book value:		
– on medium-term leases (10 to 50 years)	<u>872,238</u>	<u>907,105</u>

40. Goodwill

Group

	As at December 31 2021	2020
Carrying amount		
At beginning of the year	23,281,626	24,683,406
Disposal of subsidiaries	–	(310)
Exchange differences	<u>(621,478)</u>	<u>(1,401,470)</u>
At end of the year	<u>22,660,148</u>	<u>23,281,626</u>
Allowance for impairment losses		
At beginning of the year	(1,238,068)	(1,134,844)
Disposal of subsidiaries	–	310
Charge for the year	<u>–</u>	<u>(103,534)</u>
At end of the year	<u>(1,238,068)</u>	<u>(1,238,068)</u>
Net book value		
At beginning of the year	<u>22,043,558</u>	<u>23,548,562</u>
At end of the year	<u>21,422,080</u>	<u>22,043,558</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

40. Goodwill (Continued)

Group (Continued)

The goodwill acquired through the business combination of NCB, which was accounted for as the major portion of the Group's goodwill as of December 31, 2021, is allocated to the NCB cash-generating units for impairment testing. The recoverable amount of the NCB cash-generating units has been determined based on a value-in-use calculation method. The recoverable amount of the NCB cash-generating units has been determined based on a value-in-use calculation method, using cash flow projections based on both financial forecasts covering a 5-year period ("projection period") approved by senior management and a forward speculated 5-year period ("transition period"). The stable growth rate used to extrapolate the cash flows of NCB cash-generating units beyond the 10-year period are fixed at 1.04% (for the year ended December 31, 2020: 3.00%) (Hong Kong) and 2.52% (for the year ended December 31, 2020: 3.00%) (Mainland China), respectively, which does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the goodwill impairment testing are 9.52% (for the year ended December 31, 2020: 10.14%) (Hong Kong) and 12.44% (for the year ended December 31, 2020: 12.10%) (Mainland China), respectively.

The key assumptions used to calculate the present value of future cash flow on NCB cash-generating units may change, and the management holds that any reasonable fluctuation of key assumptions will not lead to a lower recoverable amount of the NCB cash-generating units as compared with the book value of NCB cash-generating units containing the goodwill, thus no impairment losses need to be recognized.

For the goodwill impairment testing, the Group makes the following assumptions on the key hypothesis in the process of cash flow projection: 1) Discount rate: pre-tax discount rate reflecting the specific risk of the relevant cash-generating units; 2) Cash flow's growth rate: based on both the past performance and the projection of market development. The information used by the Group in determining these key assumptions is consistent with external and internal information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

41. Other intangible assets

Group

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2021	23,749	934,691	581,522	3,549,171	7,676	5,096,809
Disposals of subsidiaries	-	(52)	-	-	-	(52)
Additions	-	125,755	-	-	-	125,755
Disposals	-	(774)	-	-	-	(774)
Exchange differences	(32)	(2,907)	(16,610)	(101,376)	(219)	(121,144)
Others	-	(153)	-	-	-	(153)
As at December 31, 2021	23,717	1,056,560	564,912	3,447,795	7,457	5,100,441
Accumulated amortization						
As at January 1, 2021	-	(478,601)	-	(813,352)	(3,472)	(1,295,425)
Charge for the year	-	(137,446)	-	(174,863)	(746)	(313,055)
Disposals of subsidiaries	-	23	-	-	-	23
Disposals	-	730	-	-	-	730
Exchange differences	-	1,097	-	25,705	110	26,912
As at December 31, 2021	-	(614,197)	-	(962,510)	(4,108)	(1,580,815)
Net book value						
As at January 1, 2021	23,749	456,090	581,522	2,735,819	4,204	3,801,384
As at December 31, 2021	23,717	442,363	564,912	2,485,285	3,349	3,519,626

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

41. Other intangible assets (Continued)

Group (Continued)

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2020	23,820	819,228	618,929	3,777,479	8,170	5,247,626
Disposals of subsidiaries	–	(85)	–	–	–	(85)
Additions	–	133,207	–	–	–	133,207
Disposals	–	(10,076)	–	–	–	(10,076)
Exchange differences	(71)	(7,583)	(37,407)	(228,308)	(494)	(273,863)
As at December 31, 2020	23,749	934,691	581,522	3,549,171	7,676	5,096,809
Accumulated amortization						
As at January 1, 2020	–	(366,084)	–	(676,798)	(2,889)	(1,045,771)
Charge for the year	–	(124,609)	–	(187,390)	(800)	(312,799)
Disposals of subsidiaries	–	53	–	–	–	53
Disposals	–	10,030	–	–	–	10,030
Exchange differences	–	2,009	–	50,836	217	53,062
As at December 31, 2020	–	(478,601)	–	(813,352)	(3,472)	(1,295,425)
Net book value						
As at January 1, 2020	23,820	453,144	618,929	3,100,681	5,281	4,201,855
As at December 31, 2020	23,749	456,090	581,522	2,735,819	4,204	3,801,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

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VI. EXPLANATORY NOTES (Continued)

41. Other intangible assets (Continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2021	119,830	119,830
Additions	7,831	7,831
As at December 31, 2021	127,661	127,661
Accumulated amortization		
As at January 1, 2021	(95,832)	(95,832)
Charge for the year	(13,656)	(13,656)
As at December 31, 2021	(109,488)	(109,488)
Net book value		
As at January 1, 2021	23,998	23,998
As at December 31, 2021	18,173	18,173
	Computer software systems and others	Total
Cost		
As at January 1, 2020	105,206	105,206
Additions	14,624	14,624
As at December 31, 2020	119,830	119,830
Accumulated amortization		
As at January 1, 2020	(79,873)	(79,873)
Charge for the year	(15,959)	(15,959)
As at December 31, 2020	(95,832)	(95,832)
Net book value		
As at January 1, 2020	25,333	25,333
As at December 31, 2020	23,998	23,998

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

42. Deferred taxation

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

Group

	As at December 31	
	2021	2020
Deferred tax assets	7,782,053	8,989,874
Deferred tax liabilities	(2,159,381)	(2,412,778)
Deferred taxation	<u>5,622,672</u>	<u>6,577,096</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

42. Deferred taxation (Continued)

Group (Continued)

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

	Allowance for impairment losses	Withholding tax appreciation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures(i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 2021	8,043,482	537,486	(910,483)	1,139,037	703,018	1,787,303	(4,897,229)	202,779	689,017	(166,002)	6,577,096
Credit/(charge) to profit or loss	420,013	29,489	30,436	87,572	33,276	(958,633)	(603,248)	13,307	(241,393)	278,721	(928,112)
Charge to other comprehensive income/(loss)	-	-	-	(538)	-	-	5,518	(91,267)	-	-	(86,287)
Others	(9,251)	(95,977)	15,546	3,856	-	(4,272)	158,601	1,877	-	(30,693)	59,975
As at December 31, 2021	8,454,244	470,998	(861,790)	1,229,927	736,294	824,398	(5,336,358)	126,696	447,624	82,026	5,622,672

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

42. Deferred taxation (Continued)

Group (Continued)

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

	Allowance for impairment losses	Withholding tax	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures(i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 2020	6,702,675	388,147	(953,580)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	5,667,351
Credit/(charge) to profit or loss	1,353,418	149,339	(18,963)	2,731	58,032	(204,183)	5,734	1,461,920	(439,383)	105	(73,667)	(498,834)	609,812
Charge to other comprehensive income/(loss)	-	-	-	3,185	-	-	-	-	(68,836)	224,213	-	20,391	178,953
Discontinued operation	-	-	-	-	-	-	-	-	-	-	-	(10,332)	(10,332)
Others	(12,611)	-	48,490	(1,351)	-	-	(179)	61,187	(42,421)	4,598	-	37,420	131,312
As at December 31, 2020	8,043,482	537,486	(924,053)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	-	6,577,096

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

42. Deferred taxation (Continued)

Group (Continued)

Tax losses and temporary differences that are not recognized as deferred income tax assets are as follows:

	As at December 31	
	2021	2020
Unused tax losses	3,021,389	2,225,904
Deductible temporary differences	3,425,457	3,398,922
Total	6,446,846	5,624,826

As at December 31, 2021, the above unused tax losses would expire from 2022 to 2026 (As at December 31, 2020: from 2021 to 2025).

Company

	As at December 31	
	2021	2020
Deferred tax assets	3,612,965	4,798,106
Deferred tax liabilities	—	—
Deferred taxation	3,612,965	4,798,106

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

42. Deferred taxation (Continued)

Company (Continued)

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

	Allowance for impairment losses	Staff costs accrued but not paid	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value and impairment losses on financial assets at FVOCI	Temporary differences related to the cost of associates and joint ventures (i)	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 2021	5,799,301	593,629	57,839	2,012,446	270,756	(4,852,625)	689,017	227,743	4,798,106
Credit/(charge) to profit or loss	302,408	21,962	-	(899,513)	(105)	(619,071)	(241,393)	145,205	(1,290,507)
Charge to other comprehensive income/(loss)	-	-	-	-	(58,752)	5,517	-	-	(53,235)
Charge to capital reserve	-	-	-	-	-	158,601	-	-	158,601
As at December 31, 2021	<u>6,101,709</u>	<u>615,591</u>	<u>57,839</u>	<u>1,112,933</u>	<u>211,899</u>	<u>(5,307,578)</u>	<u>447,624</u>	<u>372,948</u>	<u>3,612,965</u>
As at January 1, 2020	4,821,257	689,217	58,029	499,796	83,456	(4,301,986)	762,684	109,743	2,722,196
Credit/(charge) to profit or loss	978,044	(95,588)	(190)	1,512,650	105	(439,385)	(73,667)	118,000	1,999,969
Charge to other comprehensive income/(loss)	-	-	-	-	187,195	(68,835)	-	-	118,360
Charge to capital reserve	-	-	-	-	-	(42,419)	-	-	(42,419)
As at December 31, 2020	<u>5,799,301</u>	<u>593,629</u>	<u>57,839</u>	<u>2,012,446</u>	<u>270,756</u>	<u>(4,852,625)</u>	<u>689,017</u>	<u>227,743</u>	<u>4,798,106</u>

- (i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book values and the tax bases for the associates and joint ventures not held for long-term by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

43. Other assets

Group

	As at December 31	
	2021	2020
Assets in satisfaction of debts (1)	10,889,344	9,915,677
Other receivables (2)	10,304,039	6,962,884
Prepayments	6,248,776	5,207,409
Prepaid taxes	3,650,019	1,350,602
Dividends receivable	1,305,948	1,313,729
Right-of-use assets	1,067,132	1,084,271
Notes receivable	495,308	1,352,198
Interest receivable	411,766	240,716
Assets with continuing involvement (<i>Note VI.67</i>)	409,205	142,470
Precious metals	303,483	329,657
Long-term prepaid expenses	288,974	212,469
Others	323,841	319,889
Total	<u>35,697,835</u>	<u>28,431,971</u>

Company

	As at December 31	
	2021	2020
Assets in satisfaction of debts (1)	9,061,056	8,896,648
Prepayments	4,027,256	4,314,139
Dividends receivable	2,531,347	2,354,428
Other receivables (2)	2,100,127	463,271
Prepaid taxes	1,879,581	—
Right-of-use assets	736,184	720,891
Notes receivable	482,238	1,238,570
Assets with continuing involvement (<i>Note VI.67</i>)	409,205	142,470
Interest receivable	83,782	—
Long-term prepaid expenses	32,417	32,427
Others	154	183
Total	<u>21,343,347</u>	<u>18,163,027</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

43. Other assets (Continued)

(1) Assets in satisfaction of debts

Assets in satisfaction of debts include those obtained from the Group's debtors to settle their defaulted debts and those acquired directly from financial institutions, which came into their possession through similar arrangements.

Group

	As at December 31	
	2021	2020
Buildings	10,919,524	9,801,310
Land use rights	457,357	494,885
Others	255,376	523,806
Subtotal	11,632,257	10,820,001
Less: Allowance for impairment losses	742,913	904,324
Net book value	10,889,344	9,915,677

Company

	As at December 31	
	2021	2020
Buildings	9,049,202	8,791,247
Land use rights	457,357	494,885
Others	297,410	434,383
Subtotal	9,803,969	9,720,515
Less: Allowance for impairment losses	742,913	823,867
Net book value	9,061,056	8,896,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

43. Other assets (Continued)

(2) Other receivables

Group

	As at December 31	
	2021	2020
Other receivables	11,388,821	7,940,713
Less: Allowance for impairment losses	1,084,782	977,829
Net book value	10,304,039	6,962,884

Company

	As at December 31	
	2021	2020
Other receivables	2,103,622	752,562
Less: Allowance for impairment losses	3,495	289,291
Net book value	2,100,127	463,271

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

44. Borrowings from central bank

Group

	As at December 31	
	2021	2020
Borrowings from central bank	<u>996,043</u>	<u>986,058</u>

Company

	As at December 31	
	2021	2020
Borrowings from central bank	<u>986,058</u>	<u>986,058</u>

The borrowings from the central bank are the outstanding interest on the loans from the People's Bank of China for purchasing the non-performing assets of commercial banks and the rediscount of the central bank.

45. Accounts payable to brokerage clients

Group

	As at December 31	
	2021	2020
Personal customers	14,049,882	13,806,696
Corporate customers	<u>3,555,707</u>	<u>2,777,151</u>
Total	<u>17,605,589</u>	<u>16,583,847</u>

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB14,194.96 million at December 31, 2021 (As at December 31, 2020: RMB13,308.63 million) bears interest at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

45. Accounts payable to brokerage clients (Continued)

Group (Continued)

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis does not give additional value to the readers of this report in view of the nature of this business.

As at December 31, 2021 and 2020, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,445.19 million and RMB1,354.95 million received from clients for margin financing and securities lending arrangement, respectively.

As at December 31, 2021 and 2020, the Company had no accounts payable to brokerage clients.

46. Financial liabilities at fair value through profit or loss

Group

	As at December 31	
	2021	2020
Derivative financial liabilities (<i>Note VI.25.(1)</i>)	668,546	1,616,565
Short positions in exchange fund bills and notes	6,903,073	5,597,737
Financing payables linked to stock index	371,320	62,607
Total	<u>7,942,939</u>	<u>7,276,909</u>

Company

	As at December 31	
	2021	2020
Income guarantee and repurchase commitment	164,524	204,201
Total	<u>164,524</u>	<u>204,201</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

47. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2021	2020
By collateral type:		
Debt securities	<u>15,087,671</u>	<u>15,981,904</u>
Subtotal	<u>15,087,671</u>	<u>15,981,904</u>
Interest payable	<u>8,099</u>	<u>8,774</u>
Total	<u>15,095,770</u>	<u>15,990,678</u>

The Company had no financial assets sold under repurchase agreements as at December 31, 2021 and 2020.

48. Placements from banks and financial institutions

Group

	As at December 31	
	2021	2020
Placements from banks	<u>12,236,585</u>	<u>13,367,506</u>
Placements from financial institutions	<u>4,021,802</u>	<u>664,494</u>
Subtotal	<u>16,258,387</u>	<u>14,032,000</u>
Interest payable	<u>19,270</u>	<u>12,334</u>
Total	<u>16,277,657</u>	<u>14,044,334</u>

The Company had no placements from banks and financial institutions as at December 31, 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

49. Borrowings

Group

	As at December 31	
	2021	2020
Banks and other financial institutions borrowings		
Unsecured loans	514,728,445	522,480,108
Loans secured by properties	9,153,739	10,719,652
Other secured loans	27,335,508	20,685,552
Subtotal	551,217,692	553,885,312
Interest payable	3,861,448	3,026,836
Total	555,079,140	556,912,148

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB17,588 million as at December 31, 2021 (As at December 31, 2020: RMB26,082 million).

Other secured loans were collateralized by interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB7,739 million as at December 31, 2021 (As at December 31, 2020: RMB4,889 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

49. Borrowings (Continued)

Group (Continued)

	As at December 31	
	2021	2020
Carrying amount repayable*:		
Within one year	449,001,962	445,128,086
More than one year, but not exceeding two years	60,598,314	61,793,969
More than two years, but not exceeding five years	19,318,730	11,106,040
More than five years	3,487,257	2,758,071
Interest payable	3,761,583	2,856,334
Subtotal	536,167,846	523,642,500
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	705,335	14,931,329
More than one year, but not exceeding two years	2,020,886	—
More than two years, but not exceeding five years	16,085,208	1,631,794
More than five years	—	16,536,023
Interest payable	99,865	170,502
Subtotal	18,911,294	33,269,648
Total	555,079,140	556,912,148

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

49. Borrowings (Continued)

Group (Continued)

The exposure of the Group's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31	
	2021	2020
Fixed-rate borrowings:		
Within one year	397,940,512	421,341,434
More than one year, but not exceeding two years	57,605,386	58,253,600
More than two years, but not exceeding five years	32,689,492	9,556,430
More than five years	2,124,962	18,013,472
Subtotal	490,360,352	507,164,936
Interest payable	3,462,783	2,865,535
Total	493,823,135	510,030,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

49. Borrowings (Continued)

Group (Continued)

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Hong Kong Inter-bank Offered Rate (“HIBOR”), London Inter-bank Offered Rate (“LIBOR”) or the Loan Prime Rate (“LPR”).

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

	As at December 31	
	2021	2020
Effective interest rate		
Fixed-rate borrowings	1.09%-6.50%	1.20%-23.00%
Variable-rate borrowings	0.78%-4.75%	0.36%-6.65%

Company

	As at December 31	
	2021	2020
Bank borrowings		
Unsecured loans	435,467,500	441,860,000
Interest payable	3,345,056	2,108,344
Total	438,812,556	443,968,344

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Company’s borrowings are as follows:

	As at December 31	
	2021	2020
Effective interest rate		
Fixed-rate borrowings	2.20%-5.90%	2.00%-6.45%
Variable-rate borrowings	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

50. Due to customers

Group

	As at December 31	
	2021	2020
Demand deposits		
Corporate	50,122,601	55,155,266
Personal	49,754,637	48,794,211
Time deposits		
Corporate	111,651,291	82,949,416
Personal	73,988,454	72,746,366
Guarantee deposits	12,078,885	12,759,611
Subtotal	297,595,868	272,404,870
Interest payable	1,152,251	1,239,304
Total	298,748,119	273,644,174

The Company had no due to customers at the end of 2021 and 2020.

51. Deposits from banks and financial institutions

Group

	As at December 31	
	2021	2020
Banks	3,151,217	2,111,840
Other financial institutions	16,649,017	13,306,772
Subtotal	19,800,234	15,418,612
Interest payable	176,672	123,572
Total	19,976,906	15,542,184

The Company had no deposits from banks and financial institutions at the end of 2021 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

52. Accounts payable

Group

	As at December 31	
	2021	2020
Accounts payable associated with real estate business (1)	4,326,082	4,259,205
Asset purchase payable	433,000	1,000
Others	630,406	626,488
Total	<u>5,389,488</u>	<u>4,886,693</u>

Company

	As at December 31	
	2021	2020
Asset purchase payable	<u>433,000</u>	<u>1,000</u>
Total	<u>433,000</u>	<u>1,000</u>

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

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis on these items does not give additional value to the readers of this report in view of the nature of these items.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

53. Tax payable

Group

	As at December 31	
	2021	2020
PRC Enterprise Income Tax	1,489,815	2,108,171
PRC Land Appreciation Tax	2,177,591	2,496,584
Hong Kong Profits Tax	147,068	147,068
Total	3,814,474	4,751,823

Company

	As at December 31	
	2021	2020
PRC Enterprise Income Tax	–	778,176
Total	–	778,176

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

54. Bonds issued

Group

Bonds Type	Notes	As at December 31, 2021				As at December 31, 2020	
		Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value	Book Value
Financial Bonds		111,100,000	CNY	3-10 years	2.85%-5.50%	114,468,604	111,834,030
Asset-backed Securities		112,658,010	CNY	4 months-18 years	2.05%-5.19%	111,573,378	102,944,587
USD Guaranteed Senior Notes	(1)	13,445,000	USD	3-30 years	1.25%-5.625%	86,207,996	75,062,023
Corporate Bonds	(2) (3) (4)	17,692,909	CNY	5-8 years	3.18%-5.19%	19,671,934	22,571,051
Tier-II Capital Bonds	(5)	8,000,000	CNY	5 years	4.50%	8,022,920	18,216,741
Mid-term Notes	(6)	6,940,000	CNY	3-5 years	2.99%-5.00%	7,072,217	8,132,321
Beneficiary Certificates		5,248,110	CNY	8 months-2 years	2.71%-3.60%	5,286,938	4,099,790
Subordinate Notes	(7)	700,000	USD	10 years	3.80%	4,456,972	4,558,650
Certificates of Deposit		4,220,000	CNY	1 month-1 year	2.60%-3.30%	4,235,122	1,158,950
Subordinate Bonds	(8)	2,600,000	CNY	3 years	4.55%-4.64%	2,681,478	2,681,478
Debt Financing Plans		2,588,000	CNY	3 years	3.50%-6.37%	2,603,851	2,993,370
Certificates of Deposit		120,000	USD	1 year	0.37%-1.32%	765,619	646,028
Asset-backed Notes		810,000	CNY	9 years	5.50%	751,434	834,197
HKD Bonds	(9)	10,000	HKD	9 years	4.00%	8,282	44,314
Total						<u>367,806,745</u>	<u>355,777,530</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

54. Bonds issued (Continued)

Company

Bonds Type	Notes	As at December 31, 2021				As at December 31, 2020	
		Face Value	Currency	Term	Bond Rate/ Expected Return Rate	Book Value	Book Value
Asset-backed Securities		107,890,000	CNY	4 months-3 years	2.70%-4.10%	102,931,054	90,020,210
Financial Bonds		89,000,000	CNY	3-10 years	2.85%-5.50%	91,719,293	91,659,417
Tier-II Capital Bonds	(5)	8,000,000	CNY	5 years	4.50%	8,007,791	18,194,698
Total						<u>202,658,138</u>	<u>199,874,325</u>

- (1) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Limited (“Cinda Hong Kong”), issued a total face value of USD13,445 million of Guaranteed Senior Notes (the “USD Notes”) in Hong Kong in May 2014, December 2017, February 2019 and January 2021. The USD Notes have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part.
- (2) The Company’s subsidiary Cinda Investment Co., Ltd. (“Cinda Investment”) issued corporate bonds with a face value of RMB3,000 million and RMB2,000 million in December 2015 and January 2016, respectively. The bonds have fixed coupon rates, payable annually, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the fifth year. The issuer adjusted the coupon rate and the investors sold back part of the bonds in December 2020 and January 2021. Cinda Investment issued corporate bonds with a total face value of RMB6,375 million in May 2019 and August 2019. The bonds have fixed coupon rates, payable annually, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the third year.
- (3) Cinda Real Estate Co., Ltd. (“Cinda Real Estate”), a subsidiary of Cinda Investment, issued Type I and II corporate bonds with total face value of RMB2,770 million in January 2021, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB1,720 million, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the second and the end of the fourth year. The face value of Type II is RMB1,050 million, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the third year. Cinda Real Estate issued Type I and II corporate bonds with total face value of RMB3,030 million in March of 2021, the bonds have fixed coupon rates, payable annually. The face value of Type I is RMB2,020 million, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the second and the end of the fourth year. The face value of Type II is RMB1,010 million, with the issuer’s option to adjust the coupon rate and the investor’s option to sell back at the end of the third year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

54. Bonds issued (Continued)

- (4) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued a corporate bond with a total face value of RMB2,000 million in March 2020 and May 2020. The bond has fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (5) The tier-II capital bonds issued by the Company in the June 2016 and November 2020, with the total face value of RMB18,000 million. The bonds have a fixed coupon rate, payable annually and conditionally redeemable at the end of the fifth year. The issuer has the right to redeem the bond at par value in whole or in part subject to the approval of the China Banking and Insurance Regulatory Commission (the "CBIRC"). In June 2021, the issuer redeemed the tier-II capital bonds with a face value of RMB10,000 million issued in June 2016 with the approval of the CBIRC.
- (6) The Cinda Investment issued a medium-term note with a face value of RMB2,000 million in April 2020, with fixed coupon rate, payable annually, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.
- (7) Nanyang Commercial Bank Limited, a subsidiary of Cinda Hong Kong, issued a subordinate notes in the November 2019 with the face value of HKD700 million, with fixed coupon rate, payable semi-annually. The coupon rate will be reset at the end of the fifth year.
- (8) The subordinate bonds issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rate, payable annually.
- (9) Cinda International Holding Limited("Cinda International"), a subsidiary of Cinda Securities, issued HKD bonds with a face value of HKD10 million in September 2013, with fixed coupon rates, payable annually, the issuer and investors have the option to defer at the end of the fifth year. In September 2018,the investor exercised the option to extend the maturity date by 24 months, and at the September 2020, the investors extended the bond maturity date to the September 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

55. Contract liabilities

Group

	As at December 31	
	2021	2020
Sales proceeds received in advance (1)	13,287,716	14,725,445
Others	393,657	130,282
Total	<u>13,681,373</u>	<u>14,855,727</u>

(1) Sales proceeds received in advance

	2021	2020
At beginning of the year	14,725,445	22,994,982
Deferred during the year	19,036,359	15,415,430
Recognized as revenue during the year	<u>(20,474,088)</u>	<u>(23,684,967)</u>
At end of the year	<u>13,287,716</u>	<u>14,725,445</u>

As at December 31, 2021, all contract liabilities of the Group were held by Cinda Real Estate and Cinda Securities, the subsidiaries of the Company. The contract liabilities are mainly sales proceeds received in advance by Cinda Real Estate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

56. Other liabilities

Group

	As at December 31	
	2021	2020
Other payables	12,993,362	16,010,287
Staff costs payable (1)	6,957,449	6,993,165
Risk deposit	4,968,365	4,330,358
Payables to interest holders of consolidated structured entities (<i>Note VI.36</i>)	4,075,810	2,086,380
Sundry taxes payable	1,978,948	1,628,722
Receipts in advance associated with disposal of distressed assets	1,475,059	1,039,991
Notes payable	1,089,392	911,332
Lease liabilities	1,044,126	1,040,216
Provisions (2)	828,759	791,150
Long-term payable	632,901	1,248,218
Deferred income related to leasing business	631,529	560,282
Receipts in advance	322,142	527,491
Items in the process of clearance and settlement	277,445	1,483,509
Others	654,883	725,244
Total	<u>37,930,170</u>	<u>39,376,345</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

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VI. EXPLANATORY NOTES (Continued)

56. Other liabilities (Continued)

Group (Continued)

(1) Staff costs payable

	2021			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	6,139,622	5,001,722	(5,136,719)	6,004,625
Social insurance	81,183	326,759	(316,867)	91,075
Defined contribution plans	159,438	564,237	(512,050)	211,625
Defined benefit plans (i)	129,747	4,918	(9,850)	124,815
Housing funds	3,058	236,378	(237,061)	2,375
Labor union fees and staff education expenses	373,351	119,342	(97,886)	394,807
Others	106,766	349,951	(328,590)	128,127
Total	<u>6,993,165</u>	<u>6,603,307</u>	<u>(6,639,023)</u>	<u>6,957,449</u>
	2020			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	5,874,285	5,324,079	(5,058,742)	6,139,622
Social insurance	76,996	269,974	(265,787)	81,183
Defined contribution plans	67,719	381,919	(290,200)	159,438
Defined benefit plans (i)	117,643	23,667	(11,563)	129,747
Housing funds	2,611	232,542	(232,095)	3,058
Labor union fees and staff education expenses	328,845	132,437	(87,931)	373,351
Others	80,796	352,545	(326,575)	106,766
Total	<u>6,548,895</u>	<u>6,717,163</u>	<u>(6,272,893)</u>	<u>6,993,165</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

56. Other liabilities (Continued)

Group (Continued)

(1) Staff costs payable (Continued)

(i) Defined benefit plans

Movements of retirement benefit of the Group's subsidiary NCB are as follows:

	2021	2020
At beginning of the year	129,747	117,643
Current service cost	3,276	2,684
Past service cost – plan changes	–	(391)
Interest cost	1,642	2,071
Actuarial gains on remeasurement	(3,259)	19,303
Benefit paid	(2,903)	(3,377)
Exchange differences	(3,688)	(8,186)
	<u>124,815</u>	<u>129,747</u>
At end of the year	<u>124,815</u>	<u>129,747</u>

Principal actuarial assumptions used are as follows:

	As at December 31 2021	2020
Discount rate	1.6%	1.3%
Expected rate of medical insurance cost increases	6%	6%
Expected rate of social entertainment cost increases	0%	0%
Expected rate of retirement souvenir cost increases	0%	0%
Expected rate of rental increases	3%	3%
Expected rate of withdrawal	3%-18%	3%-18%
Expected death rate	Hong Kong Life Tables 2020	Hong Kong Life Tables 2019

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VI. EXPLANATORY NOTES (Continued)

56. Other liabilities (Continued)

Group (Continued)

(2) Movements of provisions

	2021	2020
At beginning of the year	791,150	921,133
Provided for the year	1,121,965	446,876
Settled/Reversed	<u>(1,084,356)</u>	<u>(576,859)</u>
At end of the year	<u><u>828,759</u></u>	<u><u>791,150</u></u>

Company

	As at December 31 2021	2020
Other payables	3,949,552	4,106,999
Staff costs payable (1)	2,892,121	2,963,446
Receipts in advance associated with disposal of distressed assets	1,475,059	1,039,991
Lease liabilities	707,025	703,528
Sundry taxes payable	276,520	322,761
Provisions (2)	169,971	263,568
Others	<u>99,996</u>	<u>87,148</u>
Total	<u><u>9,570,244</u></u>	<u><u>9,487,441</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

56. Other liabilities (Continued)

Company (Continued)

(1) Staff costs payable

	2021			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	2,761,295	1,458,246	(1,560,426)	2,659,115
Social insurance	40,131	132,826	(124,029)	48,928
Defined contribution plans	4,814	189,966	(188,741)	6,039
Housing funds	147	84,106	(83,721)	532
Labor union fees and staff education expenses	156,485	51,762	(31,592)	176,655
Others	574	87,731	(87,453)	852
Total	<u>2,963,446</u>	<u>2,004,637</u>	<u>(2,075,962)</u>	<u>2,892,121</u>
	2020			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	3,052,387	1,162,095	(1,453,187)	2,761,295
Social insurance	56,790	101,968	(118,627)	40,131
Defined contribution plans	3,434	159,518	(158,138)	4,814
Housing funds	321	73,330	(73,504)	147
Labor union fees and staff education expenses	143,661	41,337	(28,513)	156,485
Others	32	80,909	(80,367)	574
Total	<u>3,256,625</u>	<u>1,619,157</u>	<u>(1,912,336)</u>	<u>2,963,446</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

56. Other liabilities (Continued)

Company (Continued)

(2) Movements of provisions

	2021	2020
At beginning of the year	263,568	316,908
Provided for the year	–	90,021
Settled/Reversed	<u>(93,597)</u>	<u>(143,361)</u>
At end of the year	<u><u>169,971</u></u>	<u><u>263,568</u></u>

57. Share capital

Group and Company

	Year ended December 31 2021	2020
Authorized, issued and fully paid:		
At beginning of the year	<u>38,164,535</u>	<u>38,164,535</u>
At end of the year	<u><u>38,164,535</u></u>	<u><u>38,164,535</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

57. Share capital (Continued)

Group and Company (Continued)

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2021			As at December 31
	As at January 1	Issuance	Transfer	
Domestic shares				
– MOF	22,137,239	–	–	22,137,239
– NCSSF	2,459,693	–	–	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	<u>38,164,535</u>	<u>–</u>	<u>–</u>	<u>38,164,535</u>
	2020			As at December 31
	As at January 1	Issuance	Transfer	
Domestic shares				
– MOF	22,137,239	–	–	22,137,239
– NCSSF	2,459,693	–	–	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	<u>38,164,535</u>	<u>–</u>	<u>–</u>	<u>38,164,535</u>

As at December 31, 2021, no share of the Group was subject to lock-up restriction (As at December 31, 2020, no share of the Group was subject to lock-up restriction).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

58. Other equity instruments

Group and Company

For the year ended December 31, 2021, the movements of the Company's other equity instruments were as follows:

	As at January 1, 2021		Increase		Decrease		As at December 31, 2021	
	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)
Preference Shares								
- 2016 Offshore Preference Shares(1)	160,000	21,281,215	-	-	160,000	21,281,215	-	-
- 2021 Offshore Preference Shares(2)	-	-	85,000	10,838,023	-	-	85,000	10,838,023
Undated Capital Bonds								
- 2021 Undated Capital Bonds(3)	-	-	100,000	9,957,577	-	-	100,000	9,957,577
Total	<u>160,000</u>	<u>21,281,215</u>	<u>185,000</u>	<u>20,795,600</u>	<u>160,000</u>	<u>21,281,215</u>	<u>185,000</u>	<u>20,795,600</u>

- (1) On September 30, 2021, the Company redeemed the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares of USD3.20 billion issued in 2016, which was equivalent to RMB20,672 million. The difference of RMB610 million between the payment and the carrying amount was recognized in capital reserve.

In the year of 2021, the Company distributed dividends for the Offshore Preference Shares of US\$158.22 million (2020: US\$158.22 million).

- (2) Pursuant to the approvals by domestic and overseas relevant authorities, the Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on November 3, 2021. The Offshore Preference Shares have a par value of RMB100 each and are issued as fully paid-up capital in U.S. dollar so that the total issuance price of the Offshore Preference Shares is USD20 each. The total number of the Offshore Preference Shares that have been issued is 85,000,000, and the total proceeds raised is USD1.7 billion. The Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.40% per annum, and thereafter at the relevant reset dividend rate.

The Offshore Preference Shares are perpetual and have no maturity date. The Offshore Preference Shares are not redeemable at the option of the offshore preference shareholders, and the offshore preference shareholders do not have the right to put back the Offshore Preference Shares to the Company. However, the Company may, subject to the approval from the China Banking and Insurance Regulatory Commission (the "CBIRC") and compliance with the preconditions to the distribution of dividends and redemption set out in the terms and conditions, redeem all or part of the Offshore Preference Shares on the first reset date and on any dividend payment date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its liquidation preference plus any accrued but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the date scheduled for redemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

58. Other equity instruments (Continued)

Group and Company (Continued)

(2) (Continued)

Save for such dividend at the agreed dividend payout ratio, the offshore preference shareholders shall not be entitled to the distribution of the remaining profits of the Company together with the holders of the ordinary shares. The dividends on preference shares are non-cumulative. The Company shall be entitled to cancel all or part of dividend on the preference shares, and such cancellation shall not be deemed a default. However, if the Company should cancel all or part of the dividends on the Offshore Preference Shares, the Company shall not distribute profits to the holders of ordinary shares since the next day of resolution of shareholder's general meeting till resumption of full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Company shall report to the CBIRC for review and determination, and the Company is entitled to, without the consent of the offshore preference shareholders, convert the issued and outstanding preference shares into ordinary shares per agreement.

The Offshore Preference Shares are classified as other equity instruments and presented as an equity item on statements of financial position. Capital raised from the issuance of the Offshore Preference Shares, after deduction of the commission and the expenses relating to the issuance, would be wholly used to replenish the Company's additional tier 1 capital to support business development.

- (3) With the approvals of the relevant regulatory authorities in China, the Company issued RMB10 billion write-down undated capital bonds (the "Bonds") in the domestic market on 16 August 2021. The denomination of the Bonds is RMB100 each, and the annual coupon rate of the Bonds for the first five years is 4.40%, which is reset every 5 years.

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

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

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

59. Capital reserve

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

60. Other comprehensive income

Group

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

	Year ended December 31	
	2021	2020
At beginning of the year	<u>(1,237,414)</u>	<u>(35,688)</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	80,951	(14,307)
Amounts reclassified to profit or loss upon disposal	(152,545)	(85,096)
Amounts of profit or loss upon impairment	124,891	15,230
Income tax effect	<u>(29,314)</u>	<u>43,693</u>
	<u>23,983</u>	<u>(40,480)</u>
Exchange differences arising on translation of foreign operations	(292,290)	(805,095)
Share of other comprehensive income of associates and joint ventures	110,197	275,618
Income tax effect	<u>(5,778)</u>	<u>(68,836)</u>
	<u>(163,888)</u>	<u>(638,793)</u>
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	3,259	(19,303)
Income tax effect	<u>(538)</u>	<u>3,185</u>
	<u>2,721</u>	<u>(16,118)</u>
Fair value changes on equity instruments designated as at fair value through other comprehensive income	239,041	(735,884)
Income tax effect	<u>(60,626)</u>	<u>189,069</u>
Share of other comprehensive income of associates and joint ventures	(163,860)	—
Income tax effect	<u>11,848</u>	<u>—</u>
	<u>29,124</u>	<u>(562,933)</u>
Other comprehensive income/(loss) for the year	<u>(134,764)</u>	<u>(1,201,726)</u>
At end of the year	<u><u>(1,372,178)</u></u>	<u><u>(1,237,414)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

60. Other comprehensive income (Continued)

Company

	Year ended December 31	
	2021	2020
At beginning of the year	<u>(461,409)</u>	<u>(106,328)</u>
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	–	7,074
Amounts reclassified to profit or loss upon disposal	(7,493)	–
Amounts of profit or loss upon impairment	–	419
Income tax effect	<u>1,873</u>	<u>(1,873)</u>
	<u>(5,620)</u>	<u>5,620</u>
Share of other comprehensive income of associates and joint ventures	25,324	275,343
Income tax effect	<u>(6,331)</u>	<u>(68,836)</u>
	<u>13,373</u>	<u>212,127</u>
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	242,504	(756,277)
Income tax effect	<u>(60,626)</u>	<u>189,069</u>
	<u>181,878</u>	<u>(567,208)</u>
Share of other comprehensive income of associates and joint ventures	(164,392)	–
Income tax effect	<u>11,848</u>	<u>–</u>
Subtotal	<u>29,334</u>	<u>(567,208)</u>
Other comprehensive income/(loss) for the year	<u>42,707</u>	<u>(355,081)</u>
At end of the year	<u><u>(418,702)</u></u>	<u><u>(461,409)</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

61. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the entity.

62. General reserve

For the year ended December 31, 2021, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred RMB1,400.30 million to the general reserve (For the years ended December 31, 2020, the Group reserved RMB296.10 million from the general reserve).

For the year ended December 31, 2021, as approved by the general meetings of the Company, the company transferred RMB477.14 million to the general reserve (For the years ended December 31, 2020, as approved by the general meetings of the Company, no general reserve is required to transfer for the company).

63. Retained earnings

During the years ended December 31, 2021 and 2020, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2021	2020
At beginning of the year	<u>37,592,328</u>	<u>38,649,229</u>
Profit for the year	11,657,807	4,387,754
Appropriation to surplus reserve	(1,165,781)	(438,775)
Appropriation to general reserve	(477,137)	—
Dividends recognized as distribution	(4,999,996)	(5,005,880)
Retained earnings transferred from other comprehensive income	<u>118,660</u>	<u>—</u>
At end of the year	<u><u>42,725,881</u></u>	<u><u>37,592,328</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

64. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent:

	As at December 31	
	2021	2020
Cash	447,078	527,358
Balances with central banks	9,883,505	6,875,576
Deposits with banks and financial institutions	75,749,467	59,516,834
Placements with banks and financial institutions	21,899,666	19,730,230
Financial assets held under resale agreements	65,346,340	34,083,349
Cash and cash equivalents	<u>173,326,056</u>	<u>120,733,347</u>

65. Major non-cash transactions

As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap with counterparties in the ordinary courses of business during the year. For the year ended December 31, 2021, equity instruments amounting to RMB8,456.99 million (2020: RMB1,312.69 million) were swapped with debt instruments held by the Group with carrying amount of RMB8,409.61 million (2020: RMB1,176.03 million).

66. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2021 and 2020, total claim amounts of pending litigations were RMB3,746.91 million and RMB1,974.05 million for the Group and RMB1,647.92 million and RMB199.45 million for the Company respectively, and provisions of RMB3.09 million and RMB9.35 million for the Group respectively were made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

66. Contingent liabilities and commitments (Continued)

(2) Credit commitments

	As at December 31	
	2021	200
Bank acceptance bills	32,280,269	19,885,771
Loan commitments (i)	13,966,314	15,363,473
Letters of guarantee issued	6,605,675	3,708,904
Letters of credit issued	3,654,444	3,756,413
Undrawn credit card commitments	673,126	695,460
Others	5,240	425,280
Total	57,185,068	43,835,301
Impairment of credit commitments	(241,208)	(142,593)

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

- (i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at December 31, 2021, the unconditionally revocable loan commitments of the Group amounted to RMB95,536.54 million (December 31, 2020: RMB91,308.42 million).

(3) Capital commitments

Group

	As at December 31	
	2021	2020
Contracted but not provided for Commitment for the acquisition of properties under development	605,000	—
Commitments for the acquisition of property and equipment	951,074	49,508
Total	1,556,074	49,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

66. Contingent liabilities and commitments (Continued)

(3) Capital commitments (Continued)

Company

	As at December 31	
	2021	2020
Contracted but not provided for Commitments for the acquisition of property and equipment	12,519	2,264
Total	<u>12,519</u>	<u>2,264</u>

(4) Other commitments

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements. Please refer to Note VI.36 Interests in consolidated structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

67. Transfers of financial assets

(1) Repurchase agreements

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

	Carrying amount of pledged assets December 31		Related liabilities December 31	
	2021	2020	2021	2020
Financial assets at amortized cost	528,346	–	525,144	–
Financial assets at fair value through profit or loss	8,581,875	67,218	6,992,813	65,280
Financial assets at fair value through other comprehensive income	7,774,831	16,074,084	7,577,813	15,925,398
Total	<u>16,885,052</u>	<u>16,141,302</u>	<u>15,095,770</u>	<u>15,990,678</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

67. Transfers of financial assets (Continued)

(2) *Asset-backed securities*

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

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties is recorded as a financial liability. As at December 31, 2021, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB81,596.49 million (December 31, 2020: RMB84,982.80 million), and the carrying amount of their associated liabilities was RMB102,931.05 million (December 31, 2020: RMB90,139.62 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at December 31, 2021 and 2020.

(3) *Continuing involvement*

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the year ended December 31, 2021, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was RMB2,008.21 million (for the year ended December 31, 2020: Nil). As at December 31, 2021, the carrying amount of continuing involvement assets recognized by the Group was RMB409.20 million (As at December 31, 2020: RMB142.47 million), which were recognized in other assets. As at December 31, 2021 and 2020, the carrying amount of continuing involvement liabilities was nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

68. Segment information

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

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

Distressed asset management operations

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

Financial services operations

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

68. Segment information (Continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2021				
Income from distressed debt assets				
at amortized cost	13,466,628	–	–	13,466,628
Fair value changes on distressed				
debt assets	15,475,828	–	–	15,475,828
Fair value changes on other				
financial instruments	13,606,661	866,780	201,361	14,674,802
Investment income	75,381	81,381	–	156,762
Interest income	11,013,420	14,193,503	(106,080)	25,100,843
Revenue from sales of inventories	20,385,467	–	–	20,385,467
Commission and fee income	494,409	5,132,393	(335,458)	5,291,344
Net gains on disposal of subsidiaries, associates and joint ventures	303,992	–	–	303,992
Other income and other net gains or losses	2,268,661	720,817	(114,103)	2,875,375
Total	77,090,447	20,994,874	(354,280)	97,731,041
Interest expense	(35,247,515)	(7,084,518)	395,093	(41,936,940)
Employee benefits	(3,172,895)	(3,225,446)	–	(6,398,341)
Purchases and changes in inventories	(16,911,091)	–	4,741	(16,906,350)
Commission and fee expense	(202,387)	(553,745)	67,461	(688,671)
Taxes and surcharges	(485,143)	(127,575)	–	(612,718)
Depreciation and amortization expenses	(1,171,940)	(934,567)	90,206	(2,016,301)
Other expenses	(2,463,473)	(1,472,670)	69,911	(3,866,232)
Impairment losses on assets	(9,009,647)	(2,554,664)	(158,636)	(11,722,947)
Total	(68,664,091)	(15,953,185)	468,776	(84,148,500)

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VI. EXPLANATORY NOTES (Continued)

68. Segment information (Continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	<u>(16,363)</u>	<u>(3,778)</u>	<u>–</u>	<u>(20,141)</u>
Profit before share of results of associates and joint ventures and tax	8,409,993	5,037,911	114,496	13,562,400
Share of results of associates and joint ventures	<u>5,783,816</u>	<u>32,691</u>	<u>–</u>	<u>5,816,507</u>
Profit before tax from continuing operations	14,193,809	5,070,602	114,496	19,378,907
Income tax expense				<u>(6,378,441)</u>
Profit for the year from continuing operations				<u><u>13,000,466</u></u>
Capital expenditure	<u>491,906</u>	<u>355,557</u>	<u>–</u>	<u>847,463</u>
As at December 31, 2021				
Segment assets	997,493,419	577,357,965	(18,354,163)	1,556,497,221
Including: Interests in associates and joint ventures	79,411,690	421,448	–	79,833,138
Unallocated assets				<u>7,782,053</u>
Total assets				<u><u>1,564,279,274</u></u>
Segment liabilities	875,475,518	499,689,745	(16,457,733)	1,358,707,530
Unallocated liabilities				<u>3,796,264</u>
Total liabilities				<u><u>1,362,503,794</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

68. Segment information (Continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2020				
Income from distressed debt assets				
at amortized cost	19,150,708	–	–	19,150,708
Fair value changes on distressed debt assets	12,546,970	–	–	12,546,970
Fair value changes on other financial instruments	12,132,844	299,260	134,411	12,566,515
Investment income	(330,106)	655,290	(2,694)	322,490
Interest income	9,446,514	14,978,024	(525,362)	23,899,176
Revenue from sales of inventories	24,316,307	–	–	24,316,307
Commission and fee income	443,814	4,468,746	(467,660)	4,444,900
Net gains on disposal of subsidiaries, associates and joint ventures	1,791,019	38,354	12,899	1,842,272
Other income and other net gains or losses	602,049	509,994	(67,363)	1,044,680
Total	80,100,119	20,949,668	(915,769)	100,134,018
Interest expense	(32,942,091)	(7,362,136)	685,723	(39,618,504)
Employee benefits	(2,923,455)	(3,235,440)	–	(6,158,895)
Purchases and changes in inventories	(17,360,392)	–	–	(17,360,392)
Commission and fee expense	(194,244)	(523,840)	82,190	(635,894)
Taxes and surcharges	(505,559)	(93,752)	–	(599,311)
Depreciation and amortization expenses	(1,212,976)	(904,374)	59,601	(2,057,749)
Other expenses	(2,429,198)	(1,153,631)	50,732	(3,532,097)
Impairment losses on assets	(11,231,608)	(2,833,325)	(31,886)	(14,096,819)
Total	(68,799,523)	(16,106,498)	846,360	(84,059,661)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

68. Segment information (Continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	<u>(9,673)</u>	<u>(8,142)</u>	<u>–</u>	<u>(17,815)</u>
Profit before share of results of associates and joint ventures and tax	11,290,923	4,835,028	(69,409)	16,056,542
Share of results of associates and joint ventures	<u>212,132</u>	<u>40,583</u>	<u>–</u>	<u>252,715</u>
Profit before tax from continuing operations	11,503,055	4,875,611	(69,409)	16,309,257
Income tax expense				<u>(5,324,010)</u>
Profit for the year from continuing operations				<u><u>10,985,247</u></u>
Profit for the year from a discontinued operation				<u><u>3,752,030</u></u>
Capital expenditure	<u><u>3,856,457</u></u>	<u><u>1,085,062</u></u>	<u><u>–</u></u>	<u><u>4,941,519</u></u>
As at December 31, 2020				
Segment assets	1,002,081,396	528,523,142	(21,510,764)	1,509,093,774
Including: Interests in associates and joint ventures	70,095,189	407,471	–	70,502,660
Unallocated assets				<u>8,989,874</u>
Total assets				<u><u>1,518,083,648</u></u>
Segment liabilities	885,402,875	453,596,547	(20,626,211)	1,318,373,211
Unallocated liabilities				<u>4,668,017</u>
Total liabilities				<u><u>1,323,041,228</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

69. Related party transactions

(1) The MOF

Group

As at December 31, 2021, the MOF directly owned 58.00% (As at December 31, 2020: 58.00%) of the share capital of the Company.

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

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

The Group had the following balances with the MOF:

	As at December 31	
	2021	2020
Financial assets at fair value through other comprehensive income	26,835,306	24,515,050
Financial assets at amortized cost	–	581,013
Financial assets at fair value through profit or loss	282,524	111,011
Accounts receivable	1,597	1,597

The Group had entered into the following transactions with the MOF:

	Year ended December 31	
	2021	2020
Interest income	750,790	859,511
Investment income	9,869	52,149

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

69. Related party transactions (Continued)

(1) The MOF (Continued)

Company

The Company had the following balances with the MOF:

	As at December 31	
	2021	2020
Accounts receivable	<u>1,597</u>	<u>1,597</u>

For the years ended December 31, 2021 and 2020, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2021	2020
Amounts due from subsidiaries	31,471,363	27,536,214
Financial assets at fair value through profit or loss	1,111,935	1,780,906
Lease liabilities	450,954	526,070
Right-of-use assets	430,066	509,186
Bonds issued	395,671	484,380
Other payables	137,773	183,703
Financial assets at amortized cost	–	226,319
Property and equipment	<u>15,090</u>	<u>15,672</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

69. Related party transactions (Continued)

(2) Subsidiaries (Continued)

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

	Year ended December 31	
	2021	2020
Interest income	445,549	887,740
Dividend income	401,347	3,551
Interest expense	297,727	206,498
Other expenses	153,807	117,261
Depreciation expenses of right-of-use assets	134,111	126,527
Fair value changes on other financial instruments	109,710	196,490
Commission and fee expense	60,265	68,722
Rental income	34,431	18,185
Impairment losses on assets	27,212	23,308
Other income and other net gains or losses	4,040	—
Depreciation and amortisation expenses	582	582

(3) Associates and joint ventures

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

Group

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

	As at December 31	
	2021	2020
Loans and advances to customers	4,883,177	7,360,505
Other payables	104,504	163,369
Risk deposit	139,200	242,364
Other receivables	75,605	45,984
Dividend receivable	45,000	45,000
Accounts receivable	15,410	—
Deferred income related to leasing business	1,846	10,549

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

69. Related party transactions (Continued)

(3) Associates and joint ventures (Continued)

Group (Continued)

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

	Year ended December 31	
	2021	2020
Dividend income	859,243	1,173,208
Interest income	636,207	814,474
Commission and fee income	52,818	9,569
Rental income	—	9

Company

The Company had entered into the following transactions with its associates and joint ventures:

	Year ended December 31	
	2021	2020
Dividend income	721,966	524,220

(4) Government related entities

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

69. Related party transactions (Continued)

(5) Defined contribution plans

Group

The Group had the following transactions with the defined contribution plans set up by the Company:

	Year ended December 31	
	2021	2020
Contribution to defined contribution plans	<u>261,923</u>	<u>286,981</u>

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31	
	2021	2020
Contribution to defined contribution plans	<u>92,598</u>	<u>109,796</u>

(6) Defined benefit plans

Group

Please refer to Note VI. 56 Other liabilities for details of retirement benefits of the Group's subsidiary, NCB.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has the overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk

70.1.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from financial assets at amortized cost, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets at amortized cost and other debt assets. Risk management of other distressed debt assets at fair value through profit or loss is detailed in Note VI.70.4 Risk management of distressed assets.

The Group implements the following measures to mitigate credit risk:

- Referencing to internal and external credit rating information to manage the credit quality of counterparties, and selecting counterparties with acceptable credit quality and repayment ability to balance credit risk and return;
- Obtaining effective collateral from counterparties to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

70.1.2 Measurement of ECL

Refer to Note IV.7.4 Impairment of financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

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

Group

	As at December 31	
	2021	2020
On-balance sheet		
Balances with central banks	17,598,651	14,847,690
Deposits with banks and financial institutions	99,921,346	87,953,563
Deposits with exchanges and others	2,202,860	1,946,984
Placements with banks and financial institutions	25,045,776	19,909,505
Financial assets at fair value through profit or loss	126,388,199	127,921,267
Financial assets held under resale agreements	68,204,309	36,241,153
Financial assets at fair value through other comprehensive income	113,881,452	119,255,383
Financial assets at amortized cost	183,535,039	220,232,956
Loans and advance to customers	368,031,445	353,456,297
Accounts receivable	3,203,037	3,255,410
Other assets	13,250,145	10,437,031
Subtotal	1,021,262,259	995,457,239
Off-balance sheet		
Bank acceptance bills	32,280,269	19,885,771
Loan commitments	13,966,314	15,363,473
Letters of guarantee issued and other credit commitments	10,938,485	8,586,057
Subtotal	57,185,068	43,835,301
Total	1,078,447,327	1,039,292,540

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

Company

	As at December 31	
	2021	2020
Balances with central banks	2,419	2,410
Deposits with banks and financial institutions	39,236,127	28,324,705
Financial assets at fair value through profit or loss	75,300,476	99,590,995
Financial assets held under resale agreements	65,391,479	34,112,502
Financial assets at fair value through other comprehensive income	–	4,570,947
Financial assets at amortized cost	139,610,326	182,569,154
Accounts receivable	915,919	805,417
Amounts due from subsidiaries	28,551,869	27,331,230
Other assets	5,606,699	4,198,739
Total	<u>354,615,314</u>	<u>381,506,099</u>

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2020. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at December 31, 2021 amounted to RMB203,739.51 million (December 31, 2020: RMB198,746.18 million).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

Group

	As at December 31	
	2021	2020
Distressed debt assets	149,016,373	193,031,261
Loans and advances to customers	358,421,803	341,395,217
Subtotal	507,438,176	534,426,478
Allowance for impairment losses		
Distressed debt assets	(14,459,897)	(16,524,845)
Loans and advances to customers	(9,597,802)	(7,485,658)
Subtotal	(24,057,699)	(24,010,503)
Net carrying amounts		
Distressed debt assets	134,556,476	176,506,416
Loans and advances to customers	348,824,001	333,909,559
Total	483,380,477	510,415,975

Company

	As at December 31	
	2021	2020
Distressed debt assets	148,822,848	193,113,485
Allowance for impairment losses	(14,288,997)	(16,380,750)
Net carrying amounts	134,533,851	176,732,735

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

By geographical area

Group

Area	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Overseas	165,249,526	32.7	166,206,634	31.2
Central Region	74,155,442	14.6	78,592,971	14.7
Western Region	73,200,511	14.4	76,251,607	14.3
Bohai Rim	70,549,416	13.9	67,601,765	12.6
Yangtze River Delta	64,648,405	12.7	75,412,542	14.1
Pearl River Delta	49,837,558	9.8	63,155,401	11.8
Northeastern Region	9,797,318	1.9	7,205,558	1.3
Total	<u>507,438,176</u>	<u>100.0</u>	<u>534,426,478</u>	<u>100.0</u>

Company

Area	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Central Region	42,872,571	28.8	54,645,420	28.2
Bohai Rim	33,420,937	22.5	39,382,659	20.4
Western Region	31,310,213	21.0	35,307,888	18.3
Yangtze River Delta	22,364,518	15.0	38,990,764	20.2
Pearl River Delta	14,598,153	9.8	22,562,868	11.7
Northeastern Region	4,256,456	2.9	2,223,886	1.2
Total	<u>148,822,848</u>	<u>100.0</u>	<u>193,113,485</u>	<u>100.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

By geographical area (Continued)

Notes:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

By industry

Group

Industry	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	142,199,829	28.0	183,031,269	34.1
Manufacturing	58,846,729	11.6	63,451,828	11.9
Leasing and commercial services	47,894,919	9.4	49,612,282	9.3
Finance	31,504,203	6.2	29,357,482	5.5
Construction	28,824,271	5.7	17,837,696	3.3
Production and supply of power, heat, gas and water	28,316,409	5.6	29,166,681	5.5
Wholesale and retail trade	19,370,631	3.8	23,722,697	4.5
Mining	18,120,704	3.6	15,857,411	3.0
Others	69,322,518	13.7	63,627,611	11.9
Subtotal	444,400,213	87.6	475,664,957	89.0
Personal business				
Mortgage	29,589,122	5.8	27,377,051	5.1
Personal consumption loans	22,087,382	4.4	21,264,336	4.0
Subtotal	51,676,504	10.2	48,641,387	9.1
Loans to margin clients	11,361,459	2.2	10,120,134	1.9
Total	507,438,176	100.0	534,426,478	100.0

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

By industry (Continued)

Company

Industry	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Real estate	62,511,938	42.0	88,674,668	45.9
Manufacturing	20,647,531	13.9	26,321,210	13.6
Mining	11,236,957	7.6	10,903,560	5.6
Wholesale and retail trade	8,713,110	5.9	16,240,091	8.4
Construction	8,502,331	5.7	11,348,409	5.9
Water conservancy, environment and public facilities management	8,355,385	5.6	6,799,425	3.5
Finance	7,799,735	5.2	8,188,725	4.2
Others	21,055,861	14.1	24,637,397	12.9
Total	<u>148,822,848</u>	<u>100.0</u>	<u>193,113,485</u>	<u>100.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

By security type

Group

	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Unsecured	130,776,669	25.8	140,241,990	26.2
Guaranteed	72,478,980	14.3	60,133,987	11.3
Mortgaged	151,737,579	29.9	192,002,678	35.9
Pledged	152,444,948	30.0	142,047,823	26.6
Total	<u>507,438,176</u>	<u>100.0</u>	<u>534,426,478</u>	<u>100.0</u>

Company

	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Unsecured	8,322,160	5.6	8,842,939	4.6
Guaranteed	17,720,140	11.9	17,725,350	9.2
Mortgaged	99,899,428	67.1	132,674,250	68.7
Pledged	22,881,120	15.4	33,870,946	17.5
Total	<u>148,822,848</u>	<u>100.0</u>	<u>193,113,485</u>	<u>100.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

Group										
	Gross amount as at December 31, 2021					Gross amount as at December 31, 2020				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	1,736,708	13,876,149	4,609,986	324,460	20,547,303	9,719,713	6,024,210	3,091,359	330,099	19,165,381
Loans and advances to customers	1,308,845	2,406,338	2,689,727	738,468	7,143,378	3,228,913	1,986,215	2,650,726	920,067	8,785,921
Total	<u>3,045,553</u>	<u>16,282,487</u>	<u>7,299,713</u>	<u>1,062,928</u>	<u>27,690,681</u>	<u>12,948,626</u>	<u>8,010,425</u>	<u>5,742,085</u>	<u>1,250,166</u>	<u>27,951,302</u>
Company										
	Gross amount as at December 31, 2021					Gross amount as at December 31, 2020				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	<u>1,736,708</u>	<u>13,876,149</u>	<u>4,609,986</u>	<u>130,935</u>	<u>20,353,778</u>	<u>9,719,713</u>	<u>6,024,210</u>	<u>3,091,359</u>	<u>136,574</u>	<u>18,971,856</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

Group

	As at December 31	
	2021	2020
Neither past due nor impaired	477,153,536	506,048,025
Past due but not impaired (1)	13,466,048	14,936,001
Impaired (2)	16,818,592	13,442,452
Subtotal	507,438,176	534,426,478
Allowance for impairment losses	(24,057,699)	(24,010,503)
Net carrying amount	483,380,477	510,415,975

Company

	As at December 31	
	2021	2020
Neither past due nor impaired	127,785,360	174,141,629
Past due but not impaired (1)	12,347,216	11,432,477
Impaired (2)	8,690,272	7,539,379
Subtotal	148,822,848	193,113,485
Allowance for impairment losses	(14,288,997)	(16,380,750)
Net carrying amount	134,533,851	176,732,735

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

(1) Past due but not impaired

	Group									
	Gross amount as at December 31, 2021					Gross amount as at December 31, 2020				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	1,736,708	10,610,508	-	-	12,347,216	7,844,426	3,588,051	-	-	11,432,477
Loans and advances to customers	1,118,832	-	-	-	1,118,832	1,553,265	1,740,259	210,000	-	3,503,524
Total	<u>2,855,540</u>	<u>10,610,508</u>	<u>-</u>	<u>-</u>	<u>13,466,048</u>	<u>9,397,691</u>	<u>5,328,310</u>	<u>210,000</u>	<u>-</u>	<u>14,936,001</u>

Company

	Gross amount as at December 31, 2021					Gross amount as at December 31, 2020				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	<u>1,736,708</u>	<u>10,610,508</u>	<u>-</u>	<u>-</u>	<u>12,347,216</u>	<u>7,844,426</u>	<u>3,588,051</u>	<u>-</u>	<u>-</u>	<u>11,432,477</u>

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

(2) Impaired

Group

	As at December 31, 2021		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	8,883,797	(3,307,306)	5,576,491
Loans and advances to customers	7,934,795	(4,573,794)	3,361,001
Total	<u>16,818,592</u>	<u>(7,881,100)</u>	<u>8,937,492</u>

	As at December 31, 2020		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,732,904	(3,258,555)	4,474,349
Loans and advances to customers	5,709,548	(3,185,611)	2,523,937
Total	<u>13,442,452</u>	<u>(6,444,166)</u>	<u>6,998,286</u>

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

(2) Impaired (Continued)

Company

	As at December 31, 2021		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	<u>8,690,272</u>	<u>(3,136,406)</u>	<u>5,553,866</u>

	As at December 31, 2020		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	<u>7,539,379</u>	<u>(3,087,248)</u>	<u>4,452,131</u>

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

(2) Impaired (Continued)

Group

	As at December 31	
	2021	2020
Distressed debt assets		
Impaired	8,883,797	7,732,904
– Portion covered	7,980,820	7,364,164
– Portion not covered	902,977	368,740
Impaired as % of total distressed debt assets	6.0	4.0
Fair value of collateral	8,852,876	7,655,575
Loans and advances to customers		
Impaired	7,934,795	5,709,548
– Portion covered	7,116,758	5,513,737
– Portion not covered	818,037	195,811
Impaired as % of total loans and advances to customers	2.2	1.7
Fair value of collateral	8,224,448	5,554,941

Company

	As at December 31	
	2021	2020
Distressed debt assets		
Impaired	8,690,272	7,539,379
– Portion covered	7,790,188	7,173,532
– Portion not covered	900,084	365,847
Impaired as % of total distressed debt assets	5.8	3.9
Fair value of collateral	8,662,244	7,463,985

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

(2) Impaired (Continued)

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

Distressed debt assets

Group

Area	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Bohai Rim	3,596,431	40.5	2,715,747	35.1
Yangtze River Delta	2,568,634	28.9	1,182,091	15.3
Western Region	1,330,429	15.0	132,931	1.7
Northeastern Region	720,907	8.1	—	—
Pearl River Delta	346,006	3.9	2,948,201	38.1
Central Region	321,390	3.6	753,934	9.8
Total	<u>8,883,797</u>	<u>100.0</u>	<u>7,732,904</u>	<u>100.0</u>

Company

Area	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Bohai Rim	3,402,905	39.1	2,522,222	33.5
Yangtze River Delta	2,568,634	29.6	1,182,091	15.7
Western Region	1,330,429	15.3	132,931	1.8
Northeastern Region	720,907	8.3	—	—
Pearl River Delta	346,006	4.0	2,948,201	39.0
Central Region	321,391	3.7	753,934	10.0
Total	<u>8,690,272</u>	<u>100.0</u>	<u>7,539,379</u>	<u>100.0</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

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

(2) Impaired (Continued)

Loans and advances to customers

Group

Area	As at December 31			
	2021		2020	
	Gross amount	%	Gross amount	%
Central Region	2,720,007	34.3	1,115,132	19.5
Overseas	1,765,085	22.2	675,902	11.8
Pearl River Delta	1,227,407	15.5	1,170,235	20.5
Bohai Rim	983,610	12.4	787,219	13.8
Yangtze River Delta	708,886	8.9	1,060,707	18.6
Northeastern Region	404,612	5.1	593,807	10.4
Western Region	125,188	1.6	306,546	5.4
Total	<u>7,934,795</u>	<u>100.0</u>	<u>5,709,548</u>	<u>100.0</u>

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

70.1.7 Credit quality of investment products

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

Group

	As at December 31	
	2021	2020
Neither past due nor impaired (1)	279,779,670	276,024,460
Past due but not impaired (2)	6,622,496	10,816,502
Impaired (3)	4,819,741	6,140,254
Subtotal	291,221,907	292,981,216
Allowance for impairment losses	(1,889,911)	(2,078,026)
Net carrying amounts	289,331,996	290,903,190

Company

	As at December 31	
	2021	2020
Neither past due nor impaired (1)	70,474,307	97,426,594
Past due but not impaired	6,734,360	10,797,575
Impaired	4,969,341	1,968,268
Subtotal	81,848,008	110,192,437
Allowance for impairment losses	(1,387,275)	(194,076)
Net carrying amounts	80,460,733	109,998,361

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

70.1.7 Credit quality of investment products (Continued)

(1) Neither past due nor impaired

Group	As at December 31, 2021				As at December 31, 2020			
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	7,272,155	578,502	42,670,135	50,520,792	5,579,784	581,013	40,679,921	46,840,718
Public sector and quasi-government bonds	–	–	3,734,687	3,734,687	10,341	–	4,929,996	4,940,337
Financial institution bonds	666,349	–	35,382,329	36,048,678	582,818	1,586,606	34,945,920	37,115,344
Corporate bonds	20,963,925	–	32,088,142	53,052,067	7,613,126	581,214	28,105,436	36,299,776
Trust products and rights to trust assets	16,426,941	22,159,575	–	38,586,516	14,570,839	15,445,631	–	30,016,470
Wealth management products	1,531,919	–	–	1,531,919	2,344,900	–	–	2,344,900
Asset management plans	1,314,448	–	–	1,314,448	518,134	513,748	–	1,031,882
Asset-backed securities	1,405,468	–	–	1,405,468	756,174	–	–	756,174
Derivative financial assets	881,373	–	–	881,373	802,792	–	–	802,792
Embedded derivatives debts	723,207	–	–	723,207	838,092	–	–	838,092
Debt investments	13,531,457	25,765,784	–	39,297,241	22,131,737	22,877,525	–	45,009,262
Mixed fund investments	47,168,621	–	–	47,168,621	56,381,773	–	–	56,381,773
Certificates of deposit	1,268,874	–	–	1,268,874	–	–	10,594,110	10,594,110
Others	4,245,779	–	–	4,245,779	3,052,830	–	–	3,052,830
Subtotal	117,400,516	48,503,861	113,875,293	279,779,670	115,183,340	41,585,737	119,255,383	276,024,460
Allowance for impairment losses	–	(1,050,378)	–	(1,050,378)	–	(1,001,339)	–	(1,001,339)
Total	117,400,516	47,453,483	113,875,293	278,729,292	115,183,340	40,584,398	119,255,383	275,023,121

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

70.1.7 Credit quality of investment products (Continued)

(1) Neither past due nor impaired (Continued)

Company	As at December 31, 2021				As at December 31, 2020			
	Financial assets at fair value through profit or loss	Financial assets at-amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at-amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	-	-	-	-	-	-	1,506,645	1,506,645
Financial institution bonds	-	-	-	-	582,818	-	-	582,818
Corporate bonds	603,879	-	-	603,879	601,542	-	-	601,542
Trust products and rights to trust assets	8,086,033	413,338	-	8,499,371	9,402,461	808,995	-	10,211,456
Asset management plans	83,847	-	-	83,847	257,328	-	-	257,328
Asset-backed securities	313,844	-	-	313,844	339,256	-	-	339,256
Debt investments	13,531,457	4,188,217	-	17,719,674	22,131,737	5,174,657	-	27,306,394
Mixed fund investments	40,943,150	-	-	40,943,150	51,194,679	-	-	51,194,679
Certificates of deposit	-	-	-	-	-	-	3,064,302	3,064,302
Others	2,310,542	-	-	2,310,542	2,362,174	-	-	2,362,174
Subtotal	65,872,752	4,601,555	-	70,474,307	86,871,995	5,983,652	4,570,947	97,426,594
Allowance for impairment losses	-	(277,120)	-	(277,120)	-	(148,822)	-	(148,822)
Total	65,872,752	4,324,435	-	70,197,187	86,871,995	5,834,830	4,570,947	97,277,772

As at December 31, 2021, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB113,875.29 million, the allowances of RMB170.08 million was recognized in other comprehensive income.

As at December 31, 2020, the carrying amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB119,255.38 million, and the allowance of RMB71.41 million was recognized in other comprehensive income.

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

70.1.7 Credit quality of investment products (Continued)

(2) Past due but not impaired

As at December 31, 2021, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The carrying amount of investment products was RMB6,622.50 million.

As at December 31, 2020, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The carrying amount of investment products was RMB10,816.50 million.

(3) Impaired

As at December 31, 2021, the carrying amount of the impaired investment products at fair value through profit or loss was RMB2,365.18 million, and the fair value loss of RMB4,123.68 million was recognized. The carrying amount of the impaired investment products at fair value through other comprehensive income was RMB6.16 million, and the allowances of RMB176.23 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB2,448.40 million, and the allowances of RMB839.53 million was recognized.

As at December 31, 2020, the carrying amount of the impaired investment products at fair value through profit or loss was RMB1,921.43 million, and the fair value loss of RMB1,138.35 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB150.05 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,218.83 million, and the allowance of RMB1,076.69 million was recognized.

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

70.1.8 Investment products analyzed by credit rating from reputable rating agencies

	Group											
	As at December 31, 2021						As at December 31, 2020					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	1,865,842	21,681,655	64,669	–	26,908,626	50,520,792	3,263,281	19,147,980	1,046,098	–	23,383,360	46,840,719
Public sector and quasi-government bonds	858,262	1,569,722	–	–	1,306,703	3,734,687	1,787,386	427,452	–	–	2,725,499	4,940,337
Financial institution bonds	–	12,650,501	15,281,344	7,339,770	777,063	36,048,678	582,818	13,509,790	17,121,152	5,752,238	149,222	37,115,220
Corporate bonds	14,489,355	829,744	13,603,524	15,676,676	8,468,232	53,067,531	10,561,091	93,024	12,314,048	5,108,869	8,227,903	36,304,935
Trust products and rights to trust assets	–	–	–	–	39,218,833	39,218,833	–	–	–	718,206	32,039,242	32,757,448
Wealth management products	–	–	–	–	1,531,919	1,531,919	–	–	–	–	2,344,900	2,344,900
Asset management plans	–	–	–	–	1,798,116	1,798,116	–	–	–	–	983,643	983,643
Asset-backed securities	–	–	–	–	1,405,468	1,405,468	–	–	–	–	756,174	756,174
Debt investments	–	–	–	–	43,420,043	43,420,043	–	–	–	–	49,711,037	49,711,037
Mixed fund investments	–	–	–	–	51,234,626	51,234,626	–	–	–	–	63,677,836	63,677,836
Derivative financial assets	–	–	–	–	881,373	881,373	–	–	–	–	802,792	802,792
Embedded derivatives debts	–	–	–	–	723,207	723,207	–	–	–	–	838,092	838,092
Certificates of deposit	–	–	–	–	1,268,874	1,268,874	3,064,303	–	5,297,013	1,757,876	474,918	10,594,110
Others	–	–	–	–	4,477,849	4,477,849	–	–	–	–	3,235,947	3,235,947
Total	<u>17,213,459</u>	<u>36,731,622</u>	<u>28,949,537</u>	<u>23,016,446</u>	<u>183,420,932</u>	<u>289,331,996</u>	<u>19,258,879</u>	<u>33,178,246</u>	<u>35,778,311</u>	<u>13,337,189</u>	<u>189,350,565</u>	<u>290,903,190</u>

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.1 Credit Risk (Continued)

*70.1.8 Investment products analyzed by credit rating from reputable rating agencies
(Continued)*

Company	As at December 31, 2021						As at December 31, 2020					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	-	-	-	-	-	-	1,506,645	-	-	-	-	1,506,645
Financial institution bonds	-	-	-	-	-	-	582,818	-	-	-	-	582,818
Corporate bonds	-	-	-	-	603,879	603,879	-	-	-	-	601,542	601,542
Trust products and rights to trust assets	-	-	-	-	9,446,054	9,446,054	-	-	-	718,206	9,402,459	10,120,665
Asset management plans	-	-	-	-	83,847	83,847	-	-	-	-	257,328	257,328
Asset-backed securities	-	-	-	-	313,844	313,844	-	-	-	-	339,256	339,256
Debt investments	-	-	-	-	22,133,166	22,133,166	-	-	-	-	32,489,771	32,489,771
Mixed fund investments	-	-	-	-	45,337,331	45,337,331	-	-	-	-	58,490,743	58,490,743
Certificates of deposit	-	-	-	-	-	-	3,064,302	-	-	-	-	3,064,302
Others	-	-	-	-	2,542,612	2,542,612	-	-	-	-	2,545,291	2,545,291
Total	-	-	-	-	80,460,733	80,460,733	5,153,765	-	-	718,206	104,126,390	109,998,361

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flow changes due to interest rate changes is mainly related to the Group's fixed rate and floating rate financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the restructured distressed assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Interest rate risk (Continued)

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

Group	As at December 31, 2021					Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Cash and balances with central banks	12,821,447	-	-	-	-	5,224,282	18,045,729
Deposits with banks and financial institutions	87,517,422	6,572,272	708,662	1,082,780	-	4,040,210	99,921,346
Placements with banks and financial institutions	23,961,714	711,816	372,246	-	-	-	25,045,776
Deposits with exchanges and others	2,202,860	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	5,551,546	3,675,296	31,691,242	65,239,955	929,633	349,116,078	456,203,750
Financial assets at fair value through other comprehensive income	3,365,004	11,440,015	21,771,102	73,209,633	3,201,635	9,604,937	122,592,326
Loans and advances to customers	200,565,837	37,261,916	77,528,979	47,528,840	4,077,847	1,068,026	368,031,445
Financial assets at amortized cost	21,001,944	5,323,451	62,471,813	94,733,204	4,627	-	183,535,039
Accounts receivable	6,117	-	-	384,360	-	2,812,560	3,203,037
Financial assets held under resale agreements	66,930,216	519	98,321	967,196	-	208,057	68,204,309
Other financial assets	8,200	46,478	467,878	83,509	1,177	13,789,444	14,396,686
Total financial assets	423,932,307	65,031,763	195,110,243	283,229,477	8,214,919	385,863,594	1,361,382,303
Borrowings from central bank	(9,906)	-	-	-	-	(986,137)	(996,043)
Accounts payable to brokerage clients	(13,554,645)	-	-	-	-	(4,050,944)	(17,605,589)
Due to customers	(146,482,331)	(62,980,906)	(67,263,603)	(8,806,363)	-	(13,214,916)	(298,748,119)
Deposits from banks and financial institutions	(3,213,824)	(4,956,816)	(7,029,594)	(4,550,000)	(50,000)	(176,672)	(19,976,906)
Placements from banks and financial institutions	(7,905,158)	(4,772,096)	(3,499,414)	-	-	(100,989)	(16,277,657)
Financial liabilities at fair value through profit or loss	(1,860,840)	(1,537,584)	(2,218,055)	-	-	(2,326,460)	(7,942,939)
Financial assets sold under repurchase agreements	(12,623,323)	(231,788)	(605,459)	-	-	(1,635,200)	(15,095,770)
Borrowings	(59,637,497)	(75,111,220)	(332,630,673)	(80,351,045)	(3,487,257)	(3,861,448)	(555,079,140)
Bonds issued	(11,193,846)	(36,703,542)	(71,617,075)	(130,303,501)	(113,365,421)	(4,623,360)	(367,806,745)
Accounts payable	-	-	-	-	-	(5,389,488)	(5,389,488)
Other financial liabilities	(57,845)	(164,253)	(1,092,676)	(995,957)	(157,652)	(22,882,129)	(25,350,512)
Total financial liabilities	(256,539,215)	(186,458,205)	(485,956,549)	(225,006,866)	(117,060,330)	(59,247,743)	(1,330,268,908)
Interest rate gap	167,393,092	(121,426,442)	(290,846,306)	58,222,611	(108,845,411)	326,615,851	31,113,395

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Interest rate risk (Continued)

Group (Continued)

	As at December 31, 2020					Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Cash and balances with central banks	12,383,502	–	–	–	–	2,991,546	15,375,048
Deposits with banks and financial institutions	76,226,924	4,954,756	4,562,736	–	–	2,209,147	87,953,563
Placements with banks and financial institutions	19,697,443	212,062	–	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	7,789,638	7,193,689	23,859,451	77,310,374	663,339	330,100,183	446,916,674
Financial assets at fair value through other comprehensive income	5,610,860	15,457,819	24,975,428	68,911,888	3,170,792	5,601,681	123,728,468
Loans and advances to customers	192,551,465	38,326,493	75,187,191	45,000,035	1,656,871	734,242	353,456,297
Financial assets at amortized cost	21,659,018	11,394,795	90,043,666	97,102,816	32,661	–	220,232,956
Accounts receivable	15,212	–	–	384,360	–	2,855,838	3,255,410
Financial assets held under resale agreements	30,631,860	4,579,366	313,994	435,156	–	280,777	36,241,153
Other financial assets	2,100	42,341	1,265,625	1,177	1,766	9,453,678	10,766,687
Total financial assets	368,515,006	82,161,321	220,208,091	290,133,593	5,525,429	353,239,305	1,319,782,745
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(13,045,266)	–	–	–	–	(3,538,581)	(16,583,847)
Due to customers	(135,353,256)	(57,336,498)	(65,025,816)	(3,243,963)	–	(12,684,641)	(273,644,174)
Deposits from banks and financial institutions	(3,978,380)	(3,863,730)	(391,502)	(7,105,000)	(80,000)	(123,572)	(15,542,184)
Placements from banks and financial institutions	(4,493,080)	(6,791,235)	(2,528,243)	–	–	(231,776)	(14,044,334)
Financial liabilities at fair value through profit or loss	(1,817,920)	(2,170,572)	(1,671,852)	–	–	(1,616,565)	(7,276,909)
Financial assets sold under repurchase agreements	(8,874,433)	(3,948,122)	(1,484,020)	–	–	(1,684,103)	(15,990,678)
Borrowings	(34,278,158)	(57,361,284)	(368,419,974)	(74,531,803)	(19,294,094)	(3,026,835)	(556,912,148)
Bonds issued	(36,279)	(21,483,793)	(75,886,723)	(146,967,791)	(105,330,923)	(6,072,021)	(355,777,530)
Accounts payable	–	–	–	–	–	(4,886,693)	(4,886,693)
Other financial liabilities	(272,841)	(206,431)	(2,671,112)	(539,468)	(22,916)	(25,158,839)	(28,871,607)
Total financial liabilities	(202,149,613)	(153,161,665)	(518,079,242)	(232,388,025)	(124,727,933)	(60,009,684)	(1,290,516,162)
Interest rate gap	166,365,393	(71,000,344)	(297,871,151)	57,745,568	(119,202,504)	293,229,621	29,266,583

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Interest rate risk (Continued)

Company

	As at December 31, 2021					Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Cash and balances with central banks	2,419	-	-	-	-	230	2,649
Deposits with banks and financial institutions	33,495,249	5,102,994	637,884	-	-	-	39,236,127
Financial assets at fair value through profit or loss	3,952,934	-	14,953,174	41,511,461	-	278,027,937	338,445,506
Accounts receivable	-	-	-	384,360	-	531,559	915,919
Financial assets held under resale agreements	65,335,443	-	-	-	-	56,036	65,391,479
Amounts due from subsidiaries	3,211,431	7,643,217	9,972,178	6,070,590	-	1,654,456	28,551,872
Financial assets at fair value through other comprehensive income	-	-	-	-	-	7,685,875	7,685,875
Financial assets at amortized cost	17,122,643	5,284,445	51,923,409	65,275,202	4,627	-	139,610,326
Interests in consolidated structured entities	10,015	248,885	10,915,667	14,476,426	-	6,019,191	31,670,184
Other financial assets	8,200	36,478	437,560	-	-	5,124,458	5,606,696
Total financial assets	123,138,334	18,316,019	88,839,872	127,718,039	4,627	299,099,742	657,116,633
Borrowings from central bank	-	-	-	-	-	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(164,524)	(164,524)
Borrowings	(32,397,000)	(63,221,000)	(289,119,500)	(50,730,000)	-	(3,345,056)	(438,812,556)
Bonds issued	(7,928,946)	(18,087,699)	(60,617,005)	(42,474,193)	(69,693,973)	(3,856,322)	(202,658,138)
Accounts payable	-	-	-	-	-	(433,000)	(433,000)
Other financial liabilities	-	-	-	-	-	(4,656,576)	(4,656,576)
Total financial liabilities	(40,325,946)	(81,308,699)	(349,736,505)	(93,204,193)	(69,693,973)	(13,441,536)	(647,710,852)
Interest rate gap	82,812,388	(62,992,680)	(260,896,633)	34,513,846	(69,689,346)	285,658,206	9,405,781

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Interest rate risk (Continued)

Company (Continued)

	As at December 31, 2020					Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years		
Cash and balances with central banks	2,410	–	–	–	–	257	2,667
Deposits with banks and financial institutions	18,543,161	5,198,792	4,582,752	–	–	–	28,324,705
Financial assets at fair value through profit or loss	2,745,944	3,390,675	10,147,922	63,693,233	582,818	266,979,942	347,540,534
Accounts receivable	–	–	–	384,360	–	421,057	805,417
Financial assets held under resale agreements	29,593,405	4,480,236	–	–	–	38,861	34,112,502
Amounts due from subsidiaries	8,944,307	4,022,829	4,907,648	8,335,300	–	1,121,147	27,331,231
Financial assets at fair value through other comprehensive income	496,600	2,528,281	–	9,759	1,491,983	3,487,695	8,014,318
Financial assets at amortized cost	16,536,439	11,077,677	74,176,797	80,745,580	32,661	–	182,569,154
Interests in consolidated structured entities	1,349,504	191,269	2,552,948	20,986,607	562,232	2,693,306	28,335,866
Other financial assets	600	13,137	1,224,833	–	–	2,960,168	4,198,738
Total financial assets	78,212,370	30,902,896	97,592,900	174,154,839	2,669,694	277,702,433	661,235,132
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	(204,201)
Borrowings	(29,000,000)	(50,300,000)	(311,660,000)	(50,900,000)	–	(2,108,344)	(443,968,344)
Bonds issued	–	(15,795,585)	(65,082,426)	(45,459,319)	(69,655,676)	(3,881,319)	(199,874,325)
Accounts payable	–	–	–	–	–	(1,000)	(1,000)
Other financial liabilities	–	–	–	–	–	(5,870,305)	(5,870,305)
Total financial liabilities	(29,000,000)	(66,095,585)	(376,742,426)	(96,359,319)	(69,655,676)	(13,051,227)	(650,904,233)
Interest rate gap	49,212,370	(35,192,689)	(279,149,526)	77,795,520	(66,985,982)	264,651,206	10,330,899

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Interest rate risk (Continued)

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in the yield rates of all financial instruments on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

Interest rate sensitivity analysis

Group

	As at December 31			
	2021		2020	
	Profit	Other	Profit	Other
	before tax	comprehensive	before tax	comprehensive
		income		income
+ 100 basis points	(498,377)	(1,818,316)	(114,351)	(1,690,701)
– 100 basis points	<u>498,377</u>	<u>1,878,225</u>	<u>114,351</u>	<u>1,751,159</u>

Company

	As at December 31			
	2021		2020	
	Profit	Other	Profit	Other
	before tax	comprehensive	before tax	comprehensive
		income		income
+ 100 basis points	(709,683)	–	(868,465)	(117,276)
– 100 basis points	<u>709,683</u>	<u>–</u>	<u>868,465</u>	<u>127,967</u>

Foreign exchange risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Foreign exchange risk (Continued)

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	RMB	As at December 31, 2021			Total (RMB equivalent)
		USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Cash and balances with central banks	13,984,210	638,340	3,395,282	27,897	18,045,729
Deposits with banks and financial institutions	81,779,915	13,443,584	3,932,641	765,206	99,921,346
Placements with banks and financial institutions	5,774,813	4,543,591	14,727,372	–	25,045,776
Deposits with exchanges and others	2,199,913	1,721	1,226	–	2,202,860
Financial assets at fair value through profit or loss	412,620,127	31,612,504	11,154,330	816,789	456,203,750
Financial assets at amortized cost	183,535,039	–	–	–	183,535,039
Financial assets at fair value through other comprehensive income	54,027,583	36,451,710	32,113,033	–	122,592,326
Loans and advances to customers	189,509,793	56,166,541	116,756,032	5,599,079	368,031,445
Accounts receivable	2,845,750	111,562	245,725	–	3,203,037
Financial assets held under resale agreements	68,204,309	–	–	–	68,204,309
Other financial assets	9,935,002	1,420,401	3,038,095	3,188	14,396,686
Total financial assets	<u>1,024,416,454</u>	<u>144,389,954</u>	<u>185,363,736</u>	<u>7,212,159</u>	<u>1,361,382,303</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Foreign exchange risk (Continued)

Group (Continued)

	As at December 31, 2021				Total (RMB equivalent)
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	
Borrowings from central bank	(996,043)	-	-	-	(996,043)
Accounts payable to brokerage clients	(17,456,725)	-	(148,864)	-	(17,605,589)
Due to customers	(99,447,260)	(55,436,928)	(137,721,414)	(6,142,517)	(298,748,119)
Deposits from banks and financial institutions	(18,667,512)	(351,515)	(957,813)	(66)	(19,976,906)
Placements from banks and financial institutions	(9,720,971)	(4,936,943)	(278,018)	(1,341,725)	(16,277,657)
Financial liabilities at fair value through profit or loss	(528,322)	(1,894,965)	(5,516,227)	(3,425)	(7,942,939)
Financial assets sold under repurchase agreements	(10,892,136)	-	(1,810,455)	(2,393,179)	(15,095,770)
Borrowings	(525,601,396)	(8,072,020)	(21,405,724)	-	(555,079,140)
Bonds issued	(276,367,875)	(91,430,588)	(8,282)	-	(367,806,745)
Accounts payable	(5,000,204)	(259,347)	(125,037)	(4,900)	(5,389,488)
Other financial liabilities	(23,986,679)	(491,957)	(809,791)	(62,085)	(25,350,512)
Total financial liabilities	<u>(988,665,123)</u>	<u>(162,874,263)</u>	<u>(168,781,625)</u>	<u>(9,947,897)</u>	<u>(1,330,268,908)</u>
Net exposure	<u>35,751,331</u>	<u>(18,484,309)</u>	<u>16,582,111</u>	<u>(2,735,738)</u>	<u>31,113,395</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Foreign exchange risk (Continued)

Group (Continued)

	RMB	As at December 31, 2020			
		USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	26,650	12,974	15,299,320	36,104	15,375,048
Deposits with banks and financial institutions	65,656,583	20,637,853	1,019,592	639,535	87,953,563
Placements with banks and financial institutions	3,813,372	12,207,698	3,888,435	–	19,909,505
Deposits with exchanges and others	1,935,351	1,762	9,871	–	1,946,984
Financial assets at fair value through profit or loss	402,160,618	35,022,882	8,351,050	1,382,124	446,916,674
Financial assets at amortized cost	218,646,474	1,586,482	–	–	220,232,956
Financial assets at fair value through other comprehensive income	32,438,919	48,044,228	43,245,321	–	123,728,468
Loans and advances to customers	179,083,828	56,126,125	110,162,799	8,083,545	353,456,297
Accounts receivable	2,573,061	251,661	430,688	–	3,255,410
Financial assets held under resale agreements	36,241,153	–	–	–	36,241,153
Other financial assets	7,618,333	1,005,533	2,124,290	18,531	10,766,687
Total financial assets	<u>950,194,342</u>	<u>174,897,198</u>	<u>184,531,366</u>	<u>10,159,839</u>	<u>1,319,782,745</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Foreign exchange risk (Continued)

Group (Continued)

	RMB	As at December 31, 2020			
		USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(16,263,474)	–	(320,373)	–	(16,583,847)
Due to customers	(59,290,688)	(55,912,215)	(152,174,635)	(6,266,636)	(273,644,174)
Deposits from banks and financial institutions	(14,705,384)	(441,637)	(387,442)	(7,721)	(15,542,184)
Placements from banks and financial institutions	(5,758,799)	(2,746,535)	(957,230)	(4,581,770)	(14,044,334)
Financial liabilities at fair value through profit or loss	(74,850)	(501,482)	(6,700,577)	–	(7,276,909)
Financial assets sold under repurchase agreements	(1,469,301)	(2,823,223)	(3,042,306)	(8,655,848)	(15,990,678)
Borrowings	(512,019,155)	(8,284,352)	(36,606,585)	(2,056)	(556,912,148)
Bonds issued	(274,953,592)	(80,779,624)	(44,314)	–	(355,777,530)
Accounts payable	(4,363,902)	(288,274)	(228,684)	(5,833)	(4,886,693)
Other financial liabilities	(26,126,129)	(870,771)	(1,856,554)	(18,153)	(28,871,607)
Total financial liabilities	<u>(916,011,332)</u>	<u>(152,648,113)</u>	<u>(202,318,700)</u>	<u>(19,538,017)</u>	<u>(1,290,516,162)</u>
Net exposure	<u>34,183,010</u>	<u>22,249,085</u>	<u>(17,787,334)</u>	<u>(9,378,178)</u>	<u>29,266,583</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.2 Market risk (Continued)

Foreign exchange risk (Continued)

Foreign exchange rate sensitivity analysis

The tables below indicate the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31	
	2021	2020
5% appreciation	231,897	245,821
5% depreciation	(231,897)	(245,821)

As the Company's operations are mainly denominated in RMB, directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

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

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

Group

	As at December 31			
	2021		2020	
	Profit before tax	Equity	Profit before tax	Equity
+1 percent	1,260,760	87,109	1,202,492	44,731
- 1 percent	(1,260,760)	(87,109)	(1,202,492)	(44,731)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021
(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

<i>Group</i>	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	12,819,026	5,226,703	-	-	-	-	-	18,045,729
Deposits with banks and financial institutions	166	83,409,052	8,162,887	6,588,055	710,714	1,272,850	-	100,143,724
Placements with banks and financial institutions	-	-	23,966,238	720,729	378,545	-	-	25,065,512
Deposits with exchanges and others	2,202,860	-	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	334,868,726	11,968,444	2,047,961	3,793,358	38,087,915	71,192,530	1,186,514	463,145,448
Loans and advances to customers	6,459,196	24,141,654	9,355,020	23,893,458	97,822,617	178,023,245	63,723,347	403,418,537
Accounts receivable	1,084,428	1,622,480	25,715	9,113	76,941	440,660	-	3,259,337
Financial assets held under resale agreements	614,212	-	67,958,191	523	104,634	974,736	-	69,652,296
Financial assets at fair value through other comprehensive income	8,710,874	-	3,385,543	11,529,128	22,108,814	78,574,667	3,819,808	128,128,834
Financial assets at amortized cost	24,032,847	823,507	2,593,314	6,662,200	70,041,713	119,629,210	7,981	223,790,772
Other financial assets	7,469,920	5,574,056	312,847	54,619	470,796	519,104	1,229	14,402,571
Total financial assets	398,262,255	132,765,896	117,807,716	53,251,183	229,802,689	450,627,002	68,738,879	1,451,255,620
Borrowings from central bank	(986,058)	-	(9,994)	-	-	-	-	(996,052)
Accounts payable to brokerage clients	-	(3,774,243)	(13,831,346)	-	-	-	-	(17,605,589)
Due to customers	-	(112,133,135)	(46,456,591)	(63,581,165)	(76,640,419)	(13,470,991)	-	(312,282,301)
Deposits from banks and financial institutions	-	(1,209,262)	(2,017,949)	(5,006,265)	(8,233,863)	(5,647,195)	(61,483)	(22,176,017)
Placements from banks and financial institutions	-	(81,718)	(7,978,089)	(11,995,698)	(8,867,028)	-	-	(28,922,533)
Financial liabilities at fair value through profit or loss	-	(1,734,386)	(1,912,179)	(1,654,159)	(2,304,311)	(337,671)	(2,431)	(7,945,137)
Financial assets sold under repurchase agreements	-	(1,810,304)	(12,453,224)	(231,793)	(605,798)	-	-	(15,101,119)
Borrowings	-	(22,006,188)	(41,592,624)	(76,581,601)	(342,473,581)	(88,165,964)	(5,054,874)	(575,874,832)
Bonds issued	-	-	(11,384,578)	(37,157,895)	(73,311,792)	(138,252,031)	(136,921,904)	(397,028,200)
Accounts payable	(146,146)	(4,627,410)	(78,094)	-	(536,077)	(1,761)	-	(5,389,488)
Other financial liabilities	(817,980)	(14,121,204)	(536,603)	(648,530)	(2,006,294)	(6,822,669)	(526,289)	(25,479,569)
Total financial liabilities	(1,950,184)	(161,497,850)	(138,251,271)	(196,857,106)	(514,979,163)	(252,698,282)	(142,566,981)	(1,408,800,837)
Net position	396,312,071	(28,731,954)	(20,443,555)	(143,605,923)	(285,176,474)	197,928,720	(73,828,102)	42,454,783

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

Group (Continued)

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	7,972,169	7,402,906	-	-	-	-	-	15,375,075
Deposits with banks and financial institutions	166	63,240,984	15,505,223	4,963,935	4,575,117	-	-	88,285,425
Placements with banks and financial institutions	-	-	19,697,613	211,892	-	-	-	19,909,505
Deposits with exchanges and others	1,946,984	-	-	-	-	-	-	1,946,984
Financial assets at fair value through profit or loss	318,751,002	10,578,634	3,694,278	20,484,306	30,288,313	101,182,674	707,329	485,686,536
Loans and advances to customers	9,750,462	21,456,317	8,441,472	29,791,214	90,988,108	161,080,255	54,453,781	375,961,609
Accounts receivable	459,266	1,208,723	247,350	197,000	731,895	467,477	-	3,311,711
Financial assets held under resale agreements	857,181	-	31,133,004	4,617,292	335,500	436,462	-	37,379,439
Financial assets at fair value through other comprehensive income	4,473,085	-	5,681,357	15,653,390	25,374,364	74,641,918	3,967,887	129,792,001
Financial assets at amortized cost	22,301,470	1,838,962	3,093,361	12,651,062	101,077,742	123,196,429	54,157	264,213,183
Other financial assets	3,172,323	4,789,705	1,127,062	45,170	1,311,480	319,598	1,870	10,767,208
Total financial assets	369,684,108	110,516,231	88,620,720	88,615,261	254,682,519	461,324,813	59,185,024	1,432,628,676
Borrowings from central bank	(986,058)	-	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(3,538,581)	(13,045,266)	-	-	-	-	(16,583,847)
Due to customers	-	(104,862,591)	(43,432,569)	(51,170,053)	(68,300,389)	(6,714,776)	-	(274,480,378)
Deposits from banks and financial institutions	-	(705,966)	(3,379,247)	(3,899,744)	(396,824)	(7,280,031)	(97,961)	(15,759,773)
Placements from banks and financial institutions	-	(218,873)	(3,896,967)	(7,412,977)	(2,602,871)	-	-	(14,131,688)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,995)	(2,452,163)	(2,173,916)	(419,984)	(12,571)	(7,277,340)
Financial assets sold under repurchase agreements	-	(1,683,280)	(8,881,858)	(3,951,109)	(1,485,243)	-	-	(16,001,490)
Borrowings	(504,059)	(37,347,637)	(33,816,464)	(58,125,905)	(363,274,829)	(81,303,264)	(3,682,802)	(578,054,960)
Bonds issued	-	-	(36,430)	(21,907,485)	(77,970,973)	(155,918,738)	(132,570,547)	(388,404,173)
Accounts payable	(82,353)	(4,716,816)	(63,263)	-	(127,814)	(24,052)	-	(5,014,298)
Other financial liabilities	(982,722)	(17,135,458)	(1,321,168)	(732,879)	(4,747,677)	(3,610,039)	(489,451)	(29,019,394)
Total financial liabilities	(2,567,435)	(170,282,670)	(110,006,227)	(149,652,315)	(521,080,536)	(255,270,884)	(136,853,332)	(1,345,713,399)
Net position	367,116,673	(59,766,439)	(21,385,507)	(61,037,054)	(266,398,017)	206,053,929	(77,668,308)	86,915,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

Company

	Past due/ undated	On demand	Less than 1 month	As at December 31, 2021			Over 5 years	Total
				1-3 months	3-12 months	1-5 years		
Cash and balances with central banks	-	2,649	-	-	-	-	-	2,649
Deposits with banks and financial institutions	-	32,219,684	1,275,767	5,106,353	638,724	-	-	39,240,528
Financial assets at fair value through profit or loss	282,674,517	952,350	476,800	-	15,655,661	43,226,285	-	342,985,613
Accounts receivable	1,605	529,954	-	-	-	440,660	-	972,219
Financial assets held under resale agreements	-	-	65,442,294	-	-	-	-	65,442,294
Amounts due from subsidiaries	4,673	4,066,782	794,513	7,648,014	10,251,406	6,476,592	-	29,241,980
Financial assets at fair value through other comprehensive income	7,685,875	-	-	-	-	-	-	7,685,875
Financial assets at amortized cost	21,967,377	-	2,539,290	5,724,888	57,265,059	83,553,638	7,981	171,058,233
Interests in consolidated structured entities	6,362,930	-	10,067	252,574	11,763,250	16,710,207	-	35,099,028
Other financial assets	2,615,128	2,100,124	8,200	36,478	437,560	409,206	-	5,606,696
Total financial assets	321,312,105	39,871,543	70,546,931	18,768,307	96,011,660	150,816,588	7,981	697,335,115
Borrowings from central bank	(986,058)	-	-	-	-	-	-	(986,058)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(164,524)	-	(164,524)
Borrowings	-	-	(32,768,085)	(64,480,459)	(297,532,967)	(54,377,116)	-	(449,158,627)
Bonds issued	-	-	(8,098,469)	(18,368,101)	(62,182,832)	(47,614,448)	(93,590,042)	(229,853,892)
Accounts payable	-	-	-	-	(433,000)	-	-	(433,000)
Other financial liabilities	(639,740)	(4,016,836)	-	-	-	-	-	(4,656,576)
Total financial liabilities	(1,625,798)	(4,016,836)	(40,866,554)	(82,848,560)	(360,148,799)	(102,156,088)	(93,590,042)	(685,252,677)
Net position	319,686,307	35,854,707	29,680,377	(64,080,253)	(264,137,139)	48,660,500	(93,582,061)	12,082,438

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

Company (Continued)

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,667	–	–	–	–	–	2,667
Deposits with banks and financial institutions	–	14,617,312	3,927,180	5,203,655	4,590,619	–	–	28,338,766
Financial assets at fair value through profit or loss	267,469,787	1,887,664	2,310,068	16,009,190	12,006,688	83,720,167	582,818	383,986,382
Accounts receivable	1,605	219,502	199,951	–	–	440,660	–	861,718
Financial assets held under resale agreements	–	–	29,654,654	4,502,946	–	–	–	34,157,600
Amounts due from subsidiaries	4,673	3,588,296	6,476,925	4,025,425	4,912,144	9,267,541	–	28,275,004
Financial assets at fair value through other comprehensive income	3,443,371	–	500,393	2,572,264	–	10,966	1,892,628	8,419,622
Financial assets at amortized cost	19,018,700	–	2,846,492	11,828,842	83,907,253	103,270,345	54,157	220,925,789
Interests in consolidated structured entities	4,558,616	–	136,862	194,000	2,703,438	24,464,327	588,337	32,645,580
Other financial assets	2,354,428	463,269	600	13,137	1,463,238	142,470	–	4,437,142
Total financial assets	296,851,180	20,778,710	46,053,125	44,349,459	109,583,380	221,316,476	3,117,940	742,050,270
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	–	(204,201)
Borrowings	–	–	(29,096,792)	(50,975,988)	(319,441,241)	(54,580,813)	–	(454,094,834)
Bonds issued	–	–	–	(15,979,131)	(66,259,310)	(49,495,689)	(96,901,745)	(228,635,875)
Accounts payable	–	–	–	–	(1,000)	–	–	(1,000)
Other financial liabilities	(715,173)	(5,140,607)	–	–	(14,526)	–	–	(5,870,306)
Total financial liabilities	(1,701,231)	(5,140,607)	(29,096,792)	(66,955,119)	(385,716,077)	(104,280,703)	(96,901,745)	(689,792,274)
Net position	295,149,949	15,638,103	16,956,333	(22,605,660)	(276,132,697)	117,035,773	(93,783,805)	52,257,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

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

Group	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	12,819,026	5,226,703	-	-	-	-	-	18,045,729
Deposits with banks and financial institutions	166	83,409,052	8,148,414	6,572,272	708,662	1,082,780	-	99,921,346
Placements with banks and financial institutions	-	-	23,961,714	711,816	372,246	-	-	25,045,776
Deposits with exchanges and others	2,202,860	-	-	-	-	-	-	2,202,860
Financial assets at fair value through profit or loss	332,450,748	11,916,996	1,642,046	3,760,282	36,868,191	68,381,605	1,183,882	456,203,750
Loans and advances to customers	4,035,082	23,164,999	8,979,954	22,453,908	91,570,522	164,022,853	53,804,127	368,031,445
Accounts receivable	1,084,428	1,622,480	25,715	9,113	76,941	384,360	-	3,203,037
Financial assets held under resale agreements	144,481	-	66,986,252	519	98,321	974,736	-	68,204,309
Financial assets at fair value through other comprehensive income	8,710,874	-	3,382,581	11,509,519	21,869,300	73,882,191	3,237,861	122,592,326
Financial assets at amortized cost	17,655,551	823,507	2,522,886	5,323,451	62,471,813	94,733,204	4,627	183,535,039
Other financial assets	7,469,920	5,574,056	312,847	54,619	468,530	515,537	1,177	14,396,686
Total financial assets	386,573,136	131,737,793	115,962,409	50,395,499	214,504,526	403,977,266	58,231,674	1,361,382,303
Borrowings from central bank	(986,058)	-	(9,985)	-	-	-	-	(996,043)
Accounts payable to brokerage clients	-	(3,774,243)	(13,831,346)	-	-	-	-	(17,605,589)
Due to customers	-	(99,961,724)	(46,448,271)	(63,512,459)	(76,154,939)	(12,670,726)	-	(298,748,119)
Deposits from banks and financial institutions	-	(1,209,262)	(2,017,948)	(4,984,955)	(7,081,331)	(4,633,403)	(50,007)	(19,976,906)
Placements from banks and financial institutions	-	(81,718)	(7,916,085)	(4,781,436)	(3,498,418)	-	-	(16,277,657)
Financial liabilities at fair value through profit or loss	-	(1,734,386)	(1,912,162)	(1,653,838)	(2,302,451)	(337,671)	(2,431)	(7,942,939)
Financial assets sold under repurchase agreements	-	(1,810,304)	(12,448,219)	(231,788)	(605,459)	-	-	(15,095,770)
Borrowings	-	(18,472,658)	(41,528,123)	(76,048,867)	(334,838,041)	(80,697,481)	(3,493,970)	(555,079,140)
Bonds issued	-	-	(11,353,270)	(36,962,260)	(72,001,909)	(131,360,919)	(116,128,387)	(367,806,745)
Accounts payable	(146,146)	(4,627,410)	(78,094)	-	(536,077)	(1,761)	-	(5,389,488)
Other financial liabilities	(817,980)	(14,121,204)	(533,494)	(640,068)	(1,973,114)	(6,738,542)	(526,110)	(25,350,512)
Total financial liabilities	(1,950,184)	(145,792,909)	(138,076,997)	(188,815,671)	(498,991,739)	(236,440,503)	(120,200,905)	(1,330,268,908)
Net position	384,622,952	(14,055,116)	(22,114,588)	(138,420,172)	(284,487,213)	167,536,763	(61,969,231)	31,113,395

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

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

Group (Continued)

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	7,972,169	7,402,879	–	–	–	–	–	15,375,048
Deposits with banks and financial institutions	166	62,949,253	15,485,789	4,955,619	4,562,736	–	–	87,953,563
Placements with banks and financial institutions	–	–	19,697,613	211,892	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	316,870,573	10,494,878	3,368,488	7,819,567	27,768,489	79,913,578	681,101	446,916,674
Loans and advances to customers	4,835,240	21,456,317	6,771,545	28,846,395	87,002,193	153,401,520	51,143,087	353,456,297
Accounts receivable	459,266	1,208,722	247,350	197,000	731,895	411,177	–	3,255,410
Financial assets held under resale agreements	240,274	–	30,669,598	4,580,825	313,994	436,462	–	36,241,153
Financial assets at fair value through other comprehensive income	4,473,085	–	5,676,429	15,616,884	25,127,524	69,647,423	3,187,123	123,728,468
Financial assets at amortized cost	16,994,357	1,838,962	2,825,700	11,343,655	89,564,932	97,632,689	32,661	220,232,956
Other financial assets	3,172,323	4,789,705	1,127,062	45,170	1,311,393	319,268	1,766	10,766,687
Total financial assets	356,964,437	110,140,716	85,869,574	73,617,007	236,383,156	401,762,117	55,045,738	1,319,782,745
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(3,538,581)	(13,045,266)	–	–	–	–	(16,583,847)
Due to customers	–	(104,862,591)	(43,398,609)	(50,958,288)	(67,822,820)	(6,601,866)	–	(273,644,174)
Deposits from banks and financial institutions	–	(705,966)	(3,379,247)	(3,878,650)	(393,321)	(7,105,000)	(80,000)	(15,542,184)
Placements from banks and financial institutions	–	(218,872)	(3,894,405)	(7,398,027)	(2,533,030)	–	–	(14,044,334)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,973)	(2,452,077)	(2,173,593)	(419,984)	(12,571)	(7,276,909)
Financial assets sold under repurchase agreements	–	(1,683,280)	(8,875,256)	(3,948,122)	(1,484,020)	–	–	(15,990,678)
Borrowings	(504,059)	(32,800,248)	(33,776,825)	(57,783,285)	(355,787,720)	(73,495,718)	(2,764,293)	(556,912,148)
Bonds issued	–	–	(36,404)	(21,753,880)	(76,535,069)	(148,968,097)	(108,484,080)	(355,777,530)
Accounts payable	(82,353)	(4,589,211)	(63,263)	–	(127,814)	(24,052)	–	(4,886,693)
Other financial liabilities	(982,722)	(17,126,290)	(1,307,889)	(705,708)	(4,672,059)	(3,587,726)	(489,213)	(28,871,607)
Total financial liabilities	(2,567,435)	(165,598,507)	(109,910,137)	(148,878,037)	(511,529,446)	(240,202,443)	(111,830,157)	(1,290,516,162)
Net position	354,397,002	(55,457,791)	(24,040,563)	(75,261,030)	(275,146,290)	161,559,674	(56,784,419)	29,266,583

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

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

Company	As at December 31, 2021							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	-	2,649	-	-	-	-	-	2,649
Deposits with banks and financial institutions	-	32,219,684	1,275,565	5,102,994	637,884	-	-	39,236,127
Financial assets at fair value through profit or loss	280,603,169	900,902	476,800	-	14,953,174	41,511,461	-	338,445,506
Accounts receivable	1,605	529,954	-	-	-	384,360	-	915,919
Financial assets held under resale agreements	-	-	65,391,479	-	-	-	-	65,391,479
Amounts due from subsidiaries	4,673	4,066,782	794,432	7,643,217	9,972,178	6,070,590	-	28,551,872
Financial assets at fair value through other comprehensive income	7,685,875	-	-	-	-	-	-	7,685,875
Financial assets at amortized cost	14,599,758	-	2,522,885	5,284,445	51,923,409	65,275,202	4,627	139,610,326
Interests in consolidated structured entities	6,019,191	-	10,015	248,885	10,915,667	14,476,426	-	31,670,184
Other financial assets	2,615,128	2,100,124	8,200	36,478	437,560	409,206	-	5,606,696
Total financial assets	311,529,399	39,820,095	70,479,376	18,316,019	88,839,872	128,127,245	4,627	657,116,633
Borrowings from central bank	(986,058)	-	-	-	-	-	-	(986,058)
Financial liabilities at fair value through profit or loss	-	-	-	-	-	(164,524)	-	(164,524)
Borrowings	-	-	(32,702,389)	(64,035,075)	(291,081,885)	(50,993,207)	-	(438,812,556)
Bonds issued	-	-	(8,088,370)	(18,260,046)	(60,984,793)	(42,922,983)	(72,401,946)	(202,658,138)
Accounts payable	-	-	-	-	(433,000)	-	-	(433,000)
Other financial liabilities	(639,740)	(4,016,836)	-	-	-	-	-	(4,656,576)
Total financial liabilities	(1,625,798)	(4,016,836)	(40,790,759)	(82,295,121)	(352,499,678)	(94,080,714)	(72,401,946)	(647,710,852)
Net position	309,903,601	35,803,259	29,688,617	(63,979,102)	(263,659,806)	34,046,531	(72,397,319)	9,405,781

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.3 Liquidity risk (Continued)

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

Company (Continued)

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,667	–	–	–	–	–	2,667
Deposits with banks and financial institutions	–	14,617,312	3,925,849	5,198,792	4,582,752	–	–	28,324,705
Financial assets at fair value through profit or loss	265,714,407	1,803,909	2,207,570	3,390,675	10,147,922	63,693,233	582,818	347,540,534
Accounts receivable	1,605	219,501	199,951	–	–	384,360	–	805,417
Financial assets held under resale agreements	–	–	29,630,807	4,481,695	–	–	–	34,112,502
Amounts due from subsidiaries	4,673	3,588,296	6,472,486	4,022,829	4,907,647	8,335,300	–	27,331,231
Financial assets at fair value through other comprehensive income	3,443,371	–	499,291	2,565,011	–	9,889	1,496,756	8,014,318
Financial assets at amortized cost	13,711,586	–	2,824,853	11,077,677	74,176,797	80,745,580	32,661	182,569,154
Interests in consolidated structured entities	3,911,626	–	131,184	191,269	2,552,948	20,986,607	562,232	28,335,866
Other financial assets	2,354,428	463,269	600	13,137	1,224,834	142,470	–	4,198,738
Total financial assets	289,141,696	20,694,954	45,892,591	30,941,085	97,592,900	174,297,439	2,674,467	661,235,132
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	–	(204,201)
Borrowings	–	–	(29,061,288)	(50,694,412)	(313,242,670)	(50,969,974)	–	(443,968,344)
Bonds issued	–	–	–	(15,929,821)	(65,615,531)	(45,965,324)	(72,363,649)	(199,874,325)
Accounts payable	–	–	–	–	(1,000)	–	–	(1,000)
Other financial liabilities	(715,173)	(5,140,607)	–	–	(14,525)	–	–	(5,870,305)
Total financial liabilities	(1,701,231)	(5,140,607)	(29,061,288)	(66,624,233)	(378,873,726)	(97,139,499)	(72,363,649)	(650,904,233)
Net position	287,440,465	15,554,347	16,831,303	(35,683,148)	(281,280,826)	77,157,940	(69,689,182)	10,330,899

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.4 Risk management of distressed assets

(i) Overview

Risk of distressed assets represents 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 unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

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

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts at amortized cost mainly comprise credit risk.

(1) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets at fair value through profit or loss, due to variance in factors such as future cash flows, collection period, discount rate, and disposal cost. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and
- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

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(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.4 Risk management of distressed assets (Continued)

(ii) Risk management of distressed debt assets (Continued)

(2) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets is managed effectively;
- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and
- Set up reporting mechanism of significant events to ensure immediate recovery action be taken when certain risk elements emerge.

(3) Credit risk

In addition to distressed debt assets at amortized cost, certain distressed debt assets at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Applying centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets at amortized cost.

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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.4 Risk management of distressed assets (Continued)

(ii) Risk management of distressed debt assets (Continued)

(3) Credit risk (Continued)

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral which fully covers the credit exposure.

(iii) Risk management of assets obtained through debt-to-equity swap

Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

(iv) Determination of fair value

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, Comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

70. Financial risk management (Continued)

70.4 Risk management of distressed assets (Continued)

(v) Impairment assessment

The Group performs impairment assessment on distressed debt assets at amortized cost. Assessment procedures for distressed debt assets at amortized cost are similar to those set out in Note VI.70.1 Credit Risk.

70.5 Capital management

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

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

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

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

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the CBIRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at December 31, 2021 and 2020, the Company complied with the regulatory requirements on the minimum CAR.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments

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

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

Level 2: Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

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

Group

	As at December 31			
	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	134,472,694	131,167,056	176,506,416	170,475,461
– Other debt investments	49,062,345	48,823,405	43,726,540	43,565,315
Accounts receivable	3,203,037	3,182,168	3,255,410	3,216,272
Total	<u>186,738,076</u>	<u>183,172,629</u>	<u>223,488,366</u>	<u>217,257,048</u>
Financial liabilities				
Borrowings	(555,079,140)	(555,566,731)	(556,912,148)	(557,444,973)
Bonds issued	(367,806,745)	(371,701,027)	(355,777,530)	(358,033,552)
Total	<u>(922,885,885)</u>	<u>(927,267,758)</u>	<u>(912,689,678)</u>	<u>(915,478,525)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

71.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

Group (Continued)

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	131,167,056	131,167,056
– Other debt investments	578,502	–	48,244,903	48,823,405
Accounts receivable	–	–	3,182,168	3,182,168
Total	<u>578,502</u>	<u>–</u>	<u>182,594,127</u>	<u>183,172,629</u>
Financial liabilities				
Borrowings	–	–	(555,566,731)	(555,566,731)
Bonds issued	–	(263,397,801)	(108,303,226)	(371,701,027)
Total	<u>–</u>	<u>(263,397,801)</u>	<u>(663,869,957)</u>	<u>(927,267,758)</u>
		As at December 31, 2020		
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	170,475,461	170,475,461
– Other debt investments	576,158	–	42,989,157	43,565,315
Accounts receivable	–	–	3,216,272	3,216,272
Total	<u>576,158</u>	<u>–</u>	<u>216,680,890</u>	<u>217,257,048</u>
Financial liabilities				
Borrowings	–	–	(557,444,973)	(557,444,973)
Bonds issued	–	(254,681,290)	(103,352,262)	(358,033,552)
Total	<u>–</u>	<u>(254,681,290)</u>	<u>(660,797,235)</u>	<u>(915,478,525)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

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

Group

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
1) Financial assets classified as at fair value through profit or loss	456,203,750	446,916,674				
Debt securities	28,911,734	13,804,996				
– Traded in stock exchanges	2,387,026	4,820,544	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	4,579,956	328,674	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	500	9,622	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded in the inter-bank markets	19,803	19,422	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	11,886,817	1,927,621	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	9,305	–	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts, the higher the fair value.
– Traded over the counter	8,035,647	5,468,774	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded in inactive markets	1,992,680	1,230,339	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component. • Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Discount rates that correspond to the expected risk level. • Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the discount rates, the higher the fair value. • The lower the risk-free rates, the higher the fair value. • The higher the volatility rates, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Equity investments listed or traded on exchanges	19,169,262	13,561,934				
Unrestricted listed equity investments	18,627,063	9,992,025				
– Manufacturing	6,356,638	3,118,215	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	–	1,128,098	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.
– Finance	812,674	868,338	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Leasing and commercial services	133	239,052	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	4,710,760	1,749,933	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Transportation, warehousing and postal services	1,122,715	791,012	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Information transmission, software and information technology services	971,010	162,828	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Culture, sports and entertainment	301,588	229,371	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Scientific research, technical services and geological prospecting industry	13,398	709,347	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Health and social security industry	200,054	96,721	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Real estate	123,106	153,207	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Production and supply of electricity, gas and water	805,382	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Medicine manufacturing industry	2,509,408	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Others	700,197	745,903	Level 1	• Quoted bid prices in an active market.	N/A	N/A

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Restricted listed equity investments	542,199	3,569,909	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	393,037	654,607				
– Culture, sports and entertainment	–	4,253				
– Mining	–	2,443,368				
– Others	149,162	467,681				
Equity investments in unlisted companies	51,174,895	49,474,894				
	48,873,460	45,988,513	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier.	• The higher the market multiplier, the higher the fair value.
					• Discount for lack of marketability (DLOM).	• The lower the DLOM, the higher the fair value.
	2,301,435	3,486,381	Level 3	• Income approach.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Discount for lack of marketability (DLOM).	• The lower the DLOM, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Mutual funds	99,009,229	108,997,761				
– Mutual fund with open or active quotations	9,498,936	9,293,021	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,412,949	9,361,671	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	30,029,498	59,016,549	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
– Investing in unrestricted listed equity	515,626	592,870	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	296,840	–	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	57,255,380	30,733,650	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Debt instruments	22,393,054	31,674,575				
– Other debt instruments	21,669,847	30,836,483	Level 3	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Expected recoverable amounts. - Expected recovery date. - Discount rates that correspond to the expected risk level.	- The higher the recoverable amounts, the higher the fair value. - The earlier the recovery date, the higher the fair value. - The lower the discount rates, the higher the fair value.
– Embedded derivatives debts	723,207	838,092	Level 3	Discounted cash flows for the debt component and binomial option pricing model for the option component.	- Expected future cash flows. - Discount rates that correspond to the expected risk level. - Stock price volatility.	- The higher the future cash flow, the higher the fair value. - The lower the discount rates, the higher the fair value. - The higher stock price volatility, the higher the fair value.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Derivative financial assets	1,087,428	2,416,116				
	217,111	225,262	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	664,262	577,530	Level 2	• Valuation techniques based on market data including interest rates and foreign exchange rates.	N/A	N/A
	206,055	1,613,324	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level. ⁽ⁱ⁾	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
Certificates of deposit	1,268,874	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Distressed debt assets	203,739,505	198,746,185	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

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

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Wealth management products	1,531,919	2,344,900	Level 3	Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Expected future cash flows. - Expected recovery date. - Discount rates that correspond to the expected risk level.	- The higher the future cash flow, the higher the fair value. - The earlier the recovery date, the higher the fair value. - The lower the discount rate, the higher the fair value.
Asset management plans	2,219,147	1,351,141				
– Investing in the portfolio with open or active quotations	661,889	377,082	Level 2	Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	89,905	257,196	Level 3	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Expected future cash flows. - Expected recovery date. - Discount rates that correspond to the expected risk level.	- The higher the future cash flows, the higher the fair value. - The earlier the recovery date, the higher the fair value. - The lower the discount rate, the higher the fair value.
– Investing in equity instruments	1,467,353	716,863	Level 3	Comparable listed company method, comparable transaction cases, etc.	- Market multiplier. - Discount for lack of marketability (DLOM).	- The higher the market multiplier, the higher the fair value. - The lower the DLOM, the higher the fair value.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31 2021	2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	1,405,468 964,266 441,202	756,174 – 756,174	Level 1 Level 3	- Quoted bid prices in an active market. - Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- N/A - Expected future cash flows. - Expected recovery date. - Discount rates that correspond to the expected risk level.	- N/A - The higher the future cash flows, the higher the fair value. - The earlier the recovery date, the higher the fair value. - The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	23,957,448	23,732,087				
– Investing in the portfolio with open or active market quotations	852,270	215,366	Level 2	Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	15,711,897	20,867,860	Level 3	Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	- Expected future cash flows. - Expected recovery date. - Discount rates that correspond to the expected risk level.	- The higher the future cash flows, the higher the fair value. - The earlier the recovery date, the higher the fair value. - The lower the discount rate, the higher the fair value.
– Investing in equity instruments	7,393,281	2,648,861	Level 3	Comparable listed company method, comparable transaction cases, etc.	- Market multiplier. - Discount for lack of marketability (DLOM).	- The higher the market multiplier, the higher the fair value. - The lower the DLOM, the higher the fair value.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Others	335,787	55,911				
– Investing in the portfolio with open or active market quotations	–	7,732	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	335,787	48,179	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	19,207,444	19,546,738	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
3) Financial assets at fair value through other comprehensive income	122,592,326	123,728,468				
Debt investments at fair value through other comprehensive income	113,881,452	119,255,383				
Debt securities	113,881,452	108,661,273				
– Traded on stock exchanges	19,046,705	21,737,439	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	25,215,949	35,141,914	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	69,618,798	51,781,920				
Certificates of deposit	–	10,594,110	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments designated as at fair value through other comprehensive income	8,710,874	4,473,085				
Unrestricted listed equity investments	3,685,875	–				
– Manufacturing	3,685,875	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Restricted listed equity investments	4,984,174	4,427,545				
– Manufacturing	–	3,443,371	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Financial service	4,984,174	984,174	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

Financial assets/ financial liabilities	Fair value as at December 31		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
Unlisted equity instruments	40,825	45,540				
– Financial service	40,825	45,540	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	(7,942,939)	(7,276,909)	Level 2	• Calculated based on the quoted prices or similar assets traded in an active market.	N/A	N/A
– The OTC derivative financial liabilities	(668,546)	(1,616,565)				
– Short positions in exchange fund bills and notes	(6,903,073)	(5,597,737)				
– Financing payables linked to stock index	(371,320)	(62,607)				

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

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

Group

	As at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	32,229,831	29,362,664	394,611,255	456,203,750
Loans and advances to customers	–	–	19,207,444	19,207,444
Financial assets at fair value through other comprehensive income	22,732,580	94,834,747	5,024,999	122,592,326
Total assets	<u>54,962,411</u>	<u>124,197,411</u>	<u>418,843,698</u>	<u>598,003,520</u>
Financial liabilities at fair value through profit or loss	–	(7,942,939)	–	(7,942,939)
Total liabilities	<u>–</u>	<u>(7,942,939)</u>	<u>–</u>	<u>(7,942,939)</u>
	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	23,815,046	18,264,450	404,837,178	446,916,674
Loans and advances to customers	–	–	19,546,738	19,546,738
Financial assets at fair value through other comprehensive income	21,737,439	97,517,944	4,473,085	123,728,468
Total assets	<u>45,552,485</u>	<u>115,782,394</u>	<u>428,857,001</u>	<u>590,191,880</u>
Financial liabilities at fair value through profit or loss	–	(7,276,909)	–	(7,276,909)
Total liabilities	<u>–</u>	<u>(7,276,909)</u>	<u>–</u>	<u>(7,276,909)</u>

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

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

Group (Continued)

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

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

71.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2021	404,837,178	4,473,085	—
Recognized in profit or loss	5,159,170	—	—
Recognized in other comprehensive income	—	237,789	—
Purchases	85,465,363	4,000,000	—
Settlements/disposals at cost	(94,736,665)	—	—
Transfer in Level 3	9,305	—	—
Transfer out from Level 3	(6,123,096)	(3,685,875)	—
As at December 31, 2021	<u>394,611,255</u>	<u>5,024,999</u>	<u>—</u>
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	<u>(4,198,589)</u>	<u>—</u>	<u>—</u>

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VI. EXPLANATORY NOTES (Continued)

71. Fair values of financial instruments (Continued)

71.3 Reconciliation of Level 3 fair value measurements (Continued)

Group (Continued)

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2020	379,688,187	4,227,563	—
Recognized in profit or loss	(1,968,615)	—	—
Recognized in other comprehensive income	—	(738,652)	—
Purchases	98,797,969	984,174	—
Settlements/disposals at cost	(68,073,771)	—	—
Transfer in Level 3	500	—	—
Transfer out from Level 3	(3,607,092)	—	—
As at December 31, 2020	<u>404,837,178</u>	<u>4,473,085</u>	<u>—</u>
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	<u>(451,885)</u>	<u>—</u>	<u>—</u>

During the year ended December 31, 2021, certain restricted equity investments became tradable and quoted prices were available in active markets, these equity investments were transferred from Level 3 to Level 1 of the fair value hierarchy at the reporting period.

Total gains or losses for the years ended December 31, 2021 and 2020 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at December 31, 2021 and 2020 are presented in “unrealized gains included in fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

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VI. EXPLANATORY NOTES (Continued)

72. Acquisition of subsidiaries

During the year, the Group acquired some subsidiaries. None of these acquisitions were individually significant, and their aggregated information is set out below:

Consideration paid:

	Year ended December 31 2021
Cash consideration paid	<u><u>722</u></u>

Analysis of assets and liabilities of the subsidiaries acquired:

	Year ended December 31 2021
Total assets	8,651,080
Total liabilities	<u><u>(8,650,269)</u></u>

Net cash flows arising on acquisition:

	Year ended December 31 2021
Cash consideration paid	722
Cash and cash equivalents balances acquired	<u>180,521</u>
Net cash flow	<u><u>179,799</u></u>

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VI. EXPLANATORY NOTES (Continued)

73. Disposal of subsidiaries

During the year, the Group disposed some subsidiaries. None of these disposals were individually significant, and their aggregated information is set out below:

Consideration received:

	Year ended December 31 2021
Cash consideration received	89,384

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31 2021
Total assets	7,667,318
Total liabilities	(7,655,701)

Net cash flows arising on disposal:

	Year ended December 31 2021
Cash consideration received	89,384
Less: Cash and cash equivalent balances disposed of	972,556
Net cash flow	(883,172)

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VI. EXPLANATORY NOTES (Continued)

74. Discontinued operation

On 13 December 2019, the Company entered into a Sale and Purchase Agreement with Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd.. The Company sold 50.995% of the equity interests held in Happy Life for RMB7.5 billion. The disposal was completed in July 2020 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon the completion, Happy Life ceased to be included in the consolidated financial statements as a subsidiary of the Group.

74.1 The results of the discontinued operation for the year

	Year ended December 31	
	2021	2020
Fair value changes on other financial instruments	–	1,117,448
Investment income	–	226,146
Net insurance premiums earned	–	6,805,485
Interest income	–	525,766
Commission and fee income	–	29,519
Other income and other net gains or losses	–	10,660
Total	–	8,715,024
Interest expense	–	(144,048)
Insurance costs	–	(7,200,861)
Commission and fee expense	–	(653,089)
Employee benefits	–	(344,139)
Taxes and surcharges	–	(3,816)
Depreciation and amortization expenses	–	(4,913)
Other expenses	–	(110,044)
Impairment losses on assets	–	(1,440)
Total	–	(8,462,350)

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VI. EXPLANATORY NOTES (Continued)

74. Discontinued operation (Continued)

74.1 The results of the discontinued operation for the year (Continued)

	Year ended December 31	
	2021	2020
Profit before share of results of associates and joint ventures and tax	–	252,674
Share of results of associates and joint ventures	–	12,947
Profit before tax from the discontinued operation	–	265,621
Income tax expense from the discontinued operation	–	(20,391)
Profit for the year from the discontinued operation	–	245,230
Gain on disposal of the discontinued operation	–	3,506,800
Profit after tax for the year from the discontinued operation	–	3,752,030
Earnings per share attributable to ordinary equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
– Basic	–	0.10
– Diluted	–	0.10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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VI. EXPLANATORY NOTES (Continued)

74. Discontinued operation (Continued)

74.2 Net cash flows from the discontinued operation

	Year ended December 31	
	2021	2020
Operating	–	(3,671,225)
Investing	–	3,591,476
Financing	–	(3,717)
Net cash outflow	–	(83,466)

74.3 Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	7,500,000
Less: Net assets disposed of	2,557,453
Cumulative other comprehensive income reclassified to the statement of profit or loss	235,640
Tax effect of a discontinued operation	1,200,107
Gain on disposal of the discontinued operation	3,506,800

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VI. EXPLANATORY NOTES (Continued)

74. Discontinued operation (Continued)

74.4 Net assets of Happy Life at the date of disposal

	At the date of disposal
Cash and balances with central banks	43
Deposits with banks and financial institutions	1,291,122
Deposits with exchanges and others	728
Financial assets at fair value through profit or loss	34,613,629
Financial assets held under resale agreements	1,174,743
Financial assets at fair value through other comprehensive income	13,241,266
Financial assets at amortized cost	6,651,337
Accounts receivable	337,022
Investment properties	124,399
Interests in associates and joint ventures	811,499
Property and equipment	118,973
Other intangible assets	44,192
Deferred tax assets	52,553
Other assets	2,248,297
Less: Accounts payable	36,490
Investment contract liabilities for policyholders	8,442,736
Insurance contract liabilities	38,864,239
Bonds issued	6,139,988
Deferred tax liabilities	48,320
Other liabilities	2,162,924
Net assets	5,015,106
Attributable to:	
Equity holders of the Company	2,557,453
Non-controlling interests	2,457,653

74.5 Net cash flows from the disposal of the discontinued operation

	At the date of disposal
Cash consideration received from disposal	7,500,000
Less: Cash and cash equivalents balances disposed of	1,330,241
Net cash inflow from disposal	6,169,759

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

(Amounts in thousands of RMB, unless otherwise stated)

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 29, 2022, the proposal of the profit appropriations of the Company for the year ended December 31, 2021 is set out as follows:
 - (1) An appropriation of RMB1,165,781 thousand to the statutory surplus reserve;
 - (2) No general reserve to be appropriated basing on risk assets as at December 31, 2021; and
 - (3) A cash dividend distribution of RMB0.9481 per 10 shares (tax inclusive), which is RMB3.618 billion in total in respect of the year.

As at December 31, 2021, the statutory surplus reserve had been recognized as appropriation. The dividend will be recognized on the Company's and the Group's financial statements after the approval by shareholders in the forthcoming general meeting.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 29, 2022.

12 BRANCHES AND MAJOR SUBSIDIARIES

1. Head Office

China Cinda Asset Management Co., Ltd.

Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing

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2. Branches

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▲ China Cinda Asset Management Co., Ltd. Shanxi Branch

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▲China Cinda Asset Management Co., Ltd. Anhui Branch

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Fax No.: (0851) 85251483

▲China Cinda Asset Management Co., Ltd. Yunnan Branch

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Fax No.: (0991) 2325171

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Fax No.: (0551) 65802012

3. Platforms for Financial Service and Asset Management Businesses

▲Nanyang Commercial Bank, Limited

Address: 151 Des Voeux Road, Central, Hong Kong

Tel. No.: (00852) 28520888

Fax No.: (00852) 28153333

Website: www.ncb.com.hk

• Nanyang Commercial Bank (China) Limited

Address: 13-16/F, 18-20/F, No.898, Pu Ming Road, Pudong New Area, Shanghai

Tel. No.: (021) 38566666

Fax No.: (021) 68879800

Postal code: 200122

▲Cinda Securities Co., Ltd.

Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing

Postal code: 100031

National customer service hotline: 95321

Tel. No.: (010) 63080940

Fax No.: (010) 63080918

Website: www.cindasc.com

• Cinda Futures Co., Ltd.

Address: 19-20/F, Tian Ren Building, 188 Liyi Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang

Postal code: 311215

National customer service hotline: 4006-728-728

Tel. No.: (0571) 28132666

Fax No.: (0571) 28132560

Website: www.cindaqh.com

• First State Cinda Fund Management Co., Ltd.

Address: 10/F, China Resources Building, No. 2666 of Keyuan South Road, Nanshan District, Shenzhen, Guangdong

Postal code: 518054

National customer service hotline: 400-8888-118, 86-755-83160160

Tel. No.: (0755) 83172666

Fax No.: (0755) 83196151

Website: www.fscinda.com

• Cinda Innovation Investment Co., Ltd.

Address: Building 1, Court 9, Naoshikou Street, Xicheng District, Beijing

Postal code: 100031

Tel. No.: (010) 63081248

- Xinfeng Investment Management Co., Ltd.

Address: Room 201-2, 2nd Floor, Building 1, Yard No. 35 Jinshifang Street, Xicheng District, Beijing

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- Cinda International Holdings Limited

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Fax No.: (00852) 22357878

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▲ China Jingu International Trust Co., Ltd.

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Website: www.jingutrust.com

▲ Cinda Financial Leasing Co., Ltd.

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Fax No.: (00852) 28042135

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▲Cinda Investment Co., Ltd.

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Tel. No.: (010) 62157302

Fax No.: (010) 62157301

• Cinda Real Estate Co., Ltd.

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Postal code: 100081

Tel. No.: (010) 82190995

Fax No.: (010) 82190933

• Cinda Capital Management Co., Ltd.

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Tel. No.: (010) 86376800

Fax No.: (010) 86376999

▲Zhongrun Economic Development Co., Ltd.

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Tel. No.: (010) 68535368

Fax No.: (010) 68535110

Note: “▲” represents a branch or a tier-one subsidiary and “•” represents a subsidiary of a tier-one subsidiary