中國華融
CHINA HUARONG

中國華融資產管理股份有限公司

China Huarong Asset Management Co., Ltd.

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

(Stock Code: 2799)

2022 ANNUAL RESULTS ANNOUNCEMENT OF CHINA HUARONG

The board of directors (the "**Board**") of China Huarong Asset Management Co., Ltd. (the "**Company**") announces the audited annual results of the Company and its subsidiaries for the year ended December 31, 2022. This results announcement complies with the relevant 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 2022 Annual Report will be delivered to the holders of the H Shares of the Company and available for viewing on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and of the Company at www.chamc.com.cn in April 2023.

Contents

1. Company Profile

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

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

2. Definitions

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

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

Domestic Share(s)	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for or credited as fully paid in Renminbi
Group, our Group or China Huarong	China Huarng Asset Management Co., Ltd. and its subsidiaries
H Share(s)	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
HK$ or HK dollars	the lawful currency of Hong Kong (China)
Hong Kong (China) or HK (China)	the Hong Kong Special Administrative Region of the PRC
Hong Kong Stock Exchange or HKEX	The Stock Exchange of Hong Kong Limited
Huarong Consumer Finance	Huarong Consumer Finance Co., Ltd.
Huarong Financial Leasing	China Huarong Financial Leasing Co., Ltd.
Huarong International	China Huarong International Holdings Limited
Huarong Industrial	Huarong Industrial Investment & Management Co., Ltd.
Huarong Rongde	Huarong Rongde Asset Management Co., Ltd.
Huarong Securities	Huarong Securities Co., Ltd.
Huarong Trust	Huarong International Trust Co., Ltd.
Huarong Xiangjiang Bank	Huarong Xiangjiang Bank Corporation Limited
IFRSs	the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
Latest Practicable Date	March 28, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this results announcement prior to its publication
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
Macau (China)	the Macau Special Administrative Region of the PRC
MOF	the Ministry of Finance of the PRC (中華人民共和國財政部)

Non-performing Loan(s) or NPL(s)	loan(s) classified as substandard, doubtful and loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
PBOC	the People's Bank of China (中國人民銀行), the central bank of the PRC
PRC GAAP	generally accepted accounting principles in the PRC
Reporting Period	the year ended December 31, 2022
RMB or Renminbi	the lawful currency of the PRC
ROAA	return on average assets
ROAE	return on average equity attributable to equity holders
Securities and Futures Ordinance or SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
Share(s)	ordinary Share(s) in the share capital of the Company with a nominal value of RMB1.00 each, including Domestic Shares and H Shares
Shareholder(s)	holder(s) of the Share(s)
State Council	the State Council of the PRC (中華人民共和國國務院)
Supervisors	supervisor(s) of the Company
US$ or U.S. dollars or USD	the lawful currency of the United States

3. Important Notice

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

On March 29, 2023, the second regular meeting of the Board in 2023 considered and approved the 2022 Annual Report and the 2022 Annual Results Announcement of the Company. There were nine Directors eligible to attend the meeting, of whom eight attended in person.

Ernst & Young issued unqualified opinions on the 2022 annual consolidated financial statements of the Group. Details of which are set out in "17. Audit Report and Financial Statements".

The Company did not declare any cash dividend for the year ended December 31, 2022.

4. Corporate Information

Official Chinese name	中國華融資產管理股份有限公司
Chinese abbreviation	中國華融
Official English name	China Huarong Asset Management Co., Ltd.
English abbreviation	China Huarong
Legal representative	Liu Zhengjun
Authorized representatives	Liu Zhengjun, Xu Yongli
Secretary to the Board	Xu Yongli
Joint Company secretaries	Xu Yongli, Ngai Wai Fung
Registered address	No. 8 Financial Street, Xicheng District, Beijing, China
Postal code of place of registration	100033
Website	www.chamc.com.cn
Principal place of business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong, China
Website of Hong Kong Stock Exchange for publishing the H Shares annual report	www.hkexnews.hk
Place for maintaining annual reports for inspection	Board Office of the Company
Stock exchange on which H Shares are listed	The Stock Exchange of Hong Kong Limited
Stock name	China Huarong
Stock Code	2799
H Share registrar and office address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, China
Registration number of financial license	J0001H111000001

Social credit code	911100007109255774
Legal advisors as to PRC Law and office address	Haiwen & Partners 20/F, Fortune Financial Center, 5 Dong San Huan Central Road, Chaoyang District, Beijing, China
Legal advisors as to Hong Kong law and office address	Clifford Chance 27th Floor, Jardine House, One Connaught Place, Hong Kong, China
International accounting firm and office address	Ernst & Young 27/F, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong, China
Domestic accounting firm and office address	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower, Oriental Plaza, No. 1 East Changan Ave., Dongcheng District, Beijing, China

5. Financial Summary

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

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	(in millions of RMB)				
Continuing operations					
Income from distressed debt assets	**22,779.1**	28,077.2	34,121.4	35,067.8	34,449.6
Fair value changes on distressed debt assets	**5,709.8**	6,464.5	4,317.0	9,963.7	8,657.9
Fair value changes on other financial assets and liabilities	**(11,158.2)**	11,599.3	(12,520.0)	11,727.2	(386.4)
Interest income	**11,225.4**	13,592.1	36,489.2	38,530.0	44,809.2
Finance lease income	**1,056.3**	2,040.9	3,535.9	5,911.6	6,784.4
Gains from derecognition of financial assets measured at amortised cost	**16.1**	1,228.0	866.4	104.7	76.9
(Losses)/gains from derecognition of debt instruments at fair value through other comprehensive income ("FVTOCI")	**(591.4)**	265.7	154.8	(9.8)	(79.2)
Commission and fee income	**233.5**	413.9	2,113.8	2,595.8	4,693.3
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures	**589.0**	571.7	769.1	1,441.2	228.0
Dividend income	**914.3**	1,063.2	1,193.0	1,819.0	2,392.2
Other income and other net gains or losses	**6,490.1**	2,777.4	4,364.5	5,505.3	5,627.2
Total income	**37,264.0**	68,093.9	75,405.1	112,656.5	107,253.1
Interest expense	**(37,064.5)**	(42,679.8)	(54,687.5)	(60,256.7)	(64,098.1)
Commission and fee expense	**(593.8)**	(208.4)	(2,085.6)	(2,207.7)	(2,079.9)
Operating expenses	**(6,839.4)**	(7,533.0)	(12,791.3)	(13,138.8)	(14,550.0)
Impairment losses under expected credit loss ("ECL") model	**(29,381.0)**	(13,214.6)	(97,298.4)	(24,966.2)	(17,297.8)
Impairment losses on other assets	**(1,184.4)**	(604.6)	(10,075.8)	(1,498.0)	(2,769.0)
Total expenses	**(75,063.1)**	(64,240.4)	(176,938.6)	(102,067.4)	(100,794.8)
Change in net assets attributable to other holders of consolidated structured entities	**352.9**	(2,269.7)	(500.5)	(631.3)	(1,928.2)
Share of results of associates and joint ventures	**329.9**	134.7	(846.5)	1,012.3	1,481.8

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	(in millions of RMB)				
(Loss)/profit before tax from continuing operations	**(37,116.3)**	1,718.5	(102,880.5)	10,970.1	6,011.9
Income tax credit/(expense)	**3,734.8**	(4,211.9)	(3,544.7)	(8,700.8)	(4,502.9)
(Loss)/profit for the year from continuing operations	**(33,381.5)**	(2,493.4)	(106,425.2)	2,269.3	1,509.0
Discontinued operations					
Profit after tax for the year from discontinued operations	**5,595.2**	4,479.5	150.9	—	—
(Loss)/profit for the year	**(27,786.3)**	1,986.1	(106,274.3)	2,269.3	1,509.0
(Loss)/profit attributable to:					
Equity holders of the Company	**(27,581.1)**	378.5	(102,903.0)	1,424.4	1,575.5
Holders of perpetual capital instruments	**531.1**	1,219.2	811.3	869.4	976.8
Non-controlling interests	**(736.3)**	388.4	(4,182.6)	(24.5)	(1,043.3)

Note: As of December 31, 2022, the Company had completed the equity disposal of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust. The businesses of above subsidiaries had been classified as discontinued operations, and the data in the consolidated statement of profit or loss for 2021 had been restated accordingly as the data in comparative period. As of December 31, 2021, the Company has classified Huarong Consumer Finance as assets held for sale, and the data in the consolidated statement of profit or loss for 2020 had been restated accordingly as the data in comparative period.

	As at December 31,				
	2022	2021	2020	2019	2018
	(in millions of RMB)				
Assets					
Cash and balances with central bank	**23.2**	23,956.5	22,808.4	30,774.7	29,909.1
Deposits with financial institutions	**97,578.2**	146,698.3	123,875.0	149,462.0	107,500.2
Placements with financial institutions	**1,300.2**	19,685.8	5,740.8	2,709.9	843.6
Financial assets at fair value through profit or loss ("FVTPL")	**309,455.9**	351,047.7	359,440.0	367,669.9	391,181.0
Financial assets held under resale agreements	**706.7**	11,044.3	15,224.6	22,525.9	20,126.9
Contract assets	**5,530.1**	5,735.6	5,307.0	—	114.7
Loans and advances to customers	**38.5**	247,164.0	232,500.2	211,265.1	190,654.0
Finance lease receivables	**14,528.3**	23,554.1	39,796.7	68,040.3	99,002.9
Debt instruments at FVTOCI	**25,318.4**	57,203.6	83,106.8	103,739.3	147,387.3
Equity instruments at FVTOCI	**2,038.6**	3,139.6	4,493.9	3,583.7	3,244.3
Inventories	**23,051.9**	20,854.1	20,112.4	19,147.4	19,243.0
Debt instruments at amortised cost	**415,352.7**	580,799.4	656,048.6	642,086.0	612,133.1
Interests in associates and joint ventures	**9,572.8**	10,514.8	14,358.0	28,078.9	36,975.5
Investment properties	**7,158.6**	6,854.2	4,001.0	5,910.9	5,326.1
Property and equipment	**7,164.9**	9,621.2	12,717.3	12,325.0	10,684.5
Right-of-use assets	**1,098.7**	3,502.1	2,447.2	3,569.6	—
Deferred tax assets	**15,860.4**	15,612.5	14,423.9	12,193.8	15,018.7
Goodwill	**18.2**	323.0	323.0	18.1	263.4
Assets held for sale	**—**	7,301.6	—	—	—
Other assets	**19,529.7**	23,809.4	24,742.2	21,911.9	20,478.4
Total assets	**955,326.0**	1,568,421.8	1,641,467.0	1,705,012.4	1,710,086.7
Liabilities					
Borrowings from central bank	**—**	23,147.6	23,182.8	3,641.7	2,402.2
Deposits from financial institutions	**—**	13,656.3	8,924.1	10,276.7	7,307.6
Placements from financial institutions	**6,215.8**	4,784.2	4,679.3	2,253.6	300.2
Financial assets sold under repurchase agreements	**6,744.8**	30,866.2	15,547.4	15,665.4	24,410.0
Borrowings	**629,496.0**	747,625.5	778,423.8	761,506.4	760,995.5
Financial liabilities at FVTPL	**768.1**	683.7	3,301.5	3,223.9	4,728.3
Due to customers	**—**	257,208.9	250,827.2	226,814.7	209,116.5
Tax payable	**2,695.1**	1,388.6	1,283.9	2,887.4	3,731.9
Contract liabilities	**720.4**	401.2	649.1	575.1	954.4
Lease liabilities	**683.3**	2,049.5	919.8	1,983.3	—
Deferred tax liabilities	**895.7**	341.6	408.8	478.5	605.8
Bonds and notes issued	**189,859.8**	271,065.2	336,971.8	367,345.6	353,305.3
Liabilities directly associated with the assets held for sale	**—**	1,740.3	—	—	—
Other liabilities	**68,867.6**	109,478.6	152,090.6	144,883.6	173,624.0
Total liabilities	**906,946.6**	1,464,437.4	1,577,210.1	1,541,535.9	1,541,481.7

	As at December 31,				
	2022	2021	2020	2019	2018
	(in millions of RMB)				
Equity					
Share capital	**80,246.7**	80,246.7	39,070.2	39,070.2	39,070.2
Other equity instruments	**19,900.0**	—	—	—	—
Capital reserve	**16,414.3**	16,431.8	17,241.5	18,405.0	19,107.4
Surplus reserve	**8,564.2**	8,564.2	8,564.2	8,564.2	6,971.8
General reserve	**13,002.5**	17,888.6	17,842.1	16,681.3	15,872.8
Other reserves	**(919.3)**	3,906.6	3,413.2	1,806.9	987.8
(Accumulated losses)/retained earnings	**(90,181.6)**	(67,694.0)	(67,976.5)	36,731.2	38,630.2
Equity attributable to equity holders of the Company	**47,026.8**	59,343.9	18,154.7	121,258.8	120,640.2
Perpetual capital instruments	**1,752.6**	22,377.9	25,475.9	18,430.6	20,258.5
Non-controlling interests	**(400.0)**	22,262.6	20,626.3	23,787.1	27,706.3
Total equity	**48,379.4**	103,984.4	64,256.9	163,476.5	168,605.0
Total equity and liabilities	**955,326.0**	1,568,421.8	1,641,467.0	1,705,012.4	1,710,086.7

	As at and for the year ended December 31,				
	2022	2021	2020	2019	2018
Financial Ratios					
ROAE(1)	**(51.9%)**	1.0%	(147.6%)	1.2%	1.3%
ROAA(2)	**(2.2%)**	0.1%	(6.4%)	0.1%	0.1%
Liabilities to total assets ratio(3)	**94.9%**	93.4%	96.1%	90.4%	90.1%
Basic (loss)/earnings per share (RMB)(4)	**(0.34)**	0.01	(2.63)	0.04	0.04
Diluted (loss)/earnings per share (RMB)(5)	**(0.34)**	0.01	(2.63)	0.04	0.04

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

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

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

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

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

6. Chairman's Statement

Everything flows, nothing stands still. 2022 was the year when China started a new journey of comprehensively building itself into a socialist modern country, and also a milestone year in the development history of China Huarong. Approved by the competent authority, China Huarong joined CITIC Group, moving on to a new stage of development. Over the year, under the cordial care of the Communist Party of China Central Committee ("**CPC**") and the State Council and with the massive support of upstream authorities, shareholders, and people from all walks of life, China Huarong, under the firm leadership of the CITIC Group Party Committee, boosted its confidence in the face of complex and severe external situations, overcame difficulties, risks and challenges during an uphill climb, completed the smooth transition of reform and restructuring, and fully integrated into the overall development of CITIC Group. Following the general principle of "consolidating the foundation, seeking progress while maintaining stability, and improving quality and efficiency", China Huarong obtained remarkable results in impelling risk mitigation and transformation, with a pragmatic attitude, proactive spirit for reform, and powerful measures, and witnessed an overall positive trend form.

We progressed along the intended route. During the year, we designed strategies, determined directions, facilitated synergies, and enhanced core business, while unswervingly returning to our distressed-asset-based core business. To reinforce the guidance of strategies, the Company formulated the "14th Five-Year" Development Plan attuned to CITIC Group's "Five-Five-Three" strategy and clarified its strategic goal of "wrenching itself back on the right track in one year, significantly improving quality and efficiency in three years and becoming an industry benchmark in five years". Quickening the downsizing, we completed the equity transfer of five financial subsidiaries in total, including Huarong Exchange Center, Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank, and Huarong Trust. Thus, the proportion of distressed-asset-based core business increased from 52% to 76%. Bearing in mind China's most fundamental interests, we implemented the central financial work plans as well as played the role of a financial asset management company extending counter-cyclical help by investing a total of RMB59.1 billion in the core business, innovating business models, rendering needed services to the real economy, and preventing and mitigating risks. Employing CITIC Group's superiority in parallel development of industry and finance, we implemented 42 projects through intra-group collaboration and created a replicable and promotable model boasting of "relieving difficulties and mitigating risks by means of collaboration between the industries and the finance sector".

We devoted time-proven efforts. During the year, we promoted reform, selected talents, cemented our foundation and refined the management, in order to boost impetus for growth through consistent reform. We enriched our internal governance and propelled a deeper integration of the Party's leadership with corporate governance. We optimized the risk management mechanism, improved the risk management processes, and strengthened the authorization management and post-investment management. We also enhanced the approval mechanism, and built a "full-time, professional and expert" business review team to elevate our risk control capabilities. We bettered the design of our organizational structure by organizational adjustments and selection of competent leadership, to align with our principles of "bolstering the headquarters, emphasizing the front office, expanding the market, and mitigating risks" and with the goals of "streamlining institutions, highlighting the core business, simplifying processes and strengthening the management and control". Our mechanism for selecting and appointing personnel was also perfected through opening up a clearer promotion channel for outstanding talents, which enables cadres to move up and down in rank. Additionally, our incentive and restraint mechanism was optimized, with a further emphasis on assessment, practical work, and solid performance to drive internal motivation.

We demonstrated our sense of corporate citizenship. During the year, we upheld moral principles, performed our duties, made contributions, assume the responsibilities, and remained committed to our social responsibilities. Implementing the strategy of rural revitalization, we coordinated and promoted financial, industrial, educational, Party building and people's livelihood and health support when consolidating and expanding the achievements of poverty alleviation in Xuanhan County. To help achieve the "dual carbon" goals, we maintained an intensive, efficient, green and low-carbon operation mode, and ameliorated the green and sustainable development. To further safeguard key areas of people's livelihood, we undertook a shipment of projects such as Shanghai Dongjiadu project and Zhuzhou Huachen project to ensure the in-time delivery of pre-sold homes, people's livelihood, and stability. We also implemented 27 bail-out projects for real estate companies, through which about 37,000 commercial apartments were expected to be delivered in time. These efforts were expected to drive the resumption of approximately RMB92 billion worth of projects, contributing to the nation's economic and social stability.

During the year, we officially became a member of CITIC Group. Despite the challenges, we made rapid strides, experienced fresh changes, and demonstrated new accomplishments, showcasing an upbeat trend. In the second half of the year, with significantly faster pace of work and greatly reduced losses as compared to that of the first half of the year, we had a substantial increase of our investment in core business and of the scale of risk mitigation, a continuously optimized asset structure, and a clearer path towards principal business transformation, expanding business channels, enhanced management standards, an energetic corporate culture, boosted morale among employees, and renewed team spirit.

In 2022, our Board of Directors also underwent some adjustments. On behalf of the Board of Directors, I would like to express our sincere gratitude to Mr. Wang Zhanfeng, Mr. Liang Qiang, Mr. Wang Wenjie, Mr. Xu Nuo, Mr. Zhou Langlang and other resigned senior management members for their contributions during their tenure in China Huarong. Moreover, on behalf of the Board of Directors, I would also like to extend a warm welcome to the new President and executive Director Mr. Li Zimin, the new Director Mr. Xu Wei, the new vice president and chief financial officer Mr. Zhu Wenhui, the new assistant to the President Mr. Wen Jinxiang and other senior management members. I am eager to see the new Directors and senior management members fulfill their potential with determination, responsibility and pragmatic mindset to make greater contributions to the high-quality development of China Huarong.

The year 2023 will see the beginning of all-round implementation of the spirit of the 20th National Congress of the CPC and a critical phase during which China Huarong will realize the "One-Three-Five" strategy. After every harsh winter comes a life-giving spring. Full of vitality, China has rebounded, and its development is the source of our confidence. Shepherded by the spirit of the 20th National Congress of the CPC, China Huarong will tap into the development opportunities and endeavor to open up a new dimension of high-quality development. We will strengthen full and strict governance over the Party, do a good job in the follow-up of the central disciplinary inspection and rectification, and lead high-quality development with high-quality party building. Remaining as a financial asset management company, we will serve the needs of the country with our capabilities, perform the functions of our four businesses, namely, "disposal of problematic assets, revitalization of problematic projects, restructuring of problematic enterprises and relief of crisis institutions", and devote more efforts to serve the real economy. Focusing on the "One-Three-Five" strategic goals, we will accelerate new high-quality investment and high-quality risk mitigation, optimize asset allocation, and remodel business structure. We will intensify comprehensive risk management and fortify internal control and compliance, while levelling up the systems, processes and informatization of our management. Furthermore, we will deepen institutional reform, line management system reform, and market-based reform, promote cost reduction and efficiency enhancement, and improve development quality and efficiency. Leveraging CITIC Group's strength in parallel development of industry and finance as well as the synergies among the financial companies, we will build a distinctive and differentiated financial asset management company.

In 2023, as a committed, industrious, and vigorous doer on full gear at the very beginning, we will undertake to forward the "One-Three-Five" strategy, achieve high-quality development, and improve operating results, so as to better give back to the country, shareholders and investors, and chip in building China into a socialist modern country and promoting the great rejuvenation of the Chinese nation on all fronts.

Chairman: Liu Zhengjun
March 29, 2023

7. President's Statement

In 2022, we braved the wind and waves and forged ahead towards our goals. Encountering labyrinthine and changeable international architecture and continuous compression on the economic development, China Huarong stepped up to the challenges and difficulties, took a suite of effective actions, worked to implement central inspections and rectifications, operations and management, deepening reform and other major tasks, all of which assisted mitigating our risks and promoting our transformation and development and delivered remarkable results. The market value of our stock improved stably with further strengthened market confidence. In this year, being aware of that changes needed to be addressed and effected, we placed our development back on track drop by drop and witnessed an upward trajectory by sticking to seek new development, progress and breakthroughs in the changes, which marked a milestone tuning event of significant importance in our development history.

Straightening us out for a fresh start and directing new development under the new strategy

In 2022, China Huarong joined CITIC Group as approved by the CPC and the State Council and initiated a new stage of development. During this year, we acclimated our development to CITIC Group's overall development in all aspects under the authentic leadership of CITIC Group's Party Committee, achieving a steady transition without substantially changing the pattern, staff force and operations. To fully implement the new development philosophy and comply with CITIC Group's development strategy, we formulated the "14th Five-year" Development Plan, which presented our strategic goal of "wrenching us back on the right track in one year, significantly improving quality and efficiency in three years and becoming an industry benchmark in five years", the overarching principle of "consolidating the foundation, seeking progress while maintaining stability and improving quality and efficiency", and the great blueprint for our high-quality development in the future.

Proactively implementing national strategies and forming new drivers via the business transformation

We further cultivated the core business of distressed assets, shrunk the balance sheet in an orderly fashion, completed the equity transfer and overall transfer of five financial subsidiaries in total, and steadily promoted the clearing and integration of non-financial subsidiaries. As we constantly optimized the asset structure and business structure, we maintained the market-leading acquisition scale for disposal business and gradually improved our regional layout of restructuring business with a salient increase in the proportion of substantive restructuring business, which effectively served the real economy and prevented and mitigated risks. Leveraging CITIC Group's superiority in parallel development of industry and finance, we gained more development momentum through synergetic cooperation to heighten our unique competition advantages as an asset management company. In 2022, we acquired over RMB30 billion of distressed assets from small and medium-size banks in total. Moreover, we instigated a slew of well-known bail-out projects aiding real estate enterprises, which is expected to help the construction and production resume for projects worth approximately RMB92.0 billion and guarantee in-time delivery of approximately 37,000 commercial apartments. We sourced projects relating to the reform of central enterprises and state-owned enterprises, with a total investment of nearly RMB15 billion, and introduced new business models for serving the reform of central enterprises and state-owned enterprises.

Concentrating on mitigating risks and tackling challenges and achieving new breakthroughs in risk control and management

We organized a through risk troubleshooting to get a clear picture of the quality of our operating assets while formulating a risk handling plan under which our management team took the lead in tackling challenges and paid close attention to the handling of key projects. We exerted great concerted efforts to mitigate challenging risks, overfulfilled the annual goal and accelerated the risk mitigation, with reduction of risk exposure increased by 16.6% year on year, registering the best performance for the past three years. To avoid breaching the line of defense against liquidity risk, the Company issued perpetual bonds for the first time and a variety of bonds totaling RMB75.1 billion during the year, and the liability structure was consistently optimized.

Deepening the reform of systems and mechanisms and renewing our basis

To resolve the key matters restricting our development, we deepened our reform on many fronts by taking synchronous actions. We optimized the decision-making and reviewing mechanism to establish a more scientific and professional governance system. Also, we significantly improved risk management capability through optimizing the risk management mechanism, adjusting business authorization, reinforcing risk monitoring of projects, refining risk management procedures, and strengthening post-investment management. We upgraded the organization structure, streamlined the institution, highlighted the core business, simplified the procedures, enhanced the management and control, so as to further perfect the internal management framework. Furthermore, we honed our incentive and restraint mechanism, adjusted the remuneration structure, and completed the assessment system to spur on the employees' enthusiasm and internal impetus.

In 2023, we will follow the trends and stride along new journey. With adamantine perseverance, absolute confidence, enterprising spirit, and pioneering endeavor, China Huarong will, bearing in mind that time and tide wait for none, make every effort to achieve the goal of "wrenching itself back on the right track" in one year focusing on the "One-Three-Five" strategy and fully assist the performance of various tasks to achieve new results. Striving to begin a new chapter for China Huarong's high-quality development, we will make new and greater contributions and contribute to the accelerated efforts of CITIC Group to build a first-class enterprise with practical actions to thorough implementation of the spirit of the 20th National Congress of the CPC and to the great rejuvenation of the Chinese nation impelled by Chinese modernization.

President: Li Zimin
March 29, 2023

8. Statement of Chairman of the Board of Supervisors

2022 was a year of great moment in the development history of the CPC and China, in that the CPC successfully convened its 20th National Congress and created a grand blueprint for building a modern socialist country in all aspects and comprehensively advancing the great rejuvenation of the Chinese nation through the Chinese path to modernization. 2022 was also a year of crucial importance in our development history, in that China Huarong joined CITIC Group under the firm leadership of the CPC Central Committee and with the strong support of the country's competent authorities, which turned a new page in our development. Over the past year, the Board of Directors and the senior management thoroughly implemented the national economic and financial policies, developed the "14th Five-Year" Development Plan, focused on the core business of distressed assets, and promoted the transformation of the core business. With the four major businesses of "disposal of problematic assets, revitalization of problematic projects, restructuring of problematic enterprises and relief of crisis institutions" functioning to the full extent, China Huarong made its voice heard and contributed its wisdom and strength to improvement in serving the quality and efficiency of the real economy. Over the past year, the Board of Directors and the senior management steadily propelled risk mitigation by establishing a mechanism of collaborative risk mitigation for projects containing major risks and a mechanism of cooperative mitigation of challenging risks among key regions, while achieving significant results in downsizing and risk mitigation. Over the past year, with the full support of CITIC Group, the synergies between the Company and each subsidiary of CITIC Group were gradually revealed in parallel with our maturing business model, refining management system, and optimizing assets deployment, which laid the solid groundwork for the implementation of the "14th Five-Year" Development Plan.

In 2022, the Board of Supervisors performed its duty with fidelity and diligence in compliance with China's laws and regulations, regulatory provisions and the Articles of Association. Taking playing the role of a supervisory body as the main line of action, the Board of Supervisors enhanced its comprehension and perception of the regularity of the work, systematically improved the methods and paths to institutionalize, normalize and standardize its work, further varied the approaches to supervision and enhanced the precision level of supervision. Over the past year, the Board of Supervisors stepped up its daily supervision, paid closer attention to the major issues, key links and critical areas, and kept its mind on priority tasks such as the transformation of the core business and risk mitigation; adhering to the problem-oriented and result-oriented approach, the Board of Supervisors carried out extensive survey and research, put forward opinions and suggestions on the top-level design, systems and mechanisms as well as methods and paths, hence a continuous improvement in the pertinence and effectiveness of its opinions and suggestions. Over the past year, the Board of Supervisors took the initiative to enrich work reporting to the regulators, daily communication with the Board of Directors, the senior management and its members, and its own construction; thanks to the understanding and support from the leadership of our Party Committee, the Board of Directors and the senior management, the Board of Supervisors completed its tasks as planned, legally safeguarded the legitimate rights and interests of the Company, Shareholders, employees and other stakeholders and fulfilled its function as a supervisory body.

2023 is the first year to implement the spirit of the 20th National Congress of the CPC, and it is not only a decisive nexus for the execution of China's "14th Five-Year Plan" but also a critical period for the execution of our "14th Five-Year" Development Plan to score the goals of "wrenching us back on the right track in one year and significantly improving quality and efficiency in three years". In the face of new situations, tasks, and challenges, the Board of Supervisors will conscientiously carry out the national economic and financial policies. Following the leadership of CITIC Group and our Party Committee, the Board of Supervisors will further cement its political stance, and with an enduring sense of responsibility and the courage to assume liabilities, it will fulfill its duty, work hard to improve the quality and efficiency of supervision, give play to the role of a supervisory body, and make joint efforts with the Board of Directors and the senior management to promote our robust and orderly operations and the realization of our strategic goals.

Chairman of the Board of Supervisors: Hu Jianzhong

March 29, 2023

9. Management Discussion and Analysis

9.1 Economic, Financial and Supervising Environment

In 2022, the international environment was complex and volatile. With the protracting and aggravating crisis in Ukraine, the negative global trade situation, the oscillating sharply commodity prices and prominent food and energy security problems, the global economy development confronted with stagflation. The International Monetary Fund lowered its full-year growth forecast twice during the year to 3.2%, while raising its full-year inflation forecast to a high of 8.8%.

In 2022, China calmly responded to the volatile international environment and the arduous tasks of reform, development and stability across the country, and strengthened macroeconomic regulation and control. The GDP stepped up on a new stage of exceeding RMB121 trillion, representing an increase of 3.0% on a year-on-year basis. Faced with the complex and volatile external environment and the "triple pressures" of domestic economic development, China intensified its macro-control to actively respond to the impact of factors exceeding expectations, steadily improve the quality of development, basically stabilize employment prices, and maintain overall economic and social stability.

In 2022, China's financial industry took the initiative to overcome difficulties, resolutely supported a stable macroeconomic market, effectively prevented and resolved financial risks, and made great efforts to deepen financial reform and opening up. The People's Bank of China has maintained targeted, stable and sustainable monetary policy, strengthened cross-cycle and counter-cycle adjustment to promote economic and social development. The CBIRC has guided financial institutions to increase their support for real economy, and introduced various policies and measures to support financial institutions in preventing and mitigating risks in key area. Financial asset management companies fully implemented the new development concept, actively assumed their responsibilities and missions entrusted by the state, worked intensively in the field of distressed assets, served the development of the real economy and prevented and resolved risks to strongly support the high-quality economic and social development in China.

In 2022, in the face of a complex and evolving external environment and downward pressure on the domestic macro economy, the regulatory authorities concentrated on mitigating risks in key areas and supported financial asset management companies to continue to play an essential role in reducing risks in key sectors such as small and medium-sized banks, manufacturing and real estate. First, provide a sound policy environment for financial asset management companies to comprehensively focus on their core business, promote the marketization, legalization and normalization of the disposal mechanism by taking the opportunity of the enactment of the Financial Stability Law and the establishment of the financial stability guarantee fund; second, strengthen policy support for major business of distressed assets and guide financial asset management companies to better position their unique functions in the reform and risk resolution of small and medium-sized financial institutions; third, put forward new requirements for financial asset management companies to accelerate the disposal and reinvigorate the stock of distressed assets in the real economy, and further improve the service quality and efficiency in key areas such as advanced manufacturing, strategic emerging industries, and the transformation and upgrading of traditional industries so as to intensify the disposal of non-performing loans in manufacturing industries; fourth, support financial asset management companies to effectively revitalize inefficient assets in a wider range by various means, provide existing assets revitalization and financial services for mergers and acquisitions in the key areas such as infrastructure, real estate, etc. to promote a virtuous cycle of existing assets and new investment.

9.2 Analysis of Financial Statements

9.2.1 Operating Results of the Group

In 2022, the Group's loss attributable to equity holders of the Company amounted to RMB27,581.1 million. The major factors that affected the full year performance were as follows: (i) subject to the fluctuations in the capital market, the fair value of some equity financial assets changed, and the fair value change recognized for listed and unlisted shares and funds during the year amounted to RMB-8,880.2 million, representing a decrease of RMB18,118.3 million as compared with the previous year; (ii) affected by the macroeconomic situation and the downturn in the real estate industry, the Group recognized impairment losses under ECL model of RMB29,381.0 million during the year, representing an increase of RMB16,166.4 million as compared with the previous year; (iii) the scale and income of acquisition-and-restructuring distressed debt assets decreased and the balance of acquisition-and-restructuring distressed debt assets at the end of 2022 amounted to RMB278,382.1 million, which represented a decrease of 16.4% as compared with the end of the previous year, the operating income from acquisition-and-restructuring distressed debt assets in the year amounted to RMB22,849.5 million, representing a decrease of 18.6% as compared with the previous year.

In the complex and grim external context of 2022, with the strong support of superior authorities, shareholders and the public, the Group achieved glaring results in risk mitigation and transformation by adopting an array of powerful measures ranging from designing strategies and determining directions, facilitating synergies and enhancing core business, promoting reform and selecting talents, stabilizing financing and optimizing structure, guided by the overarching principle of "consolidating the foundation, seeking progress while maintaining stability and improving quality and efficiency". In the second half of 2022, the Group's loss attributable to equity holders of the Company decreased by RMB10,151.7 million as compared with the first half of the year, with all work revitalized in "high speed", beginning an overall positive trend.

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Continuing operations				
Income from distressed debt assets	**22,779.1**	28,077.2	(5,298.1)	(18.9%)
Fair value changes on distressed debt assets	**5,709.8**	6,464.5	(754.7)	(11.7%)
Fair value changes on other financial assets and liabilities	**(11,158.2)**	11,599.3	(22,757.5)	(196.2%)
Interest income	**11,225.4**	13,592.1	(2,366.7)	(17.4%)
Finance lease income	**1,056.3**	2,040.9	(984.6)	(48.2%)
Gains from derecognition of financial assets measured at amortised cost	**16.1**	1,228.0	(1,211.9)	(98.7%)
(Losses)/gains from derecognition of debt instruments at FVTOCI	**(591.4)**	265.7	(857.1)	(322.6%)
Commission and fee income	**233.5**	413.9	(180.4)	(43.6%)
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures	**589.0**	571.7	17.3	3.0%
Dividend income	**914.3**	1,063.2	(148.9)	(14.0%)
Other income and other net gains or losses	**6,490.1**	2,777.4	3,712.7	133.7%
Total income	**37,264.0**	68,093.9	(30,829.9)	(45.3%)
Interest expense	**(37,064.5)**	(42,679.8)	5,615.3	(13.2%)
Commission and fee expense	**(593.8)**	(208.4)	(385.4)	184.9%
Operating expenses	**(6,839.4)**	(7,533.0)	693.6	(9.2%)
Impairment losses under ECL model	**(29,381.0)**	(13,214.6)	(16,166.4)	122.3%
Impairment losses on other assets	**(1,184.4)**	(604.6)	(579.8)	95.9%
Total expenses	**(75,063.1)**	(64,240.4)	(10,822.7)	16.8%
Change in net assets attributable to other holders of consolidated structured entities	**352.9**	(2,269.7)	2,622.6	(115.5%)
Share of results of associates and joint ventures	**329.9**	134.7	195.2	144.9%
(Loss)/profit before tax from continuing operations	**(37,116.3)**	1,718.5	(38,834.8)	(2,259.8%)
Income tax credit/(expense)	**3,734.8**	(4,211.9)	7,946.7	(188.7%)
Loss for the year from continuing operations	**(33,381.5)**	(2,493.4)	(30,888.1)	1,238.8%
Discontinued operations				
Profit after tax for the year from discontinued operations	**5,595.2**	4,479.5	1,115.7	24.9%
(Loss)/profit for the year	**(27,786.3)**	1,986.1	(29,772.4)	(1,499.0%)

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
(Loss)/profit attributable to:				
Equity holders of the Company	**(27,581.1)**	378.5	(27,959.6)	(7,386.9%)
Holders of perpetual capital instruments	**531.1**	1,219.2	(688.1)	(56.4%)
Non-controlling interests	**(736.3)**	388.4	(1,124.7)	(289.6%)

9.2.1.1 Total income from continuing operations

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Income from distressed debt assets	**22,779.1**	28,077.2	(5,298.1)	(18.9%)
Fair value changes on distressed debt assets	**5,709.8**	6,464.5	(754.7)	(11.7%)
Fair value changes on other financial assets and liabilities	**(11,158.2)**	11,599.3	(22,757.5)	(196.2%)
Interest income	**11,225.4**	13,592.1	(2,366.7)	(17.4%)
Finance lease income	**1,056.3**	2,040.9	(984.6)	(48.2%)
Gains from derecognition of financial assets measured at amortised cost	**16.1**	1,228.0	(1,211.9)	(98.7%)
(Losses)/gains from derecognition of debt instruments at FVTOCI	**(591.4)**	265.7	(857.1)	(322.6%)
Commission and fee income	**233.5**	413.9	(180.4)	(43.6%)
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures	**589.0**	571.7	17.3	3.0%
Dividend income	**914.3**	1,063.2	(148.9)	(14.0%)
Other income and other net gains or losses	**6,490.1**	2,777.4	3,712.7	133.7%
Total income	**37,264.0**	68,093.9	(30,829.9)	(45.3%)

In 2022, the Group's total income from continuing operations was RMB37,264.0 million, representing a decrease of 45.3% as compared with the previous year, which is mainly due to changes in fair value of other financial assets and liabilities, as well as decreases in income from distressed debt assets and interest income.

9.2.1.1.1 Income from distressed debt assets

Income from distressed debt assets derives from the acquisition-and-restructuring business of the Group. In 2022, the Group's size of and income from acquisition-and-restructuring distressed debt assets continued to decrease, the gross amount of distressed debt assets measured at amortised cost and the gross amount of distressed debt assets at FVTOCI decreased by 16.7% from RMB332,854.4 million as at December 31, 2021 to RMB277,426.6 million as at December 31, 2022, and its income from distressed debt assets decreased by 18.9% from RMB28,077.2 million in 2021 to RMB22,779.1 million in 2022.

9.2.1.1.2 Fair value changes on distressed debt assets

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Fair value changes on distressed debt assets				
Acquisition-and-disposal				
— realized	**6,880.0**	8,395.7	(1,515.7)	(18.1%)
— unrealized	**(1,240.6)**	(1,931.2)	690.6	35.8%
Acquisition-and-restructuring				
— realized	**64.9**	—	64.9	100.0%
— unrealized	**5.5**	—	5.5	100.0%
Total	**5,709.8**	6,464.5	(754.7)	(11.7%)

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

In 2022, the Group actively extended disposal channels, increased asset promotion efforts, accelerated the centralized disposal of inefficient assets. However, the progress of disposal of some items was not up to expectation due to the macroeconomic situation, and the realized disposal net income of fair value changes on acquisition-and-disposal distressed debt assets was RMB6,880.0 million, representing a decrease of 18.1% as compared with the previous year.

In 2022, some acquisition-and-restructuring businesses conducted by the Group were classified as financial assets at FVTPL due to failure to pass the contractual cash flow test. As at December 31, 2022, the gross amount of those acquisition-and-restructuring assets was RMB955.5 million and fair value changes of RMB70.4 million were recognised in 2022.

9.2.1.1.3 Fair value changes on other financial assets and liabilities

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Fair value changes on other financial assets and liabilities				
Listed and unlisted shares and funds				
— realized	**(721.4)**	4,664.2	(5,385.6)	(115.5%)
— unrealized	**(8,158.8)**	4,573.9	(12,732.7)	(278.4%)
Others[(1)]				
— realized	**(2,118.5)**	2,952.4	(5,070.9)	(171.8%)
— unrealized	**(159.5)**	(591.2)	431.7	(73.0%)
Total	**(11,158.2)**	11,599.3	(22,757.5)	(196.2%)

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

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

In 2022, the fair value changes on other financial assets and liabilities of the Group were RMB-11,158.2 million, representing a decrease of RMB22,757.5 million as compared with the previous year. In particular, the realized fair value changes were RMB-2,839.9 million, representing a decrease of 137.3% as compared with the previous year; the unrealized fair value changes were RMB-8,318.3 million, representing a decrease of 308.9% as compared with the previous year. Affected by the volatility in the capital market, the fair value changes on the listed and unlisted shares and funds held by the Group were RMB-8,880.2 million, representing a decrease of RMB18,118.3 million as compared with the previous year.

9.2.1.1.4 Interest income

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Debt instruments at amortised cost other than distressed debt assets	**5,263.7**	6,166.4	(902.7)	(14.6%)
Receivables arising from sales and leaseback arrangements	**3,860.6**	4,414.3	(553.7)	(12.5%)
Deposits with financial institutions	**1,767.1**	2,081.2	(314.1)	(15.1%)
Debt instruments at FVTOCI other than distressed debt assets	**190.5**	572.0	(381.5)	(66.7%)
Placements with financial institutions	**89.0**	115.9	(26.9)	(23.2%)
Loans and advances to customers	**41.1**	222.2	(181.1)	(81.5%)
Financial assets held under resale agreements	**13.3**	19.9	(6.6)	(33.2%)
Balances with central bank	**0.1**	0.2	(0.1)	(50.0%)
Total	**11,225.4**	13,592.1	(2,366.7)	(17.4%)

Interest income derives from the Group's debt instruments, which is measured at amortised cost and FVTOCI, excluding that from the acquisition-and-restructuring businesses of the Group. In 2022, the Group's interest income amounted to RMB11,225.4 million, decreased by 17.4% from the previous year, mainly because: (i) the size of debt instruments measured at amortised cost other than distressed debt assets and the debt instruments at FVTOCI other than distressed debt assets decreased by 35.6% from RMB431,617.1 million as at December 31, 2021 to RMB277,960.9 million as at December 31, 2022, and the corresponding interest income decreased by 19.1% from RMB6,738.4 million in 2021 to RMB5,454.2 million in 2022; (ii) the income from sales and leaseback business decreased by 12.5% from RMB4,414.3 million in 2021 to RMB3,860.6 million in 2022.

9.2.1.1.5 Finance lease income

The finance lease income of the Group mainly derives from Huarong Financial Leasing. The finance lease income decreased by 48.2% from RMB2,040.9 million in 2021 to RMB1,056.3 million in 2022. After the adoption of the New Lease Standards in 2019, interest income of receivables arising from sales and leaseback arrangements is presented in interest income. The total amount of finance lease income and interest income of receivables arising from sales and leaseback arrangements of the Group decreased by 23.8% from RMB6,455.2 million in 2021 to RMB4,916.9 million in 2022, mainly due to a decrease in new business launch of Huarong Financial Leasing in the current year.

9.2.1.1.6 Other income and other net gains or losses

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Net gains/(losses) on exchange differences	**2,699.9**	(658.0)	3,357.8	510.4%
Income from disposal of investment properties	**1,261.9**	—	1,261.9	100.0%
Income arising from operating leases	**884.3**	1,065.1	(180.8)	(17.0%)
Income from investment in associates	**495.2**	—	495.2	100.0%
Revenue from properties development	**187.4**	871.1	(683.7)	(78.5%)
Government grants	**85.2**	146.5	(61.3)	(41.8%)
Revenue from construction services	**40.4**	440.4	(400.0)	(90.8%)
Revenue from hotel operation	**32.2**	131.1	(98.9)	(75.4%)
Net gains on assets pending for disposal	**10.3**	49.1	(38.8)	(79.0%)
Revenue from futures and spot trading	**—**	310.2	(310.2)	(100.0%)
Others	**793.3**	421.9	371.5	88.1%
Total	**6,490.1**	2,777.4	3,712.7	133.7%

Other income and other net gains or losses of the Group increased by 133.7% from RMB2,777.4 million in 2021 to RMB6,490.1 million in 2022, mainly due to the increase in the net gains on exchange differences, income from disposal of investment properties and income from investment in associates. In addition, the decrease in revenue from properties development and revenue from construction services for the year partially offset the increase in other revenue and other net profit or loss.

9.2.1.2 Total income from discontinued operations

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Fair value changes on other financial assets and liabilities	**824.2**	1,577.0	(752.8)	(47.7%)
Interest income	**10,496.3**	22,669.7	(12,173.4)	(53.7%)
Gains/(losses) from derecognition of financial assets measured at amortised cost	**40.4**	(132.3)	172.7	130.5%
Gains from derecognition of debt instruments at FVTOCI	**79.1**	68.9	10.2	14.8%
Commission and fee income	**931.4**	1,645.3	(713.9)	(43.4%)
Net gains on disposals of subsidiaries, associates and joint ventures	**7,576.5**	—	7,576.5	100.0%
Dividend income	**—**	24.0	(24.0)	(100.0%)
Other income and other net gains or losses	**233.6**	358.6	(125.0)	(34.9%)
Total	**20,181.5**	26,211.2	(6,029.7)	(23.0%)

The income from discontinued operations of the Group was primarily from the revenue that generated from Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust in 2022, and a net gain of RMB7,576.5 million from the disposal of the four subsidiaries.

9.2.1.3 Total expenses of continuing operations

Total expenses of continuing operations of the Group increased by 16.8% from RMB64,240.4 million in 2021 to RMB75,063.1 million in 2022, mainly due to the increase of the provision for impairment losses under ECL model. In addition, the decrease in interest expense for the year partially offset the increase in total expenses of continuing operations.

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interest expense	**(37,064.5)**	(42,679.8)	5,615.3	(13.2%)
Commission and fee expense	**(593.8)**	(208.4)	(385.4)	184.9%
Operating expenses	**(6,839.4)**	(7,533.0)	693.6	(9.2%)
Impairment losses under ECL model	**(29,381.0)**	(13,214.6)	(16,166.4)	122.3%
Impairment losses on other assets	**(1,184.4)**	(604.6)	(579.8)	95.9%
Total expenses	**(75,063.1)**	(64,240.4)	(10,822.7)	16.8%

9.2.1.3.1 Interest expense

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Borrowings	**(28,445.4)**	(33,776.4)	5,331.0	(15.8%)
Bonds and notes issued	**(8,436.8)**	(8,690.8)	254.0	(2.9%)
Financial assets sold under repurchase agreements	**(85.8)**	(57.4)	(28.4)	49.5%
Placements from financial institutions	**(49.6)**	(21.0)	(28.6)	136.2%
Lease liabilities	**(29.7)**	(113.2)	83.5	(73.8%)
Other liabilities	**(17.2)**	(21.0)	3.8	(18.1%)
Total	**(37,064.5)**	(42,679.8)	5,615.3	(13.2%)

In 2022, the interest expense of the Group was RMB37,064.5 million, representing a decrease of 13.2% compared with the previous year, of which the interest paid for borrowings was decreased by 15.8% compared with the previous year, and the interest paid for bonds and notes issued was decreased by 2.9% compared with the previous year, mainly because of the decrease of interest-bearing liabilities scale of the Group.

9.2.1.3.2 Operating expenses

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Employee benefits	**(2,668.5)**	(2,346.3)	(322.2)	13.7%
Tax and surcharges	**(507.3)**	(489.8)	(17.5)	3.6%
Others	**(3,663.6)**	(4,696.9)	1,033.3	(22.0%)
Including:				
Depreciation of property and equipment	**(599.0)**	(722.5)	123.5	(17.1%)
Depreciation of right-of-use assets	**(281.9)**	(431.7)	149.8	(34.7%)
Depreciation of investment properties	**(262.4)**	(144.7)	(117.7)	81.3%
Cost of properties development and sales	**(192.9)**	(781.3)	588.4	(75.3%)
Management fee for leases	**(74.4)**	(94.3)	19.9	(21.1%)
Amortisation	**(45.7)**	(51.9)	6.2	(11.9%)
Rental for short-term leases	**(33.5)**	(30.8)	(2.7)	8.8%
Total	**(6,839.4)**	(7,533.0)	693.6	(9.2%)

Operating expenses from continuing operations of the Group decreased by 9.2% from RMB7,533.0 million in 2021 to RMB6,839.4 million in 2022, mainly due to the decrease of the cost of properties development and sales, depreciation of property and equipment and depreciation of right-of-use assets as compared with the previous year.

In 2022, the expense of employee benefits from continuing operations and discontinued operations of the Group amounted to RMB3,981.3 million, representing a decrease of 17.3% as compared with the previous year, in which the Group's employee benefits expense increased in the continued operations, mainly because the relevant employee benefits expense increased due to the personnel adjustments involved in the Group's disposal of financial subsidiaries in 2022. Employee benefits consist of wages, bonuses, allowances and subsidies as well as remuneration-related expenses. Remuneration-related expenses include basic social insurance premium, housing provident fund and enterprise annuity for employees in accordance with relevant regulations, as well as supplementary medical insurance, labor union fees and staff education expenses provided or paid based on prescribed proportions.

9.2.1.3.3 Impairment losses under ECL model

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Debt instruments at amortised cost	**(24,439.1)**	(10,435.2)	(14,003.9)	134.2%
Debt instruments at FVTOCI	**(2,937.9)**	(1,242.0)	(1,695.9)	136.5%
Financial lease receivables	**(914.7)**	(705.5)	(209.2)	29.7%
Financial assets held under resale agreements	**(284.4)**	399.8	(684.2)	(171.1%)
Loans and advances to customers	**(10.9)**	(31.3)	20.4	(65.2%)
Credit enhancements and commitments	**—**	(16.5)	16.5	(100.0%)
Others	**(794.0)**	(1,183.9)	389.9	(32.9%)
Total	**(29,381.0)**	(13,214.6)	(16,166.4)	122.3%

In 2022, the impairment losses under ECL model of the Group amounted to RMB29,381.0 million, representing an increase of 122.3% compared with the previous year, mainly because the Group recognised impairment losses under ECL model for financial assets at amortised cost and at FVTOCI due to declined contract performance ability of the related customers and downward migration of asset quality against the macroeconomic situation and downturn in the real estate industry.

9.2.1.3.4 Impairment losses on other assets

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interests in associates and joint ventures	**(435.7)**	(364.3)	(71.4)	19.6%
Goodwill	**(286.7)**	—	(286.7)	(100.0%)
Foreclosed assets	**(160.8)**	(101.8)	(59.0)	58.0%
Property and equipment	**(53.7)**	(86.0)	32.3	(37.6%)
Inventories	**(43.0)**	—	(43.0)	(100.0%)
Others	**(204.5)**	(52.5)	(152.0)	289.5%
Total	**(1,184.4)**	(604.6)	(579.8)	95.9%

The impairment loss on other assets of the Group increased by 95.9% from RMB604.6 million in 2021 to RMB1,184.4 million in 2022, mainly due to the recognition of impairment losses on other assets for interests in associates and joint ventures, the goodwill and foreclosed assets.

9.2.1.4 Total expenses from discontinued operations

The table below sets forth the components of the total expenses from discontinued operations of the Group for the years indicated.

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Interest expenses	**(5,522.7)**	(10,915.1)	5,392.4	(49.4%)
Commission and fee expenses	**(266.3)**	(701.8)	435.5	(62.1%)
Operating expenses	**(2,287.3)**	(4,568.4)	2,281.1	(49.9%)
Credit impairment loss	**(2,064.6)**	(3,876.5)	1,811.9	(46.7%)
Impairment losses on other assets	**(132.4)**	(333.4)	201.0	(60.3%)
Total	**(10,273.3)**	(20,395.2)	10,121.9	(49.6%)

Expenses from discontinued operation of the Group are mainly the expenses incurred by Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust in 2022.

9.2.1.5 Income tax

9.2.1.5.1 Income tax from continuing operations

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Current income tax				
PRC enterprise income tax	**(69.9)**	(4,703.1)	4,633.2	(98.5%)
PRC land appreciation tax ("LAT")	**(32.7)**	(57.8)	25.1	(43.4%)
Profits tax of Hong Kong and Macau, China	**(34.3)**	(29.2)	(5.1)	17.5%
Over-provisions/(under-provisions) in prior years	**148.2**	(64.4)	212.6	(330.1%)
Deferred income tax	**3,723.5**	642.6	3,080.9	479.4%
Total	**3,734.8**	(4,211.9)	7,946.7	(188.7%)

Income tax expense from continuing operations of the Group decreased by 188.7% from RMB4,211.9 million in 2021 to RMB-3,734.8 million in 2022, which was mainly because: (i) certain losses on institutions of the Group and the decrease in taxable income for the current period resulted in a decrease of RMB4,865.8 million in current income tax expense in 2022 compared to the previous year; (ii) an increase of loss from fair value changes and credit impairment losses recognized by the Group in the current period compared to the previous year, resulting in an increase of deferred tax assets.

9.2.1.5.2 Income tax expense from discontinued operations

Income tax expense from discontinued operations of the Group increased by 383.5% from RMB936.8 million in 2021 to RMB4,529.4 million in 2022. In particular, in 2022, the income tax expense incurred by the disposal of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust amounted to RMB3,967.6 million, accounting for 87.6% of income tax expense from discontinued operations.

9.2.1.6 Segment operating results

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

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

(2) financial services segment: mainly includes financial leasing business. In 2022, the Company has completed the equity transfer of Huarong Consumer Finance, Huarong Securities and Huarong Xiangjiang Bank. The consumer finance business, securities and futures business and banking services business are no longer included in financial service segment of the Group, which constitutes the discontinued operation.

(3) asset management and investment segment: mainly includes international business and other business. In 2022, the Company has completed the equity transfer of Huarong Trust. The trust business is no longer included in asset management and investment segment of the Group, which constitutes the discontinued operation.

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**32,105.7**	51,747.6	(19,641.9)	(38.0%)
Financial services segment	**7,548.5**	7,674.2	(125.7)	(1.6%)
Asset management and investment segment	**381.3**	13,051.9	(12,670.6)	(97.1%)
Inter-segment elimination	**(2,771.5)**	(4,379.8)	1,608.3	(36.7%)
Total	**37,264.0**	68,093.9	(30,829.9)	(45.3%)

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

	For the year ended December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**(21,497.7)**	7,206.3	(28,704.0)	(398.3%)
Financial services segment	**1,597.3**	1,973.9	(376.6)	(19.1%)
Asset management and investment segment	**(16,573.0)**	(6,357.0)	(10,216.0)	(160.7%)
Inter-segment elimination	**(642.9)**	(1,104.7)	461.8	(41.8%)
Total	**(37,116.3)**	1,718.5	(38,834.8)	(2,259.8%)

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed asset management segment	**710,394.2**	802,135.8	(91,741.6)	(11.4%)
Financial services segment	**107,094.8**	588,533.1	(481,438.3)	(81.8%)
Asset management and investment segment	**212,630.5**	254,267.0	(41,636.5)	(16.4%)
Inter-segment elimination	**(90,653.9)**	(99,428.2)	8,774.3	(8.8%)
Total	**939,465.6**	1,545,507.7	(606,042.1)	(39.2%)

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

The distressed asset management business is the core business of the Group and the significant source of income. In 2022, affected by combination of factors such as the capital market fluctuations, macroeconomic situation and the downturn in the real estate industry, the total income and the profit before tax from the distressed asset management segment of the Group decreased by 38.0% and 398.3% compared to the previous year, respectively; the total assets decreased by 11.4% from RMB802,135.8 million as at December 31, 2021 to RMB710,394.2 million as at December 31, 2022.

The financial service business is mainly financial leasing business. In 2022, the Group has completed the equity transfer of three subsidiaries, namely Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank, the total income, the profit before tax and total assets from the financial services segment of the Group decreased by 1.6%, 19.1% and 81.8% compared to the previous year, respectively.

Asset management and investment business is mainly International business and other business. In 2022, affected by the capital market fluctuations, the loss from fair value changes of other financial assets and liabilities in asset management and investment business of the Group increased, the total income and the profit before tax decreased by 97.1% and 160.7% compared to the previous year, respectively. The total assets decreased by 16.4% from RMB254,267.0 million as at December 31, 2021 to RMB212,630.5 million as at December 31, 2022.

9.2.2 Financial Positions of the Group

On December 31, 2022, the Group has completed the equity transfer of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust, the scale of asset and debt was reduced to within 1 trillion as schedule, the total assets amounted to RMB955,326.0 million, representing a decrease of 39.1% compared to the end of last year; the total liabilities amounted to RMB906,946.6 million, representing a decrease of 38.1% compared to the end of last year.

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Cash and balances with central bank	**23.2**	23,956.5	(23,933.3)	(99.9%)
Deposits with financial institutions	**97,578.2**	146,698.3	(49,120.1)	(33.5%)
Placements with financial institutions	**1,300.2**	19,685.8	(18,385.6)	(93.4%)
Financial assets at FVTPL	**309,455.9**	351,047.7	(41,591.8)	(11.8%)
Financial assets held under resale agreements	**706.7**	11,044.3	(10,337.6)	(93.6%)
Contract assets	**5,530.1**	5,735.6	(205.5)	(3.6%)
Loans and advances to customers	**38.5**	247,164.0	(247,125.5)	(100.0%)
Finance lease receivables	**14,528.3**	23,554.1	(9,025.8)	(38.3%)
Debt instruments at FVTOCI	**25,318.4**	57,203.6	(31,885.2)	(55.7%)
Equity instruments at FVTOCI	**2,038.6**	3,139.6	(1,101.0)	(35.1%)
Inventories	**23,051.9**	20,854.1	2,197.8	10.5%
Debt instruments at amortised cost	**415,352.7**	580,799.4	(165,446.7)	(28.5%)
Interests in associates and joint ventures	**9,572.8**	10,514.8	(942.0)	(9.0%)
Investment properties	**7,158.6**	6,854.2	304.4	4.4%
Property and equipment	**7,164.9**	9,621.2	(2,456.3)	(25.5%)
Right-of-use assets	**1,098.7**	3,502.1	(2,403.4)	(68.6%)
Deferred tax assets	**15,860.4**	15,612.5	247.9	1.6%
Goodwill	**18.2**	323.0	(304.8)	(94.4%)
Assets held for sale	**—**	7,301.6	(7,301.6)	(100.0%)
Other assets	**19,529.7**	23,809.4	(4,279.7)	(18.0%)
Total assets	**955,326.0**	1,568,421.8	(613,095.8)	(39.1%)
Borrowings from central bank	**—**	23,147.6	(23,147.6)	(100.0%)
Deposits from financial institutions	**—**	13,656.3	(13,656.3)	(100.0%)
Placements from financial institutions	**6,215.8**	4,784.2	1,431.6	29.9%
Financial assets sold under repurchase agreements	**6,744.8**	30,866.2	(24,121.4)	(78.1%)
Borrowings	**629,496.0**	747,625.5	(118,129.5)	(15.8%)
Financial liabilities at FVTPL	**768.1**	683.7	84.4	12.3%
Due to customers	**—**	257,208.9	(257,208.9)	(100.0%)
Tax payable	**2,695.1**	1,388.6	1,306.5	94.1%
Contract liabilities	**720.4**	401.2	319.2	79.6%
Lease liabilities	**683.3**	2,049.5	(1,366.2)	(66.7%)

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Deferred tax liabilities	**895.7**	341.6	554.1	162.2%
Bonds and notes issued	**189,859.8**	271,065.2	(81,205.4)	(30.0%)
Liabilities directly associated with the assets held for sale	**—**	1,740.3	(1,740.3)	(100.0%)
Other liabilities	**68,867.6**	109,478.6	(40,611.0)	(37.1%)
Total liabilities	**906,946.6**	1,464,437.4	(557,490.8)	(38.1%)
Share capital	**80,246.7**	80,246.7	—	—
Other equity instruments	**19,900.0**	—	19,900.0	100.0%
Capital reserve	**16,414.3**	16,431.8	(17.5)	(0.1%)
Surplus reserve	**8,564.2**	8,564.2	—	—
General reserve	**13,002.5**	17,888.6	(4,886.1)	(27.3%)
Other reserves	**(919.3)**	3,906.6	(4,825.9)	(123.5%)
Accumulated losses	**(90,181.6)**	(67,694.0)	(22,487.6)	33.2%
Equity attributable to equity holders	**47,026.8**	59,343.9	(12,317.1)	(20.8%)
Perpetual capital instruments	**1,752.6**	22,377.9	(20,625.3)	(92.2%)
Non-controlling interests	**(400.0)**	22,262.6	(22,662.6)	(101.8%)
Total equity	**48,379.4**	103,984.4	(55,605.0)	(53.5%)
Total equity and liabilities	**955,326.0**	1,568,421.8	(613,095.8)	(39.1%)

9.2.2.1 Assets

As at December 31, 2021 and December 31, 2022, the total assets of the Group amounted to RMB1,568,421.8 million and RMB955,326.0 million, respectively, representing a decrease of 39.1%. As at December 31, 2022, the Group's assets mainly consist of: (i) deposits with financial institutions; (ii) financial assets at FVTPL; (iii) finance lease receivables; (iv) debt instruments at FVTOCI; and (v) debt instruments at amortised cost.

9.2.2.1.1 Deposits with financial institutions

As at December 31, 2021 and December 31, 2022, the Group's deposits with financial institutions amounted to RMB146,698.3 million and RMB97,578.2 million, respectively, representing a decrease of 33.5%, this decline was primarily due to the repayment of matured borrowings.

9.2.2.1.2 Financial assets at FVTPL

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

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets				
— Acquisition-and-disposal	**178,770.1**	182,087.2	(3,317.1)	(1.8%)
— Acquisition-and-restructuring	**955.5**	—	955.5	100.0%
Equity instruments				
— Listed	**32,612.2**	39,630.7	(7,018.5)	(17.7%)
— Unlisted	**21,828.2**	21,532.5	295.7	1.4%
Funds	**39,205.1**	49,095.2	(9,890.1)	(20.1%)
Trust products	**13,918.5**	11,682.3	2,236.2	19.1%
Debt securities				
— Corporate bonds	**5,734.4**	12,807.9	(7,073.5)	(55.2%)
— Government bonds	**—**	3,377.5	(3,377.5)	(100.0%)
— Financial institution bonds	**295.9**	423.4	(127.5)	(30.1%)
— Public sector and quasi-government bonds	**—**	94.5	(94.5)	(100.0%)
Derivatives and structured products	**3,632.1**	6,348.1	(2,716.0)	(42.8%)
Convertible bonds	**1,765.3**	2,189.6	(424.3)	(19.4%)
Wealth management products	**1,680.5**	5,655.0	(3,974.5)	(70.3%)
Asset management plans	**979.6**	7,864.1	(6,884.5)	(87.5%)
Entrusted loans	**660.4**	884.3	(223.9)	(25.3%)
Asset-backed securities	**27.1**	147.6	(120.5)	(81.6%)
Negotiable certificates of deposit	**—**	378.3	(378.3)	(100.0%)
Other debt assets	**7,391.0**	6,849.5	541.5	7.9%
Total	**309,455.9**	351,047.7	(41,591.8)	(11.8%)

As at December 31, 2021 and December 31, 2022, the financial assets at FVTPL of the Group amounted to RMB351,047.7 million and RMB309,455.9 million, respectively, representing a decrease of 11.8%.

Distressed debt assets at FVTPL are the Group's acquisition-and-disposal distressed debt assets and acquisition-and-restructuring distressed debt assets. As at December 31, 2021 and December 31, 2022, the Group's acquisition-and-disposal distressed debt assets at FVTPL amounted to RMB182,087.2 million and RMB178,770.1 million, respectively, representing a decrease of 1.8%, which is mainly due to (i) actively extended disposal channels, increased asset promotion efforts and accelerated the centralized disposal of inefficient assets; (ii) the recognition of the unrealized loss from fair value changes on acquisition-and-disposal assets according to the risk condition at the end of the year.

Certain acquisition-and-restructuring businesses conducted by the Group were accounted for as financial assets at FVTPL due to the failure in the test of contractual cash flows. As at December 31, 2022, the acquisition-and-restructuring distressed debt assets at FVTPL of the Group amounted to RMB955.5 million.

As at December 31, 2021 and December 31, 2022, the equity instruments at FVTPL amounted to RMB61,163.2 million and RMB54,440.4 million, respectively, representing a decrease of 11.0%, mainly due to the decrease in the fair value of some equity instruments under the effect of volatility in the capital market.

In 2022, after the Group completed the equity transfers of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust, its funds, debt securities, asset management plans, derivatives and structured products as at December 31, 2022 all decreased to varying degrees.

9.2.2.1.3 Finance lease receivables

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Minimum finance lease receivables				
Within 1 year (inclusive)	**8,525.4**	13,023.3	(4,497.9)	(34.5%)
1 year to 5 years (inclusive)	**10,265.3**	15,220.5	(4,955.2)	(32.6%)
Over 5 years	**1,406.7**	1,647.4	(240.7)	(14.6%)
Gross amount of finance lease receivables	**20,197.4**	29,891.2	(9,693.8)	(32.4%)
Less: Unearned finance income	**(2,914.4)**	(3,615.6)	701.2	(19.4%)
Net amount of finance lease receivables	**17,283.0**	26,275.6	(8,992.6)	(34.2%)
Less: Allowance for ECL				
— 12-month ECL	**(146.4)**	(190.7)	44.3	(23.2%)
— Lifetime ECL	**(2,608.3)**	(2,530.8)	(77.5)	3.1%
Subtotal	**(2,754.7)**	(2,721.5)	(33.2)	1.2%
Carrying amount of finance lease receivables	**14,528.3**	23,554.1	(9,025.8)	(38.3%)
Present value of minimum finance lease receivables:				
Within 1 year (inclusive)	**7,368.3**	11,490.2	(4,121.9)	(35.9%)
1 year to 5 years (inclusive)	**8,721.3**	13,341.7	(4,620.4)	(34.6%)
Over 5 years	**1,193.4**	1,443.7	(250.3)	(17.3%)
Total	**17,283.0**	26,275.6	(8,992.6)	(34.2%)

Finance lease receivables mainly derive from Huarong Financial Leasing. As at December 31, 2021 and December 31, 2022, the Group's net amount of finance lease receivables amounted to RMB26,275.6 million and RMB17,283.0 million, respectively, representing a decrease of 34.2%. After the implementation of the New Lease Standards in 2019, the receivables arising from sales and leaseback agreements are presented in debt instruments at amortised cost. As at December 31, 2021 and December 31, 2022, the balance of carrying amount of finance lease receivables and receivables arising from sales and leaseback arrangements amounted to RMB95,612.0 million and RMB92,395.7 million, respectively, representing a decrease of 3.4%.

9.2.2.1.4 Debt instruments at FVTOCI

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

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets	**16,683.8**	23,031.0	(6,347.2)	(27.6%)
Debt Securities				
— Public sector and quasi-government bonds	**1,394.0**	1,752.3	(358.3)	(20.4%)
— Government bonds	**1,219.9**	10,500.6	(9,280.7)	(88.4%)
— Corporate bonds	**806.5**	12,992.6	(12,186.1)	(93.8%)
— Financial institution bonds	**656.0**	2,642.5	(1,986.5)	(75.2%)
Entrusted loans	**2,174.6**	2,409.4	(234.8)	(9.7%)
Asset management plans	**1,459.5**	2,794.9	(1,335.4)	(47.8%)
Debt instruments	**757.3**	963.4	(206.1)	(21.4%)
Trust products	**154.4**	90.6	63.8	70.4%
Asset-backed securities	**12.4**	26.3	(13.9)	(52.9%)
Total	**25,318.4**	57,203.6	(31,885.2)	(55.7%)

As at December 31, 2021 and December 31, 2022, the Group's debt instruments at FVTOCI were RMB57,203.6 million and RMB25,318.4 million, respectively, representing a decrease of 55.7%.

The distressed debt assets at FVTOCI were acquisition-and-restructuring distressed debt assets of the Group. As at December 31, 2021 and December 31, 2022, the distressed debt assets at FVTOCI amounted to RMB23,031.0 million and RMB16,683.8 million, respectively, representing a decrease of 27.6%.

Other debt instruments at FVTOCI other than distressed debt assets included debt securities, entrusted loans, asset management plans, and debt instruments, etc. In 2022, the Group completed the transfers of equity of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust, resulting in a significant decline in the size of debt securities and asset management plans. As at December 31, 2021 and December 31, 2022, other debt instruments at FVTOCI other than distressed debt assets of the Group amounted to RMB34,172.6 million and RMB8,634.6 million, respectively, representing a decrease of 74.7%.

Debt instruments at FVTOCI are measured at fair value in the financial statements, and the allowance for impairment thereof is recognised in other comprehensive income ("OCI") and accumulated under the heading of other reserve, while the allowance for impairment is recognised in profit or loss with corresponding adjustments to OCI without reducing the carrying amounts of these debt instruments. As at December 31, 2021 and December 31, 2022, the allowance for impairment for debt instruments at FVTOCI presented under the investment revaluation reserve amounted to RMB11,199.5 million and RMB9,800.9 million, respectively, representing a decrease of 12.5%.

9.2.2.1.5 Debt instruments at amortised cost

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

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

	As at December 31,			
	2022	2021	Change	Change in percentage
	(in millions of RMB, except for percentages)			
Distressed debt assets				
Loans acquired from financial institutions	**34,834.3**	31,957.1	2,877.2	9.0%
Other debt assets acquired from non-financial institutions	**225,908.5**	277,866.3	(51,957.8)	(18.7%)
Subtotal	**260,742.8**	309,823.4	(49,080.6)	(15.8%)
Less: Allowance for ECL				
— 12-month ECL	**(2,419.6)**	(2,820.3)	400.7	(14.2%)
— Lifetime ECL	**(42,204.3)**	(37,679.7)	(4,524.6)	12.0%
Subtotal	**(44,623.9)**	(40,500.0)	(4,123.9)	10.2%
Carrying amount of distressed debt assets	**216,118.9**	269,323.4	(53,204.5)	(19.8%)
Other debt assets				
Debt instruments	**92,152.3**	112,163.6	(20,011.3)	(17.8%)
Receivables arising from sales and leaseback arrangements	**75,112.7**	69,336.4	5,776.3	8.3%
Entrusted loans	**46,437.2**	53,845.6	(7,408.4)	(13.8%)
Trust products	**39,425.0**	56,594.6	(17,169.6)	(30.3%)
Debt securities	**7,891.8**	94,677.2	(86,785.4)	(91.7%)
Asset management plans	**6,373.3**	7,024.5	(651.2)	(9.3%)
Asset-backed securities	**1.4**	1,603.6	(1,602.2)	(99.9%)
Others	**1,932.6**	2,199.0	(266.4)	(12.1%)
Subtotal	**269,326.3**	397,444.5	(128,118.2)	(32.2%)
Less: Allowance for ECL				
— 12-month ECL	**(772.9)**	(1,232.4)	459.5	(37.3%)
— Lifetime ECL	**(69,319.6)**	(84,736.1)	15,416.5	(18.2%)
Subtotal	**(70,092.5)**	(85,968.5)	15,876.0	(18.5%)
Carrying amount of other debt assets	**199,233.8**	311,476.0	(112,242.2)	(36.0%)
Total	**415,352.7**	580,799.4	(165,446.7)	(28.5%)

As at December 31, 2021 and December 31, 2022, the Group's debt instruments at amortised cost were RMB580,799.4 million and RMB415,352.7 million, respectively, representing a decrease of 28.5%.

The distressed debt assets at amortised cost are the Group's acquisition-and-restructuring distressed debt assets. As at December 31, 2021 and December 31, 2022, the Group's balance of distressed debt assets at amortised cost amounted to RMB309,823.4 million and RMB260,742.8 million, respectively, representing a decrease of 15.8%.

Other debt assets at amortised cost other than distressed debt assets as well as the receivables arising from sales and leaseback arrangements included trust products, debt securities, entrusted loans and debt instruments, etc. In 2022, the Group completed the transfers of equity of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust, resulting in various degrees of decline in debt securities at amortised cost, debt instruments, trust products and entrusted loans. As at December 31, 2021 and December 31, 2022, the Group's balance of other debt assets at amortised cost other than distressed debt assets as well as the receivables arising from sales and leaseback arrangements amounted to RMB328,108.1 million and RMB194,213.6 million, respectively, representing a decrease of 40.8%.

9.2.2.2 Liabilities

As at December 31, 2021 and December 31, 2022, the total liabilities of the Group amounted to RMB1,464,437.4 million and RMB906,946.6 million, respectively, representing a decrease of 38.1%. As at December 31, 2022, the major components of the Group's liabilities include: (i) borrowings, including those from banks and other financial institutions; (ii) bonds and notes issued.

9.2.2.2.1 Borrowings

As at December 31, 2021 and December 31, 2022, the balance of borrowings of the Group amounted to RMB747,625.5 million and RMB629,496.0 million, respectively, representing a decrease of 15.8%, mainly because of the repayment of matured borrowings.

9.2.2.2.2 Bonds and notes issued

As at December 31, 2021 and December 31, 2022, the balance of the bonds and notes issued of the Group amounted to RMB271,065.2 million and RMB189,859.8 million, respectively, representing a decrease of 30.0%, mainly because the disposal of Huarong Xiangjiang Bank and Huarong Securities, resulting in the decrease of the bonds and notes issued.

9.2.3 Contingent Liabilities

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

As at December 31, 2022, total claim amount of pending litigation was RMB6,459 million (December 31, 2021: RMB6,037 million) for the Group (as defendant). The Group made provision for estimated liabilities, which amounted to RMB10 million (December 31, 2021: RMB70 million) based on court judgments and lawyer's opinions. The Company believes that the final result of these legal proceedings will not have a material impact on the financial position or operations of the Group.

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

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

9.3 Business Overview

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

The following table sets forth the total income and (loss)/profit before tax of the Group's continuing operations from each of business segments for the years indicated.

	For the year ended December 31,			
	2022		2021	
	(in millions of RMB, except for percentages)			
	Amount	**Percentage**	Amount	Percentage
Total income				
Distressed asset management segment	**32,105.7**	**86.2%**	51,747.6	76.0%
Financial services segment	**7,548.5**	**20.3%**	7,674.2	11.3%
Asset management and investment segment	**381.3**	**1.0%**	13,051.9	19.2%
Inter-segment elimination	**(2,771.5)**	**(7.5%)**	(4,379.8)	(6.5%)
Total	**37,264.0**	**100.0%**	68,093.9	100.0%
(Loss)/profit before tax				
Distressed asset management segment	**(21,497.7)**	**57.9%**	7,206.3	419.3%
Financial services segment	**1,597.3**	**(4.3%)**	1,973.9	114.9%
Asset management and investment segment	**(16,573.0)**	**44.7%**	(6,357.0)	(369.9%)
Inter-segment elimination	**(642.9)**	**1.7%**	(1,104.7)	(64.3%)
Total	**(37,116.3)**	**100.0%**	1,718.5	100.0%

9.3.1 Distressed Asset Management

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

Distressed asset management business is the core business of the Group and the significant source of income. In 2022, total assets from the distressed asset management segment were RMB710,394.2 million, accounting for 75.6% of the total assets of the Group's segments; total income was RMB32,105.7 million, accounting for 86.2% of the Group's total income.

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

	As at or for the year ended December 31,	
	2022	2021
	(in millions of RMB)	
Distressed debt asset management business of the Company		
Gross amount of distressed debt assets[1]	**444,874.1**	490,820.4
Less: Allowance for impairment losses for distressed debt assets[2]	**40,109.6**	33,297.5
Net carrying amount of distressed debt assets	**409,110.3**	462,926.6
Acquisition cost of newly added distressed debt assets	**48,337.4**	86,902.2
Total income from distressed debt assets		
Operating income from distressed debt assets[3]	**28,628.9**	34,522.4
Financial advisory income from acquisition-and-restructuring business	**17.7**	5.0
Total	**28,646.6**	34,527.4
Policy-based DES business through commercial buyout of the Company		
Carrying amount of DES Assets	**13,601.8**	12,995.0
Dividend income from DES Assets	**172.4**	198.5
Acquisition cost of DES Assets disposed	**693.1**	1,302.1
Net gains from the disposal of DES Assets	**448.2**	772.7
Market-oriented DES business[4]		
Total cumulative investment in market-oriented DES business	**36,777.9**	35,851.3
Income from market-oriented DES business[5]	**(3,897.8)**	5,889.8
Distressed debt asset management business conducted by our subsidiaries		
Income from distressed debt assets of Huarong Huitong	**45.6**	84.4
Distressed asset-based special situations investments business conducted by our subsidiaries[6]		
Income from Huarong Rongde	**1,185.0**	1,290.2
Distressed asset-based property development business conducted by our subsidiaries		
Income from property sales and primary land development of Huarong Industrial	**177.1**	680.3

(1) Gross amount of distressed debt assets equals the sum of the Company's balance of distressed debt assets presented under financial assets at FVTPL, debt instruments at amortised costs and debt instruments at FVTOCI, as shown in the consolidated financial statements.
(2) Allowance for impairment losses for distressed debt assets equals the Company's allowance for impairment losses for distressed debt assets presented under debt instruments at amortised costs and at FVTOCI, as shown in the consolidated financial statements, of which, the allowance for impairment losses for distressed debt assets is presented under the debt instruments at FVTOCI as a part of the investment revaluation reserve, which has no effect on the net carrying amount of distressed debt assets.
(3) Operating income from distressed debt assets equals the sum of the Company's income from distressed debt assets, fair value changes on acquisition-and-disposal distressed debt assets and fair value changes on acquisition-and-restructuring distressed debt assets, as shown in the consolidated financial statements.
(4) Market-oriented debt-to-equity swap is primarily conducted by the Company and Huarong Ruitong Equity Investment Management Co., Ltd. ("Huarong Ruitong") and other subsidiaries.
(5) Income from market-oriented debt-to-equity swap includes realized income and unrealized income arising from market-oriented debt-to-equity swap business.
(6) Distressed asset-based special situations investments business conducted by our subsidiaries was primarily conducted by Huarong Rongde and other subsidiaries.

9.3.1.1 Distressed debt asset management business of the Company

The Company acquires distressed debt assets from financial institutions and non-financial enterprises through competitive bidding, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of distressed debt assets and the operational and financial performance, the conditions of the collaterals and pledges as well as the credit risks of the debtors, the Company revitalized problematic enterprises and assets through asset restructuring, debt restructuring, management restructuring, asset transfer, additional investment in distressed assets, financial consultancy, entrusted management and other business means to obtain cash proceeds or assets with operational value. The Company primarily finances its acquisition of distressed debt assets through its own fund, commercial bank borrowings and bond issuances.

9.3.1.1.1 Sources for acquisition of distressed debt assets

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

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

	As at or for the year ended December 31,			
	2022		2021	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
FI Distressed Assets	**36,289.6**	**75.1%**	35,900.9	41.3%
NFE Distressed Assets	**12,047.8**	**24.9%**	51,001.3	58.7%
Total	**48,337.4**	**100.0%**	86,902.2	100.0%
Gross amount of distressed debt assets at the end of the period[(1)]				
FI Distressed Assets	**202,321.0**	**45.5%**	194,841.8	39.7%
NFE Distressed Assets	**242,553.1**	**54.5%**	295,978.6	60.3%
Total	**444,874.1**	**100.0%**	490,820.4	100.0%
Operating income from distressed debt assets for the period[(2)]				
FI Distressed Assets	**8,390.2**	**29.3%**	8,943.3	25.9%
NFE Distressed Assets	**20,238.7**	**70.7%**	25,579.1	74.1%
Total	**28,628.9**	**100.0%**	34,522.4	100.0%

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

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

9.3.1.1.1.1 FI Distressed Assets

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

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

	For the year ended December 31,			
	2022		2021	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Banking				
Large commercial banks	**4,625.7**	**12.7%**	7,925.2	22.1%
Joint stock commercial banks	**12,595.5**	**34.8%**	14,555.4	40.6%
City and rural commercial banks	**3,605.8**	**9.9%**	2,552.5	7.1%
Other banks	**—**	**—**	296.3	0.8%
Subtotal	**20,827.0**	**57.4%**	25,329.4	70.6%
Non-banking financial institutions	**15,462.6**	**42.6%**	10,571.5	29.4%
Total	**36,289.6**	**100.0%**	35,900.9	100.0%

9.3.1.1.1.2 NFE Distressed Assets

The NFE Distressed Assets currently acquired by the Company mainly include accounts receivable and other distressed debt assets of NFEs. These distressed debt assets include: (i) overdue receivables; (ii) receivables expected to be overdue; (iii) receivables from debtors with liquidity issues. In 2022, the Company accelerated the transformation of core business, reduced the newly added acquisition of non-financial real estate related projects. The acquisition costs of newly added NFE Distressed Assets decreased by 76.4% from RMB51,001.3 million in 2021 to RMB12,047.8 million in 2022 with its percentage thereof decreased from 58.7% in 2021 to 24.9% in 2022.

9.3.1.1.2 Business models of distressed debt asset

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

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

	As at or for the year ended December 31,			
	2022		2021	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Acquisition cost of newly added distressed debt assets				
Acquisition-and-disposal	**30,382.4**	**62.9%**	28,957.7	33.3%
Acquisition-and-restructuring	**17,955.0**	**37.1%**	57,944.5	66.7%
Total	**48,337.4**	**100.0%**	86,902.2	100.0%
Gross amount of distressed debt assets at the end of the period				
Acquisition-and-disposal(1)	**182,951.0**	**41.1%**	179,934.8	36.7%
Acquisition-and-restructuring(2)	**261,923.1**	**58.9%**	310,885.6	63.3%
Total	**444,874.1**	**100.0%**	490,820.4	100.0%
Income from distressed debt assets for the period				
Acquisition-and-disposal(3)	**5,834.6**	**20.4%**	6,561.8	19.0%
Acquisition-and-restructuring(4)	**22,812.0**	**79.6%**	27,965.6	81.0%
Total	**28,646.6**	**100.0%**	34,527.4	100.0%

(1) The gross amount of acquisition-and-disposal distressed debt assets is the amount of the Company's acquisition-and-disposal distressed debt assets presented under financial assets at FVTPL, as shown in the consolidated financial statements.

(2) The gross amount of acquisition-and-restructuring distressed debt assets is the sum of the Company's balance of acquisition-and-restructuring distressed debt assets presented under debt instruments at amortised cost and at FVTOCI and financial assets at FVTPL, as shown in the consolidated financial statements.

(3) The income from acquisition-and-disposal distressed debt assets is the Company's fair value changes on acquisition-and-disposal distressed debt assets, as shown in the consolidated financial statements.

(4) The income from acquisition-and-restructuring distressed debt assets is the sum of the Company's income from distressed debt assets, financial advisory income from acquisition-and-restructuring business presented under commission and fee income, and fair value changes on acquisition-and-restructuring distressed debt assets, as shown in the consolidated financial statements.

9.3.1.1.2.1 Acquisition-and-disposal model

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

The Company earnestly implemented the deployment of Central Economic Work, effectively performed the duties and missions of financial asset management companies, actively participated in the primary market and maintained a leading market share. The Company took the lead in implementing the pilot projects of the disposal of distressed assets in small and medium-sized banks, and supported small and medium-sized financial institutions to resolve risks and reform.

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

	As at or for the year ended December 31,	
	2022	2021
	(in millions of RMB, except for percentages)	
Gross amount of distressed debt assets at the beginning of the period	**179,934.8**	186,785.5
Acquisition cost of newly added distressed debt assets	**30,382.4**	28,957.7
Gross amount of distressed debt assets disposed	**26,339.2**	33,958.4
Gross amount of distressed debt assets at the end of the period(1)	**182,951.0**	179,934.8
Net gains or losses from distressed debt assets(2)		
Realized gain	**6,861.6**	8,411.8
Unrealized fair value changes	**(1,027.0)**	(1,850.0)
Total	**5,834.6**	6,561.8
IRR on completed projects(3)	**10.7%**	12.4%

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

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

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

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

	As at December 31, 2022		As at December 31, 2021	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Yangtze River Delta(1)	**39,562.0**	**21.6%**	40,930.3	22.8%
Pearl River Delta(2)	**30,493.3**	**16.7%**	28,106.0	15.6%
Bohai Rim Region(3)	**30,744.3**	**16.8%**	31,765.8	17.7%
Central Region(4)	**21,776.5**	**11.9%**	23,623.7	13.1%
Western Region(5)	**48,952.1**	**26.8%**	44,670.6	24.8%
Northeastern Region(6)	**11,422.8**	**6.2%**	10,838.4	6.0%
Total	**182,951.0**	**100.0%**	179,934.8	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.
(2) Pearl River Delta is comprised of Guangdong and Fujian.
(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.
(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.
(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and Inner Mongolia.
(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

9.3.1.1.2.2 Acquisition-and-restructuring model

The Company's acquisition-and-restructuring business mainly includes liquidity support business and substantive restructuring business. In particular, liquidity support business means focusing on enterprises with temporary liquidity issues, the Company adopts personalized and professional customized restructuring approaches to restructure the debt elements, match the debtor's solvency with the conditions of the elements of the adjusted debts, shift elimination of credit risks, grant time and space for debt relief of enterprises, and help enterprises repair credit. Substantive restructuring business means focusing on enterprises suffering severe difficulties in finance or operation, the Company, alone or with other institutions, uses multiple methods to actually restructure and revitalize the assets, liabilities, equity, talents, technology, management and other elements of the enterprises, and build a new production and operation model, in order to help the enterprises get rid of operational and financial difficulties, restore production and operation capacity and solvency, and pursue restructuring premiums under the premise of risk control. The Company's core competitive advantage under the acquisition-and-restructuring model is the ability to discover, reassess and enhance the overall value of the debts for the debtors through professional operating.

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

	For the year ended December 31,	
	2022	2021
	(in millions of RMB, except for percentages)	
Acquisition cost of newly added distressed debt assets	**17,955.0**	57,944.5
Income from distressed debt assets		
Operating income from distressed debt assets[1]	**22,794.3**	27,960.6
Financial advisory income	**17.7**	5.0
Total	**22,812.0**	27,965.6
Annualized return on monthly average gross amount of distressed debt assets (excluding financial advisory income)[2]	**7.9%**	9.6%

	As at December 31,	
	2022	2021
	(in millions of RMB, except for percentages)	
Distressed debt assets presented under debt instruments at amortised cost and at FVTOCI		
Number of existing projects as of the end of the period (quantity)	**1,171**	1,378
Gross amount of distressed debt assets[3]	**260,967.6**	310,885.6
Allowance for impairment losses[4]	**(40,109.6)**	(33,297.5)
Net carrying amount of distressed debt assets[5]	**225,203.9**	282,991.8
Allowance to distressed debt assets ratio[6]	**15.4%**	10.7%
Gross amount of stage 3 distressed debt assets[7]	**96,757.6**	54,652.7
Allowance for impairment losses for stage 3 distressed debt assets[8]	**(32,683.9)**	(25,756.7)
Distressed debt assets collateral ratio[9]	**41.7%**	44.3%
Acquisition-and-restructuring distressed debt assets presented under financial assets at FVTPL		
Number of existing projects as of the end of the period (quantity)	**1**	—
Balance of carrying amount of distressed debt assets[10]	**955.5**	—
Distressed debt assets collateral ratio[9]	**30.9%**	—

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

(2) Annualized return on monthly average gross amount of distressed debt assets equals the operating income from distressed debt assets divided by the average gross amount of distressed debt assets at the end of each month for the year.
(3) Gross amount of distressed debt assets is the sum of the Company's balances of distressed debt assets presented under debt instruments at amortised cost and at FVTOCI, as shown in the consolidated financial statements.
(4) Allowance for impairment losses equals the Company's allowance for impairment losses for distressed debt assets presented under debt instruments at amortised cost and at FVTOCI, as shown in the consolidated financial statements, of which, allowance for impairment losses for the distressed debt assets presented under debt instruments at FVTOCI is presented as a part of the investment revaluation reserve.
(5) Net carrying amount of distressed debt assets equals the gross amount of the Company's net amount of distressed debt assets presented under debt instruments at amortised costs and balance of distressed debt assets presented under debt instruments at FVTOCI.
(6) Allowance to distressed debt assets ratio equals the allowance for impairment losses divided by the gross amount of distressed debt assets.
(7) Gross amount of stage 3 distressed debt assets is the balance of distressed debt assets which are classified as stage 3 based on the stage division model.
(8) Allowance for impairment losses for stage 3 distressed debt assets is the allowance for impairment losses for distressed debt assets which are classified as stage 3.
(9) Distressed debt assets collateral ratio equals the percentage of the total amount of collateralized distressed debt assets to the total appraised value of the collateral securing these assets.
(10) Balance of carrying amount of distressed debt assets equals the Company's balance of acquisition-and-restructuring distressed debt assets presented under financial assets at FVTPL, as shown in the consolidated financial statements.

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

	As at December 31, 2022		As at December 31, 2021	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Yangtze River Delta[(1)]	**41,725.9**	**15.9%**	55,545.1	17.9%
Pearl River Delta[(2)]	**48,175.4**	**18.4%**	51,031.9	16.4%
Bohai Rim Region[(3)]	**35,740.5**	**13.6%**	41,856.1	13.5%
Central Region[(4)]	**56,469.1**	**21.6%**	66,244.7	21.3%
Western Region[(5)]	**66,157.7**	**25.3%**	79,970.2	25.7%
Northeastern Region[(6)]	**13,654.5**	**5.2%**	16,237.6	5.2%
Total	**261,923.1**	**100.0%**	310,885.6	100.0%

(1) Yangtze River Delta is comprised of Shanghai, Jiangsu and Zhejiang.
(2) Pearl River Delta is comprised of Guangdong and Fujian.
(3) Bohai Rim Region is comprised of Beijing, Tianjin, Hebei and Shandong.
(4) Central Region is comprised of Shanxi, Henan, Hubei, Hunan, Anhui, Jiangxi and Hainan.
(5) Western Region is comprised of Chongqing, Sichuan, Guizhou, Yunnan, Guangxi, Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang and Inner Mongolia.
(6) Northeastern Region is comprised of Liaoning, Heilongjiang and Jilin.

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

	As at December 31, 2022		As at December 31, 2021	
	Total	**Percentage**	Total	Percentage
	(in millions of RMB, except for percentages)			
Real estate	**119,273.5**	**45.6%**	144,089.0	46.3%
Construction	**29,878.3**	**11.4%**	31,496.4	10.1%
Leasing and commercial services	**27,080.9**	**10.3%**	29,691.1	9.6%
Manufacturing	**26,450.6**	**10.1%**	27,019.9	8.7%
Water, environment and public utilities management	**18,986.4**	**7.2%**	23,504.4	7.6%
Mining	**2,457.0**	**0.9%**	5,094.1	1.6%
Transportation, logistics and postal services	**2,194.9**	**0.8%**	1,898.0	0.6%
Others	**35,601.5**	**13.7%**	48,092.7	15.5%
Total	**261,923.1**	**100.0%**	310,885.6	100.0%

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

The Company obtains DES Assets through debt-to-equity swaps, receipt of equities in satisfaction of debts and follow-on investments. The Company enhances the value of DES Assets by improving the business operations of the DES Companies. The Company exits from such investments primarily through asset swaps, merger and acquisition, restructuring and listing of DES Companies and realizes the appreciation of DES Assets. The Company's DES Assets are classified as shares of Unlisted DES Assets and Listed DES Assets. As at December 31, 2022, the Company held Unlisted DES Assets in 96 DES Companies, with carrying amount of RMB9,676.3 million; and Listed DES Assets in 9 DES Companies, with carrying amount of RMB3,925.5 million.

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

	As at December 31, 2022	As at December 31, 2021
	(in millions of RMB, except for number of companies)	
Composition of existing DES Assets portfolio		
Number of DES companies	**105**	115
Unlisted	**96**	105
Listed	**9**	10
Carrying amount	**13,601.8**	12,995.0
Unlisted	**9,676.3**	9,234.9
Listed	**3,925.5**	3,760.1

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

	As at or for the year ended December 31,	
	2022	2021
	(in millions of RMB, except for number of companies)	
Number of DES Companies disposed	**10**	7
Acquisition cost of DES Assets disposed	**693.1**	1,302.1
Net gains on DES Assets disposed	**448.2**	772.7
Exit multiple of DES Assets disposed(1)	**1.6 times**	1.6 times
Dividend income from DES Companies	**172.4**	198.5

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

9.3.1.3 Market-oriented DES business

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

(i) The model of "issuing shares for repaying debts": By participating in the private placement of listed companies, the increased capital was used exclusively for the repayment of debts of the listed companies to increase the efficiency of DES implementation and effectively support the development of the real economy.

(ii) The model of "changing debt collection to equity": The Group helped real enterprise clients ease liquidity problems and helped enterprises "de-leverage" by changing debt collection to equity.

(iii) The model of "offsetting debts with equity": An enterprise helps real enterprises reduce debt burdens and ease liquidity problems through restructuring, i.e., offsetting debts with high-quality equities including equity of listed companies.

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

	As at December 31, 2022	As at December 31, 2021
	(in millions of RMB)	
Issuing shares for repaying debts	**18,680.4**	17,650.4
Changing debt collection to equity	**7,952.0**	7,952.0
Offsetting debts with equity	**10,145.5**	10,248.9
Total	**36,777.9**	35,851.3

In 2022, affected by the continued capital market fluctuations, the Group's market-oriented DES business recorded an income of RMB-3,897.8 million, representing a decrease of RMB9,787.6 million as compared with 2021.

9.3.1.4 Distressed debt asset management business conducted by our subsidiaries

The Group conducts distressed debt asset management business through Huarong Huitong Asset Management Co., Ltd. ("Huarong Huitong") and its subsidiaries. In 2021 and 2022, Huarong Huitong and its subsidiaries recorded an income of RMB84.4 million and RMB45.6 million from distressed debt assets, respectively.

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

The Group's distressed asset-based special situations investment business invests through debt, equity or mezzanine capital in assets with value appreciation potential and enterprises with short-term liquidity issues, which the Group has identified during the course of its distressed asset management business. Through debt restructuring, asset restructuring, business restructuring and management restructuring, the Group then improves the capital structure, management and operation of the enterprises, and exits and realizes asset appreciation income through debt collection, share transfers, share repurchases, listing and mergers and acquisitions. The Group primarily conducts our distressed asset-based special situations investment business through Huarong Rongde and other subsidiaries. In 2022, Huarong Rongde recorded a net loss of RMB1,689.0 million, primarily because the decline in the performance capability of some real estate enterprise customers and the increase in credit impairment losses recognized in the current period.

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

	As at or for the year ended December 31,	
	2022	2021
	(in millions of RMB)	
Total assets	**19,540.3**	23,256.9
Total income	**1,185.0**	1,290.2
Net loss	**(1,689.0)**	(661.6)

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

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

The Group conducts distressed asset-based property development business through Huarong Industrial. In 2021 and 2022, revenue from property development business of Huarong Industrial amounted to RMB680.3 million and RMB177.1 million, respectively.

9.3.2 Financial Services

The Group's continuing operations financial services segment is financial leasing business. In accordance with the regulatory requirements, the Company is orderly moving forward with the equity transfer of its financial license subsidiaries. As of the end of 2022, Huarong Consumer Finance, Huarong Securities and Huarong Xiangjiang Bank were no longer included in the financial services segment of the Group's continuing operations, which constitutes discontinued operations.

The Group conducts financial leasing business through Huarong Financial Leasing. Huarong Financial Leasing focuses on five major advantageous businesses including "green energy, environmental engineering, shipping, equipment manufacturing and manufacturer leasing", strengthens marketing, adjusts structure and controls risks to maintain a leading position in the industry in terms of operating performance and management level. As at December 31, 2021 and December 31, 2022, the total assets of Huarong Financial Leasing amounted to RMB117,982.0 million and RMB107,899.6 million, respectively. In 2021 and 2022, profits before tax amounted to RMB1,973.9 million and RMB1,597.3 million, respectively.

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

	As at or for the year ended December 31,	
	2022	2021
Profitability indicators		
ROAA[(1)]	**1.1%**	1.2%
ROAE[(2)]	**6.5%**	8.7%
Asset quality indicators		
Distressed asset ratio[(3)]	**2.10%**	1.83%
Provision coverage ratio[(4)]	**167.9%**	176.4%
Capital adequacy indicators		
Core capital adequacy ratio[(5)]	**16.5%**	15.5%
Capital adequacy ratio[(5)]	**17.6%**	16.6%

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

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

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

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

(5) Disclosed by the means reported to CBIRC.

The business of Huarong Financial Leasing mainly involves water, environment and public utilities management, manufacturing, transportation, logistics, postal services and other industries.

The table below sets forth the components of the finance lease receivables and receivables arising from sales and leaseback arrangements of Huarong Financial Leasing by industry as at the dates indicated.

	As at December 31, 2022		As at December 31, 2021	
	Amount	**Percentage**	Amount	Percentage
	(in millions of RMB, except for percentages)			
Manufacturing	**13,835.6**	**15.1%**	13,100.8	13.9%
Water, environment and public utilities management	**39,888.2**	**43.6%**	43,000.3	45.5%
Transportation, logistics and postal services	**9,153.8**	**10.0%**	8,684.6	9.2%
Construction	**3,153.3**	**3.5%**	4,785.3	5.1%
Mining	**1,788.6**	**2.0%**	1,161.2	1.2%
Leasing and commercial services	**9,375.3**	**10.3%**	7,748.7	8.2%
Others	**14,196.6**	**15.5%**	16,059.2	16.9%
Total	**91,391.4**	**100.0%**	94,540.1	100.0%

9.3.3 Asset Management and Investment Business

In 2021 and 2022, the total income from continuing operations of asset management and investment segment was RMB13,051.9 million and RMB381.3 million, respectively. As of the end of 2022, Huarong Trust was no longer included in the asset management and investment segment of the Group's continuing operations, which constitutes a discontinued operation.

The Group conducts its international business mainly through Huarong International and other overseas subsidiaries. As at December 31, 2021 and December 31, 2022, the total assets of Huarong International was RMB146,212.8 million and RMB164,230.9 million, respectively. In 2021 and 2022, the total income of Huarong International was RMB6,593.5 million and RMB6,026.0 million, respectively.

The table below sets forth key financial data of Huarong International as at the dates and for the years indicated.

	As at or for the year ended December 31,	
	2022	2021
	(in millions of RMB)	
International business		
Total assets	**164,230.9**	146,212.8
Total income	**6,026.0**	6,593.5
Loss before tax	**(1,671.9)**	(2,062.4)

9.3.4 Business Synergy

During the Reporting Period, based on the functional positioning, the Company formulated the "14th Five-Year" Development Plan of the Company focusing on the "Five-Five-Three" strategic objectives of CITIC Group, clarified the "One-Three-Five" strategic objectives, integrated into the development pattern of CITIC, implemented the synergy strategy of CITIC Group, joined the CITIC Group's Synergy Committee and Regional Synergy Branches, comprehensively docked with CITIC Group in strategy, business, talents, management and culture, established a synergy mechanism with CITIC Group, and promoted the high-quality transformation and development of the Company. The Company collaborated with fellow subsidiaries of CITIC Group to innovate the synergic business model, promoted the implementation of multiple real estate rescue projects, and contributed synergy value to serve the real economy and maintain the healthy and stable development of the real estate industry.

9.3.5 Major Investment and Acquisition

During the Reporting Period, the Group did not have any major investment and acquisition required to be disclosed pursuant to the Listing Rules.

9.3.6 Development of Information Technology

9.3.6.1 Information Technology Governance

During the Reporting Period, the Company grasped the opportunity of digital transformation and formed an information summary plan of the Company. First, the Company conducted surveys and communications with CITIC Group, industrial consultation service providers, financial asset management peer companies and peer companies engaging in special asset management industry to learn CITIC Group's digital planning, evaluate resource synergy and know peer experience. Second, the Company carried out application system evaluation, diagnosis and architecture sorting, and clarified shortages of the Company's digital transformation, including the prolonged weaknesses in core business application, obvious backward on technology, and disorder in architecture and interaction. Third, in the "14th Five-Year" Development Plan of China Huarong, the Company proposed to implement the technology empowerment strategy, and put forward the idea of coordinately promoting the construction of "Digital Huarong" with "one platform, integrated management and control, and strict accounting" in three years, to form an information summary plan. Fourth, the Company organized and carried out concentrated problem solving, launched the theme research on business and form the preliminary design according to the construction direction of digital transformation application explicitly stated in the Company's "14th Five-Year" Plan.

During the Reporting Period, the Company strengthened information and network security management and built a strong security firewall. First, the Company completed the grading and filing of national level protection, which met the requirements of the PRC Cybersecurity Law and regulatory compliance, and systematically improved the technical protection capability of the Company's information system. Second, the Company completed the cybersecurity risk assessment, systematically discovered cybersecurity problems from the perspectives of system, data center environment, cybersecurity architecture, system and application defects, and constantly promoted problem rectification. Third, the Company formed a cybersecurity strategy optimization scheme between the Company's headquarters, branches and subsidiaries, which improved the capability of Company's headquarters to resist network attacks from branches. Fourth, the Company completed the construction of internal and external network isolation, and achieved the triple isolation of the Company, namely isolation between intranet and internet, intranet terminals and external network terminals, and internal applications and internet applications, for the first time, significantly reducing risks of internet attacks. Fifth, the Company passed the ISO27001/20000 system certification, which met the Group's requirements on the construction of safety system and certification management. Sixth, the Company carried out personal information protection to satisfy the relevant national laws and regulations and the requirements of CITIC Group.

9.3.6.2 Information system establishment

During the Reporting Period, the Company completed the important information system establishment of the Company, and laid a solid foundation for the business process and the process control. First, we implemented the Company's overall requirements of "transformation of core business and resolution of risks", completed the adaptive adjustment and transformation of information systems related to the centralized disposal of cross projects, and carried out the cross centralization, data migration and accounting treatment for two batches of cross projects involving 50 companies and including nearly 130 projects, which effectively supported the Company's risk resolution. Second, we kept promoting the continuous improvement of the "Rong Yi Tao (融易淘)" APP, completed the asset link generation of "Weekly Push (每週一推)", added the selected asset modules of Weekly Push, and promoted the development of the Reward Announcements (懸賞公告) and other functions. Third, we optimized the early warning system for big data risks, introduced the full amount of public opinion data of industrial and commercial registered customers, effectively improved the Company's early warning signal system, and strengthened the Company's ability of risk early warning and risk control. Fourth, we completed the launch of functions of the audit information system establishment project, which supported the operation process of audit and inspection, and promoted the Company's online process and standardized operation of audit and inspection. Fifth, we carried out project establishment of the second stage of the new expense system, involving optimization of budget function, optimization and transformation of bill of documents, optimization of statements, process, APP and other functions. Sixth, we completed the system transformation, including the release, review, and reading of headquarters' systems and other functions, and further standardized the establishing, reforming and abolishing process of systems.

9.3.7 Human Resources Management

9.3.7.1 Human resources management

During the Reporting Period, the Group focused on strengthening the team building of high-quality and professional talents, intensifying the overall planning of team building, enhancing the cultivation and training of employees, constantly improving the construction of organizational and personnel mechanism, improving the positive incentive and restraint mechanism featuring openness, transparency, scientificity and rationality, and continuously improving the level of team building, so as to provide strong organizational and personnel guarantee for achieving the "One-Three-Five" strategic objectives. During the Reporting Period, the Group closely focused on business operation and development, highlighted work priorities, strengthened resource coordination, enhanced training efforts on both a case-by-case and comprehensive basis, continued to innovate training methods and effectively improved the ability of cadres and employees to perform their duties and their professional quality. Caring for cadres and employees, the Company actively responded to employees' concerns, protected employees' individual interests, encouraged employees to take responsibility, and constantly enhanced the cohesiveness and combat effectiveness of our team, showing new atmosphere, new actions and new progress of China Huarong.

9.3.7.2 Employees

In 2022, the Group had an annual average of 7,579 employees. As of December 31, 2022, the Group had a total of 4,196 employees.

The Group's employees have more than 50 types of professional qualifications, including certified public accountant, sponsor representative, attorney, financial risk manager, asset appraiser, tax accountant, chartered financial analyst, banking practice qualification, securities practice qualification and fund practice qualification.

The table below sets forth a breakdown of the Group's employees by age, as of December 31, 2022:

	Number	**Percentage (%)**
Aged 35 and below	1,787	42.6%
Aged 36–45	1,367	32.6%
Aged 46–55	734	17.5%
Aged 56 and above	308	7.3%
Total	**4,196**	**100.0%**

The table below sets forth a breakdown of the Group's employees by education level, as of December 31, 2022:

	Number	Percentage (%)
Doctoral degree or doctoral candidate and above	143	3.4%
Master degree or master candidate	1,986	47.3%
Bachelor degree or undergraduate	1,861	44.4%
Junior college and below	206	4.9%
Total	**4,196**	**100.0%**

The Group attaches great importance to the legitimate rights and interests of employees, provides employees with equal and diversified career development paths to the greatest extent, eliminates all forms of discrimination in recruitment, introduction and promotion, upholds the principles of priority at career, fairness and preferential selection to build a diversified staff team. As of December 31, 2022, male and female employees of the Group accounted for 54.9% and 45.1%, respectively.

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

9.3.7.3 Remuneration policy

The Group's remuneration management is combined with the Company's strategies, business development and talent introduction, based on business performance, coordinating the external competitiveness and internal fairness of compensation, strengthening the correlation between employee compensation and performance, effectively stimulating employee enthusiasm and cohesion, and promoting the Company's sustainable and healthy development. We improved the business performance appraisal system, continued to strengthen the incentive and restraint mechanism oriented by operation contribution, and established and improved a remuneration management system that was competitive in the market, matched with performance and took into account internal fairness, in accordance with the principles of matching revenue and risks, and coordinating long-term and short-term incentives.

9.3.7.4 Education and training

During the Reporting Period, the Group strengthened the overall planning of education and training, and continued to improve the hierarchical and classified educational training system. The first is to focus on the Company's central work, comprehensively coordinated the education and training of all units in the system, and formulated and implemented annual training plans. The second is to strengthen ideological and political and enterprise culture education and learning, stimulated all the cadres and employees to boost morale, enhanced confidence and lift the spirit.

The third is to promote the effective upgrading of business training on both a case-by-case and comprehensive basis, increase the coverage and frequency of training in each link of business process, and improved the professional ability and quality of cadres and employees. The fourth is to systematically promote online education and learning, improved the internal and external curriculum systems, and carried out various online learning activities.

9.4 Risk Management

During the Reporting Period, in accordance with the general idea of "consolidating foundation, seeking progress while maintaining stability and improving quality and efficiency", focusing on the "One-Three-Five" strategical objectives, the Group progressed the disposal work for assets with hidden risks solidly, intensified the work of preventing assets quality from deterioration, optimized the risk management system and mechanism and enhanced the risk prevention and mitigation to provide support to and safeguard the transformation and development of the Company.

9.4.1 Comprehensive risk management system

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

During the Reporting Period, taking the opportunity of joining the CITIC Group, the Group further refined the comprehensive risk management system and firmly promoted the work for resolving risks. The Group formulated the 2022 risk appetite policies, intensified guidance effect of risk appetite policies. The Group strengthened the construction of risk management system, amended and optimized the management measures for liquidity risk, market risk, reputational risk and technology risk, etc., and formulated various risk management articles and operational criteria. The Group further improved the project risk management and control throughout the whole process and established the "specialized, professional and expert-based" review and approval working mechanism, implemented risk monitoring, early warning and disposal, strengthened late-stage management of the project, established the mechanism for conclusion and introspection of risk projects, enhanced risk management capabilities. The Group promoted the collection and resolution of assets with hidden risks and strengthened the management and control of assets quality to strictly prevent assets quality from deterioration. The Group solidified liquidity management responsibility to secure its safety on liquidity. The Group strengthened the construction of risk management information system and enhanced the training and communication among risk lines to provide strong support for risk management.

9.4.2 Structure of risk management

The Group has set up a three-dimensional risk management system, consisting of three levels on the basis of corporate governance structure, three gradients composed of professional teams specialized in risk management and three lines of defense in practical operations. Three levels on the basis of corporate governance structure refer to the Board, the senior management and the Board of Supervisors. Three gradients composed of professional teams specialized in risk management refer to the chief risk officer of the headquarters, risk management functional departments of the headquarters, and risk directors of the branches and subsidiaries. Three lines of defense in practical operations refer to three lines of defense of risk management consisting of business departments, risk management-related functional departments and audit department.

During the Reporting Period, the Group continued to do a good job in the qualification management and performance evaluation of risk directors and risk department heads, and provided a platform for communication, learning and reference for risk line by the ways of thematic training, case analysis, experience sharing, so as to continuously improve the professional quality of the risk line personnel.

9.4.3 Credit risk management

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

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

During the Reporting Period, the Group comprehensively strengthened the management of the whole business process before and after investment, and improved relevant systems and mechanisms. The Group formulated the company authorization plan for 2022, implemented prudent and differentiated authorization, strengthened the re-inspection analysis and dynamic adjustment of authorization execution, and strengthened the corporate headquarters' examination and control of business. The Group actively adapted to the regulatory policy orientation and the development requirements of the core business, and adjusted the limit management mechanism for customer risks. The Group continuously monitored the customer risks, improved the risk early warning mechanism, strengthened the monitoring of customers' financial indicators, public opinion and other aspects through the early warning system, and improved prediction ability of customer risks. The Group continuously monitored asset quality risks, defined short-term and medium and long-term risk control objectives, formulated differentiated and classified management policies, actively promoted new risk prevention and control, enhanced the control of key projects and key units, strictly prevented assets quality from deteriorating, and firmly promoted risk disposal and resolution. The Group carried out risk investigation of late-stage management and strengthened the inspection and supervision of the implementation of late-stage management of the project.

It optimized the internal rating model, gradually promoted the application of internal rating, and improved various information systems of risk management.

During the Reporting Period, with the overall requirements of "speeding up the progress of disposal, improving the quality and efficiency of disposal and seeking benefits from risk assets", the Group steadily carried out risk disposal and continuously promoted risk resolution. By strengthening the top-level design, improving the incentive policies for assessment, enriching disposal mechanism and means of risk resolution, enhancing the disposal of key units and key projects, intensifying internal and external coordination and other measures, the Group achieved positive results in risk resolution.

9.4.4 Market risk management

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

During the Reporting Period, the Group continuously enhanced the market risk management, amended the Measures for Market Risk Management, improved the system for market risk management, strengthened the tracking analysis and monitoring reports on market changes in stocks, bonds and foreign exchange, provided early warning and reminders for major risks, conducted market risk stress tests, and put forward measures to strengthen control.

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

With regard to interest rate risk, the Group continuously improved the interest risk management mechanism, optimized the organizational structure, responsibility system and management process and method, and carried out the measurement, monitoring and analysis of interest rate risks on a regular basis to continuously enhance its capability to cope with interest rate risks according to relevant system requirements for interest risk management.

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

9.4.5 Liquidity Risk Management

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

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

The Group actively implemented the requirements of the regulatory authorities for liquidity management; adopted a centralized and unified liquidity management mechanism, and enhanced the initiative and forward looking of liquidity management to maintain the mismatch of assets and liabilities at an acceptable liquidity risk level; constantly expanded financing channels, established the multi-term and multi-variety market-based financing methods predominated by inter-bank loans and issuance of bond financing, complemented with interbank advances and pledge-style repo of other financing, and reasonably arranged the debt term to effectively improve the debt structure.

9.4.6 Operational risk management

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

During the Reporting Period, the Group further improved corporate operational risk management system, strengthened operational risk appetite and limit management. Taking the process as the link and combining with the self-assessment of the internal control system, the Group evaluated the risk level of key operational links in the Company's core business and management process, the effectiveness of the control measures and the size of the residual risk. The Group issued the Negative List of Project Operation to further standardize the Company's project operation and prevent operational risks. The Group continuously monitored and analyzed the implementation of relevant indicators, and took operational risk-prone links as the focus of inspection, to strengthen supervision and rectification. By conducting operational risk stress tests, the Group conducted an assessment on its ability to withstand operational risks of the Company. By carrying out various educational activities such as system training, case warning and problem reporting, the Group promoted employees to enhance their awareness of operational risks and strengthen their understanding of rules and regulations, strengthened system implementation, and standardized business operations.

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

The Group continued to strengthen the management of information technology risks and continuously improved the management level of information technology risks. In 2022, the Group implemented the national Network Security Law (網絡安全法) and carried out the network security level protection; improved the technology risk management system and conducted the security evaluation of the network technology architecture; carried out the project construction of internal and external network isolation to effectively prevent network security attacks; formulated the management practices for fixing security vulnerabilities to promote the fixing and reinforcement of vulnerabilities. In 2022, there were no incidents of the Group's major information technology risks.

9.4.7 Reputational risk management

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

During the Reporting Period, the Group comprehensively strengthened reputational risk management based on the management principles of proactiveness, prudence, full process and full coverage. The Group amended the Measures for Reputational Risk Management of China Huarong, enhanced the sensitivity and initiative of reputational risk management, identified potential reputational risks in a timely manner, proactively took measures to prevent, control and resolve reputational risks, and established a full process management mechanism for reputational risks covering risk investigation, prevention at the source, public opinion monitoring, hierarchical handling and post-event summary, and an efficient operation system featuring "linkage and coordination between the headquarters and subsidiaries", forming closed-loop management of "identifying problems — eliminating potential problems — summarizing and analyzing — improving systems and processes — reinforcing execution and supervision". In 2022, the reputational risk management work of the Group was effectively implemented, and the overall environment of public opinions was stable, which practically maintained the reputation and brand image of the Company.

9.4.8 Internal control

During the Reporting Period, pursuing the objectives of efficient operations, reliable reports and compliant operations, the Group continued to improve its internal control management system, carried out self-assessment on internal control, and continued to improve the company system. The Group strengthened the training promotion and the mechanism for problem rectification and supervision in combination with the activities of "Compliance Culture Construction Year". The Board, Board of Supervisors, senior management, headquarters, branches, subsidiaries and other institutions of different levels of the Company, as well as the three lines of defense of internal control, consisting of operation management department, internal control management department and internal audit department, performed their own functions, to facilitate the achievement of the Company's internal control goals.

Details of the Group's internal control are set out in "13. Internal Control".

9.4.9 Internal audit

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

During the Reporting Period, the internal audit of the Group focused on work deployment of "breakthrough and transformation" of the Company's Party Committee and actively carried out the work, strengthened the function of internal audit supervision, kept an eye on leading cadres, important areas and key steps and deepened the management of rectification and the application of audit results to improve the comprehensive effect of audit supervision and promote risk prevention and resolution.

Strengthening the construction of internal audit system. The Group revised economic responsibility audits and project follow-up audit system with interpretation and guidance. The Group improved preliminary review of the qualifications of directors of the internal audit departments under the branches and subsidiaries, strengthened the qualification management of heads of grass-roots auditing institutions. The Group established separate standardized audit reports for audit objects with different responsibilities, and strived to achieve precise profiling. The Group launched the first-stage function of audit management information system as planned, initially achieved the integrated operation of confirming the drafts, adopting the feedback and rectifying the accounts. The Group strengthened the connection and coordination with CITIC Group's internal audit management, and enhanced the construction of internal audit system under unified management of the Group.

Performing the function of internal audit and supervision. The Group used economic responsibility audit, special audit and project follow-up audit as carriers to check the performance of audit objects and the risk management of the audited units, and promote the prevention of incremental risks and the resolution of existing risks. The Group simultaneously implemented the incumbent economic responsibility audit and promoted the effectiveness of risk prevention and control of business units. The Group carried out special audit and internal control evaluation, such as related transactions, anti-money laundering, remuneration management and information technology, and gave play to the role of audit supervision for risk prevention and control in important areas and key links of the Group. The Group conducted project follow-up audit to closely monitor and timely promote the risks prevention and resolution.

Strengthening audit rectification and application of results. With improving the rectification quality and efficiency of issues found during the audit as a breakthrough point and enhancing the comprehensive effect of audit supervision as an objective, the Group consolidated the responsibilities of the audited units, audit teams and audit divisions and continued to track and manage the rectification. At the same time, the Group deepened the application and feedback of audit results, created synergies with other supervision departments, formed positive interactions with the first and second lines of defense to promote the optimization of risk and internal control systems.

9.4.10 Anti-money laundering management

The Group has strictly complied with the anti-money laundering and anti-terrorist financing laws and regulations, duly fulfilled relevant legal duty, continuously improved its anti-money laundering and anti-terrorist financing management system and working mechanism, so as to ensure effective enforcement of anti-money laundering and anti-terrorist financing laws and regulations and relevant rules of the Company. During the Reporting Period, the Group closely focused on the deliberation progress of the Anti-money Laundering Law (反洗錢法), studied new anti-money laundering regulations in depth, actively promoted the implementation of risk assessment of institutional money laundering and terrorist financing; continuously and deeply optimized the functions of the anti-money laundering management information system, strengthened the rigid control of the anti-money laundering process, optimized the system operating environment; actively carried out the centralized publicity and education of anti-money laundering, conducted the special training of anti-money laundering and risk warning of anti-money laundering.

9.5 Capital Management

During the Reporting Period, the Company earnestly implemented the spirit of the regulation, adhered to focusing on the core business and returning to the source, continuously adjusted the asset structure and optimized the business layout, accelerated mitigation of risk, carried out institution downsizing, promoted the transfer of equity in licensed subsidiaries, and achieved capital replenishment. According to the Capital Management Measures for Financial Asset Management Companies (Trial) (Yin Jian Fa [2017] No. 56) and other relevant regulations, the Company will continuously deepen the concept of capital constraint, optimize the capital management system, allocate resources leanly based on main responsibility and core business, and strive to improve the efficiency of capital utilization to improve its capital position.

As at December 31, 2021 and December 31, 2022, the capital adequacy ratios of the Company were 12.95% and 15.07%, respectively.

As at December 31, 2021 and December 31, 2022, the leverage ratios[1] of the Company were 14.2:1 and 16.1:1, respectively.

9.6 Development Outlook

Looking ahead to 2023, the global economy will face numerous risks and challenges such as the slowdown of demand and increasing downward pressure, and the risk of stagflation will continue to affect the global economy for a long time. Under the expectation that the global overall economic growth will slow down, the monetary tightening of developed economies will slow down and enter the stage of deep adjustment. The pressure of currency depreciation and inflation expectations of emerging economies have generally eased, but they will still confront with the development dilemma of high inflation and heavy debt.

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

In the face of the worsening external environment, China's economy has demonstrated its strong resilience, great potential and vitality with long-term growth momentum. In order to fully implement the spirit of the 20th National Congress of the CPC and make a good start, China will adhere to the general keynote of seeking progress in a stable manner, continue to implement proactive fiscal policy and prudent monetary policy, and the existing and increment policy will work together to promote the overall improvement of economic operation. The proactive fiscal policy will increase efficiency, moderately increase the expansion of fiscal policy, optimize the combination of policy tools, improve policy effectiveness, and ensure fiscal sustainability and controllable local government debt risk in effectively supporting high-quality development. The prudent monetary policy will be precise and powerful. China will comprehensively utilize a variety of monetary policy tools to maintain a reasonable and sufficient liquidity and a basic match between the growth rate in broad money supply and aggregate financing and nominal economic growth rate. China will take multiple measures to reduce the financing costs of market entities, guide financial institutions to increase support for key areas and weak links of the national economy, such as "agriculture, rural areas and farmers", scientific and technological innovation, small and micro enterprises and private enterprises, support the steady and healthy development of the real estate market.

From the perspective of the distressed assets industry, under the expectation of China's economic recovery, the asset quality of commercial banks will continue to improve. However, affected by factors such as the lag of risk exposure and the mutual penetration of financial and non-financial risks, the scale and source of the distressed assets market supply will continue to increase, the demand for risk disposal in key industries and fields such as real estate market risk resolution, reform of small and medium-sized financial institutions, inefficient asset revitalization in basic fields, and local government implicit debt resolution is more prominent. In order to effectively prevent and resolve major economic and financial risks and keep the bottom line of avoiding systemic risks, the regulatory authorities will further strengthen policy support, focus on improving the risk disposal ability and efficiency of financial asset management companies, and promote them to play a unique role in risk resolution and strengthen special financial services.

In 2023, guided by the spirit of the 20th National Congress of the CPC, the Company will resolutely implement the important spirit of the Central Economic Work Conference on "effective prevention and resolution of major risks". Under the leadership of the Party Committee of CITIC Group, the Company will focus on the "One-Three-Five" strategical objectives, stick to the general idea of "consolidating foundation, seeking progress while maintaining stability and improving quality and efficiency", adhere to the problem-oriented, systematic planning and the bottom line scenario in mind, concentrate on the main responsibility and core business in an all-round way with the trend of "start is sprint", strive to control the changes and open a new situation so as to actively contribute Huarong's strength to the high-quality development of the national economy. On the one hand, the Company will actively respond to regulatory requirements, follow the national strategic deployment, constantly optimize the asset layout, industry layout, and regional layout, increase the stock risk resolution efforts, and better serve the strategy of expanding domestic demand. On the other hand, the Company will grasp the policy orientation to accelerate the pace of core business transformation, give full play to the functions of the four major businesses of "disposal of problematic assets, revitalization of problematic projects, restructuring of problematic enterprises and relief of crisis institutions", increase the innovation of core business, and effectively improve the quality and efficiency of supporting the real economy.

10. Changes in Share Capital and Information on Substantial Shareholders

10.1 Changes in Share Capital

The Company completed the "Full Circulation" of certain domestic shares on November 24, 2022, and converted 8,357,624,049 unlisted Domestic Shares collectively held by participating shareholders into H Shares. For details, please refer to the Company's announcements dated April 20, 2022, October 14, 2022, November 21, 2022 and November 24, 2022. As at December 31, 2022, the share capital of the Company was as follows:

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

10.2 Substantial Shareholders

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

As at December 31, 2022, the Company received notices from the following persons about their disclosable interests or short positions held in the Company's Shares and underlying Shares pursuant to Divisions 2 and 3 of Part XV of the SFO, and such interests or short positions were recorded in the register kept pursuant to Section 336 of the SFO as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares held or deemed to be held	Approximate percentage to the same class of share capital of the Company (%)[1]	Approximate percentage to the total share capital of the Company (%)[2]
CITIC Group Corporation[3]	Domestic Shares	Beneficial owner	18,823,529,411(L)	41.94(L)	23.46(L)
MOF[3],[4]	Domestic Shares	Beneficial owner	9,901,084,435(L)	22.06(L)	12.34(L)
	H Shares	Beneficial owner	12,376,355,544(L)	35.00(L)	15.42(L)
China Life Insurance (Group) Company	Domestic Shares	Beneficial owner	1,650,000,000(L)	3.68(L)	2.06(L)
	H Shares	Beneficial owner	1,960,784,313(L)	5.54(L)	2.44(L)

Name of Shareholder	Class of Shares	Capacity	Number of Shares held or deemed to be held	Approximate percentage to the same class of share capital of the Company (%)(1)	Approximate percentage to the total share capital of the Company (%)(2)
Warburg Pincus & Co.(5),(6)	H Shares	Interest of controlled corporation	2,060,000,000(L)	5.83(L)	2.57(L)
Warburg Pincus Financial International Ltd(5),(6)	H Shares	Beneficial owner	2,060,000,000(L)	5.83(L)	2.57(L)
China Insurance Rongxin Private Fund Co., Ltd.	Domestic Shares	Beneficial owner	14,509,803,921(L)	32.33(L)	18.08(L)
China Cinda Asset Management Co., Ltd.(7)	H Shares	Beneficial owner	3,921,568,627(L)	11.09(L)	4.89(L)
National Council for Social Security Fund(7)	H Shares	Beneficial owner	2,475,271,109(L)	7.00(L)	3.08(L)
Central Huijin Investment Ltd.(8)	H Shares	Interest of controlled corporation	1,960,784,313(L)	5.54(L)	2.44(L)
ICBC Financial Asset Investment Co., Ltd.(7),(8)	H Shares	Beneficial owner	1,960,784,313(L)	5.54(L)	2.44(L)

Note: (L) refers to long position

Notes:

(1) Calculated based on 44,884,417,767 Domestic Shares or 35,362,261,280 H Shares in issue of the Company as at December 31, 2022.

(2) Calculated based on a total of 80,246,679,047 Shares in issue of the Company as at December 31, 2022.

(3) References are made to the announcements of the Company dated March 28, 2022, November 18, 2022 and March 7, 2023 in relation to the changes in Shareholders' equity interests. The MOF intended to make a capital contribution with 2,407,400,372 Domestic Shares it held in the Company (representing 3% of the total issued Shares of the Company) to the CITIC Group (the "**Changes in Equity Interests**"). As at March 6, 2023, the MOF and CITIC Group completed the registration procedures for transfer regarding the Changes in Equity Interests. After the Changes in Equity Interests, the MOF holds 24.76% of the total issued Shares of the Company, and CITIC Group holds 26.46% of the total issued Shares of the Company, making it the largest Shareholder of the Company.

(4) The data is calculated based on the Corporate Substantial Shareholder Notices from the MOF filed with the Hong Kong Stock Exchange on December 1, 2015 and January 22, 2020 and the number of Domestic Shares and H Shares in issue of the Company as at December 31, 2022.

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

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

(7) References are made to the announcements of the Company dated April 20, 2022, October 14, 2022, November 21, 2022 and November 24, 2022 in relation to the implementation of "Full Circulation" of certain Domestic Shares of the Company. 3,921,568,627 Domestic Shares held by China Cinda Asset Management Co., Ltd., 2,475,271,109 Domestic Shares held by the National Council for Social Security Fund and 1,960,784,313 Domestic Shares held by ICBC Financial Asset Investment Co., Ltd. were converted into H Shares on November 24, 2022.

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

10.2.2 Substantial Shareholders

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

CITIC Group Corporation

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

MOF

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

National Council for Social Security Fund

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

China Insurance Rongxin Private Fund Co., Ltd.

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

China Cinda Asset Management Co., Ltd.

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

China Life Insurance (Group) Company

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

Warburg Pincus LLC

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

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

ICBC Financial Assets Investment Co., Ltd.

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

11. Directors, Supervisors and Senior Management

11.1 Director

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

No.	Name	Gender	Year of Birth	Position	Term Commencement of Office
Current Directors					
1	Liu Zhengjun	M	1965	Chairman of the Board and Executive Director	From April 2022
2	Li Zimin	M	1971	Executive Director and President	From January 2023
3	Zhao Jiangping	F	1965	Non-executive Director	From June 2020
4	Zheng Jiangping	M	1964	Non-executive Director	From June 2020
5	Xu Wei	M	1980	Non-executive Director	From May 2022
6	Tang Hongtao	M	1972	Non-executive Director	Effective from the date of approval by the CBIRC
7	Tse Hau Yin	M	1948	Independent Non-executive Director	From March 2015
8	Shao Jingchun	M	1956	Independent Non-executive Director	From November 2016
9	Zhu Ning	M	1973	Independent Non-executive Director	From March 2019
10	Chen Yuanling	F	1963	Independent Non-executive Director	From October 2020
Resigned Directors					
1	Wang Zhanfeng	M	1967	Chairman of the Board and Executive Director	From September 2018 to April 2022
2	Liang Qiang	M	1971	Executive Director and President	From August 2021 to September 2022
3	Wang Wenjie	M	1961	Executive Director and Vice President	From December 2020 to September 2022
4	Xu Nuo	M	1972	Non-executive Director	From December 2020 to March 2022
5	Zhou Langlang	M	1980	Non-executive Director	From April 2017 to May 2022

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

(2) Mr. Liu Zhengjun was elected as the executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company on March 25, 2022 and was elected as chairman of the Board of the Company by the Board of the Company on April 1, 2022, and his term of office became effective from April 25, 2022.

(3) Mr. Li Zimin was appointed as the president of the Company as resolved by the Board of the Company on September 30, 2022, his term of office became effective from October 31, 2022 and was elected as the executive Director of the Company as considered and approved by the sixth extraordinary general meeting of Shareholders for 2022 of the Company on October 21, 2022, and his term of office became effective from January 19, 2023.
(4) Mr. Xu Wei was elected as the non-executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company on March 25, 2022, and his term of office became effective from May 11, 2022.
(5) Mr. Tang Hongtao was elected as the non-executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company on March 25, 2022, and his term of office shall become effective from the date of approval by the CBIRC and is subject to the Company's announcement.
(6) Mr. Wang Zhanfeng resigned as chairman of the Board, executive Director and the chairman of the Strategy and Development Committee of the Board of the Company on April 1, 2022. Mr. Wang's resignation became effective on April 1, 2022.
(7) Mr. Liang Qiang resigned as president, executive Director and a member of the Strategy and Development Committee of the Board of the Company on September 23, 2022. Mr. Liang's resignation became effective on September 23, 2022.
(8) Mr. Wang Wenjie resigned as vice president, executive Director and a member of each of the Strategy and Development Committee and Risk Management Committee of the Board of the Company on September 15, 2022. Mr. Wang's resignation became effective on September 15, 2022.
(9) Mr. Xu Nuo resigned as the non-executive Director and the member of each of the Strategy and Development Committee, Risk Management Committee and Audit Committee of the Board of the Company on March 1, 2022. Mr. Xu's resignation became effective on March 1, 2022.
(10) Mr. Zhou Langlang resigned as the non-executive Director and a member of the Strategy and Development Committee of the Company on May 27, 2022. Mr. Zhou's resignation became effective on May 27, 2022.
(11) Mr. Tse Hau Yin resigned as an independent non-executive Director and the chairman of the Audit Committee of the Board, a member of each of the Strategy and Development Committee and the Related Party Transaction Committee of the Board of the Company on March 23, 2021. Mr. Tse's resignation shall be effective from the commencement of the term of office of the new independent non-executive Director.
(12) Mr. Shao Jingchun resigned as an independent non-executive Director and the chairman of the Related Party Transaction Committee of the Board, a member of each of the Strategy and Development Committee and the Audit Committee and the Nominating and Compensation Committee of the Board of the Company on November 11, 2022. Mr. Shao's resignation shall be effective from the commencement of the term of office of the new independent non-executive Director.

11.1.1 Executive Directors

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

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

11.1.2 Non-executive Directors

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

Mr. Zheng Jiangping has been a non-executive Director of the Company since June 2020, and is a representative of the 15th People's Congress of Beijing, a lawyer and a tax accountant. Mr. Zheng started his career at Sichuan Provincial Tax Service in July 1987; successively serving as secretary (deputy director level) of the Party group, deputy director and director of the office of Sichuan Provincial Taxation Service from October 1994 to November 2000. Mr. Zheng successively served as secretary, director of the Party group of Mianyang Tax Service in Sichuan Province from November 2000 to April 2003; a member of the Party group and deputy director of Chengdu Tax Service from April 2003 to January 2006; a member of the Party group and deputy director of

Sichuan Provincial Taxation Service from January 2006 to September 2012; successively serving as deputy director of the General Office of the State Taxation Administration (level of deputy director general), an executive deputy secretary of the Party Committee of the State Taxation Administration (level of director general), deputy director (undersecretary) of personnel department (organization department of Party Committee) and director of the office of Party building from September 2012 to June 2020. Mr. Zheng graduated from the public finance of the Department of Finance of Xiamen University with a doctorate in economics.

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

Mr. Tang Hongtao[1] successively served as a staff member in the business department and a staff member in the management office of non-bank financial institutions of Heilongjiang Branch of the People's Bank of China, and a staff member in the management office of non-bank financial institutions of Harbin Central Sub-branch from July 1996 to September 2000. From September 2000 to February 2004, he successively served as a section-level cadre and the assistant director of the general office of the Harbin Special Commissioner's Office of the former China Insurance Regulatory Commission. From February 2004 to October 2018, he successively served as a director of the statistical research division, office director of the party committee and the director of the inspection division, the director of the personal insurance supervision division, member of the party committee, deputy head and secretary of the discipline inspection commission of the former China Insurance Regulatory Commission Heilongjiang Office. From October 2018 to September 2020, he successively served as member of the preparatory group, member of the party committee and deputy director of the Heilongjiang Office of CBIRC. From September 2020 to September 2022, he has been a member of the party committee and vice president of China Insurance Investment Co., Ltd. Since September 2022, he served as a member of the party committee, director and vice president of China Insurance Investment Co., Ltd. Mr. Tang holds double bachelor's degree in international economics and law from the Department of International Economics and Trade of Nankai University, and he is a senior economist.

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[1] Mr. Tang Hongtao was elected as the non-executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company on March 25, 2022, and his term of office shall become effective from the date of approval by the CBIRC and is subject to the Company's announcement.

11.1.3 Independent Non-executive Directors

Mr. Tse Hau Yin has been an independent non-executive Director of the Company since March 2015. Mr. Tse is a fellow of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants (HKICPA). Mr. Tse was a former president of the HKICPA and a former member of the audit committee of the HKICPA. Mr. Tse joined KPMG in 1976 and became a partner in 1984. Before his retirement in 2003, Mr. Tse was a non-executive chairman of KPMG China and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse has been an independent non-executive director of OCBC Wing Hang Bank Limited (formerly listed on the Hong Kong Stock Exchange, stock code: 00302) from November 2004 to June 2021, an independent non-executive director of Daohe Global Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00915; and formerly known as Linmark Group Limited) from May 2005 to December 2016, an independent non-executive director of CNOOC Limited (listed on the Hong Kong Stock Exchange, stock code: 00883) since June 2005, an independent non-executive director of China Telecom Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 00728) from September 2005 to January 2023, an independent non-executive director of Sinofert Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00297) since June 2007, an independent non-executive director of SJM Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00880) since October 2007 and an independent non-executive director of CCB International (Holdings) Limited (a wholly-owned subsidiary of China Construction Bank Corporation) from March 2013 to December 2022. Mr. Tse is also a member of the International Advisory Council of the People's Municipal Government of Wuhan. Mr. Tse graduated from the University of Hong Kong and obtained a bachelor's degree in social science in November 1970.

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

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

Ms. Chen Yuanling has been an independent non-executive Director of the Company since October 2020. Ms. Chen worked as a full-time lawyer in economy and finance from 1985 to 2010. She successively served as a lawyer and a partner in law firms such as DeHeng Law Offices in Beijing and Kangda Law Firm in Beijing, and she was a first-grade lawyer. Ms. Chen served as a non-executive director of China Construction Bank Corporation (a company listed on Shanghai Stock Exchange, stock code: 601939, and on the Hong Kong Stock Exchange, stock code: 00939) from June 2010 to June 2016, a non-executive director of New China Life Insurance Company Ltd. (a company listed on Shanghai Stock Exchange, stock code: 601336, and on the Hong Kong Stock Exchange, stock code: 01336) from March 2016 to June 2017, and a deputy general manager and the person in charge of audit of New China Asset Management Co., Ltd. from June 2017 to July 2019. Ms. Chen is currently a senior consultant in DeHeng Law Offices in Beijing and serves concurrently as an independent director of Heilongjiang Transport Development Co., Ltd. (a company listed on Shanghai Stock Exchange, stock code: 601188) from February 2020 to February 2023. Ms. Chen once worked for Government of Jilin Province as a legal adviser, and acted as a mediator at China Council for the Promotion of International Trade and the Mediation Centre of China Chamber of International Commerce, a director of All China Lawyers Association, a member of the Finance Specialize Committee of All China Lawyers Association and an external expert of asset securitization of Shenzhen Stock Exchange. Ms. Chen graduated with a bachelor's degree from the Department of Law of Peking University in 1985 and graduated from the in-service postgraduate program of Business School of Jilin University in 2000.

11.2 Supervisors

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

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

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

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

Mr. Hu Jianzhong has been the chairman of the Board of Supervisors of the Company since March 2020. He was accredited as a senior accountant by Agricultural Bank of China Limited (the ABC) in September 1994 and was awarded as a researcher by Central University of Finance and Economics in September 2011. Mr. Hu started his career in Guyuan County Sub-branch of ABC in the Ningxia Hui Autonomous Region in December 1980 and served as the deputy director of the Finance and Accounting Division of Ningxia Branch of ABC from December 1994 to November 1996, successively as the deputy director of the State-owned Asset Management Division, the deputy director of the Accounting Cashier Division and the director of the Accounting Management Division I of the Finance and Accounting Department at the head office of ABC from November 1996 to December 1999. He successively served as the deputy general manager and the deputy general manager (in charge) of the Capital and Finance Department, the general manager of the Asset Management Department II, the general manager of Jinan Office of China Great Wall Asset Management Corporation, the assistant to the president and the vice president of China Great Wall Asset Management Corporation and the vice president of China Great Wall Asset Management Co., Ltd. from December 1999 to October 2018; the chairman of the board of supervisors of China Orient Asset Management Co., Ltd. from October 2018 to September 2019. Mr. Hu joined the

Company in September 2019 and has been the deputy Party Committee secretary of the Company since then. Mr. Hu graduated from Central University of Finance and Economics, majoring in finance, with a doctorate in economics.

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

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

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

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

11.3 Senior Management

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

No.	Name	Gender	Year of Birth	Position	Beginning of the term of office
Current Senior Management					
1	Li Zimin	M	1971	President	Since October 2022
2	Xu Yongli	M	1971	Vice President Secretary to the Board	Since April 2020 Since June 2020
3	Zhu Wenhui	M	1978	Vice President, Chief Financial Officer	Since June 2022
4	Wen Jinxiang	M	1964	Assistant to President	Since August 2022
5	Yang Pei	F	1963	Assistant to President	Since July 2019
6	Gao Gan	M	1967	Assistant to President	Since July 2019
7	Cao Yan	M	1977	Member of senior management	Since April 2022
Resigned Members of Senior Management					
1	Liang Qiang	M	1971	Executive Director, President	From June 2021 to September 2022
2	Wang Wenjie	M	1961	Vice President	From November 2014 to September 2022
3	Chen Yanqing	M	1963	Vice President	From July 2019 to October 2022
4	Pang Xuefeng	M	1972	Member of senior management	From June 2020 to December 2022

Mr. Li Zimin has been the president of the Company since October 2022, and has been an executive Director of the Company since January 2023. Details of the biography of Mr. Li are set out in "11.1.1 Executive Directors".

Mr. Xu Yongli has been the Vice President of the Company since April 2020, and served as the secretary to the Board of the Company since June 2020, and is an economist. Mr. Xu started his career at the Credit Department of Bank of China Head Office in 1993, and successively served as assistant general manager of the Market Development Department of China Orient Asset Management Company (中國東方資產管理公司), deputy general manager of Oriental Hotel Holdings Limited (in charge of work), deputy head of the liquidation group of MF Securities, deputy general manager of Dongxing Securities Co., Ltd., general manager of Investment Business Department in China Orient Asset Management Company, general manager of Dongxing Securities Co., Ltd., assistant to president and vice president of China Orient Asset Management Company, and vice president of China Orient Asset Management Co., Ltd. Mr. Xu graduated from Central Institute of Finance and Banking majoring in finance with a bachelor's degree in economics in 1993.

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

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

Ms. Yang Pei has been the assistant to the President of the Company since July 2019. She was named as senior economist by Industrial and Commercial Bank of China in September 1997 and obtained the qualification as lawyer in April 1989. Ms. Yang started her career at Industrial and Commercial Bank of China Head Office in August 1985, successively serving as deputy director of the Legal Division at the Administrative Office, director of the Legal Consultancy Division, director and deputy general manager of the Economic Dispute Management Division at the Legal Affairs Department of Industrial and Commercial Bank of China from December 1994 to December 1999. In December 1999, Ms. Yang joined the Company, successively serving as the deputy general manager, deputy general manager (in charge) and general manager of the Legal Affairs Department from December 1999 to March 2013; and serving as general manager of the Risk Management Department of the Company from March 2013 to January 2015. She served as chairman of the board of supervisors of Huarong Rongde Asset Management Co., Ltd. from January 2015 to September 2018; and has been serving as general manager of the Asset Preservation Department of the Company from September 2018 to August 2020, during which she also has been concurrently serving as general manager of the Legal Compliance Department of the Company from January 2019 to May 2019. She has been concurrently serving as director of the Board Office of the Company from June 2019 to September 2019. She acted on behalf and performed the duties of the secretary to the Board from August 2019 to June 2020. Ms. Yang was appointed as the chief risk officer of the Company by resolution of the Board in June 2021. Ms. Yang graduated from Wuhan University in July 1985 with a bachelor's degree in law and graduated from Renmin University of China in January 2004 with a master's degree in law.

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

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

11.4 Changes in Directors, Supervisors and Senior Management

11.4.1 Changes in Directors

On March 4, 2022, Mr. Liu Zhengjun was nominated as an executive Director of the Company by the Board of the Company. On March 25, 2022, Mr. Liu Zhengjun was elected as an executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company. On April 1, 2022, Mr. Liu Zhengjun was elected as the chairman of the Board of the Company by the Board of the Company. According to the relevant regulations of the Company's Articles of Association, Mr. Liu Zhengjun exercises the functions and powers of the legal representative and serves as the chairman of the Strategy and Development Committee of the Board during his term of office as the chairman of the Board. On April 25, 2022, Mr. Liu Zhengjun performed his duties upon the approval of his qualifications as a director by the CBIRC. For details, please refer to the announcements and circulars of the Company published on March 4, 2022, March 10, 2022, March 25, 2022, April 1, 2022 and April 26, 2022.

On March 4, 2022, Mr. Xu Wei was nominated as a non-executive Director of the Company by the Board of the Company. On March 25, 2022, Mr. Xu Wei was elected as a non-executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company. On April 1, 2022, Mr. Xu Wei was appointed as a member of each of the Strategy and Development Committee and the Related Party Transaction Committee of the Board. On May 11, 2022, Mr. Xu Wei performed his duties upon the approval of his qualifications as a director by the CBIRC. For details, please refer to the announcements and circulars of the Company published on March 4, 2022, March 10, 2022, March 25, 2022, April 1, 2022 and May 16, 2022.

On March 4, 2022, Mr. Tang Hongtao was nominated as a non-executive Director of the Company by the Board of the Company. On March 25, 2022, Mr. Tang Hongtao was elected as a non-executive Director of the Company as considered and approved by the first extraordinary general meeting of Shareholders for 2022 of the Company, and his term of office shall become effective from the date of approval by the CBIRC. On April 1, 2022, Mr. Tang Hongtao was appointed as a member of each of the Strategy and Development Committee and the Audit Committee of the Board. For details, please refer to the announcements and circulars of the Company published on March 4, 2022, March 10, 2022, March 25, 2022 and April 1, 2022.

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

On April 1, 2022, Mr. Wang Zhanfeng resigned as the chairman of the Board, the executive Director and the chairman of the Strategy and Development Committee of the Board of the Company. The resignation of Mr. Wang became effective on April 1, 2022. For details, please refer to the announcement of the Company published on April 1, 2022.

On September 15, 2022, Mr. Wang Wenjie resigned as the executive Director, the member of each of the Strategy and Development Committee and the Risk Management Committee of the Board of the Company. The resignation of Mr. Wang became effective on September 15, 2022. For details, please refer to the announcement of the Company published on September 15, 2022.

On September 23, 2022, Mr. Liang Qiang resigned as the executive Director, the member of the Strategy and Development Committee of the Board of the Company. The resignation of Mr. Liang became effective on September 23, 2022. For details, please refer to the announcement of the Company published on September 23, 2022.

On March 1, 2022, Mr. Xu Nuo resigned as the non-executive Director and the member of each of the Strategy and Development Committee, Risk Management Committee and Audit Committee of the Board of the Company. The resignation of Mr. Xu became effective on March 1, 2022. For details, please refer to the announcement of the Company published on March 1, 2022.

On May 27, 2022, Mr. Zhou Langlang resigned as the non-executive Director and the member of the Strategy and Development Committee of the Board of the Company. The resignation of Mr. Zhou became effective on May 27, 2022. For details, please refer to the announcement of the Company published on May 27, 2022.

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

11.4.2 Changes in Supervisors

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

11.4.3 Changes in Senior Management

On April 1, 2022, the Board of the Company appointed Mr. Zhu Wenhui as the vice president and chief financial officer of the Company. On June 14, 2022, Mr. Zhu Wenhui performed his duties upon the approval of his qualifications as the vice president and chief financial officer by the CBIRC. For details, please refer to the announcements of the Company published on April 1, 2022 and June 17, 2022.

On June 9, 2022, the Board of the Company appointed Mr. Wen Jinxiang as the assistant to the President of the Company. On August 17, 2022, Mr. Wen Jinxiang performed his duties upon the approval of his qualification as the assistant to the President by the CBIRC. For details, please refer to the announcements of the Company published on June 9, 2022 and August 25, 2022.

On September 30, 2022, the Board of the Company appointed Mr. Li Zimin as the President of the Company, Mr. Li's term of office became effective from October 31, 2022. For details, please refer to the announcements of the Company published on September 30, 2022 and November 3, 2022.

On April 6, 2022, CITIC Group appointed Mr. Cao Yan as the senior management of the Company.

On September 15, 2022, Mr. Wang Wenjie resigned as the vice president of the Company. Mr. Wang's resignation became effective on September 15, 2022. For details, please refer to the announcement of the Company published on September 15, 2022.

On September 23, 2022, Mr. Liang Qiang resigned as the President of the Company, Mr. Liang's resignation became effective on September 23, 2022. For details, please refer to the announcement of the Company published on September 23, 2022.

On October 25, 2022, Mr. Chen Yanqing resigned as the vice president of the Company, Mr. Chen's resignation became effective on October 25, 2022. For details, please refer to the announcement of the Company published on October 25, 2022.

On December 1, 2022, Mr. Pang Xuefeng resigned as the senior management of the Company.

11.4.4 Annual Remuneration

11.4.4.1 Remuneration of Directors, Supervisors and senior management

Details of the remuneration of the Directors, Supervisors and senior management of the Company are set out in "17. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 17. Emoluments of directors and supervisors, (6) Key management personnel of 60. Related party transactions". The remuneration of the above Directors, Supervisors and senior management of the Company for 2022 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. Further disclosure will be made when the final compensation packages are determined.

11.4.4.2 Highest paid individuals

Details of the emoluments of the five highest paid individuals of the Company during the Reporting Period are set out in "17. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 18. Five highest paid individuals".

12. Corporate Governance Report

12.1 Summary of Corporate Governance

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

12.1.1 Corporate Governance Code

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

During the Reporting Period, the Board of the Company performed the corporate governance functions set out in Rule A.2.1 of the Corporate Governance Code contained in Appendix 14 of the Listing Rules through the special committees of the Board, specifically including: first, it further amended the Articles of Association under the regulatory requirements; second, it intensified training of Directors and senior management and their professional development; third, it made constant efforts to evaluate and improve corporate governance, and strictly met the requirements of corporate governance in its work.

12.1.2 Amendment of the Articles of Association

During the Reporting Period, the Company amended its Articles of Association in accordance with the Approval of the CBIRC on the Non-public Issuance of Domestic Shares and H Shares and the Change on the Equity Structure of China Huarong Asset Management Co., Ltd. (Yin Bao Jian Fu [2021] No. 959) (《中國銀保監會關於中國華融資產管理股份有限公司非公開發行內資股、H股及變更股權結構的批覆》(銀保監覆[2021]959號)), the Approval of the CBIRC on the Change of Registered Capital of China Huarong Asset Management Co., Ltd. (Yin Bao Jian Fu [2022] No. 604) (《中國銀保監會關於中國華融資產管理股份有限公司變更註冊資本的批覆》(銀保監覆 [2022]604 號)). For details, please refer to the announcement published by the Company dated September 30, 2022.

12.2 Shareholders' General Meetings

12.2.1 Responsibilities of the Shareholders' General Meeting

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

12.2.2 Details of Shareholders' General Meetings

During the Reporting Period, the Company held seven Shareholders' general meetings in Beijing, including one annual general meeting and six extraordinary general meetings, which considered and approved 23 resolutions, and heard one report. The Company strictly complied with the legal procedures applicable to Shareholders' general meetings which Shareholders or their proxies attended and exercised their rights. The Company engaged PRC legal counsels to attend and witness Shareholders' general meetings and to provide legal opinion. Material matters include: consideration and approval of the final account plan of the Company for 2021; consideration and approval of the profit distribution plan of the Company for 2021; consideration and approval of the work report of the Board and the work report of the Board of Supervisors for 2021; consideration and approval of the amendment of the Articles of Association and others.

12.2.3 Shareholders' Rights

12.2.3.1 Right to propose to convene extraordinary general meeting

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

12.2.3.2 Right to submit proposals at the Shareholders' general meeting

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

12.2.3.3 Right to propose to convene extraordinary meeting of the Board

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

12.2.3.4 Right to submit proposals for Board meetings

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

12.2.3.5 Shareholders' right to raise proposal and enquiry

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

12.2.3.6 Other rights

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

12.2.4 Attendance of Directors at Shareholders' General Meetings

Directors' attendance at Shareholders' general meetings in 2022 is set out in the following table:

Members of the Board	**Number of meetings attended/ required to attend**	**Attendance rate**
Executive Director		
Liu Zhengjun	5/6	83%
Non-executive Director		
Zhao Jiangping	7/7	100%
Zheng Jiangping	7/7	100%
Xu Wei	6/6	100%
Independent non-executive Director		
Tse Hau Yin	7/7	100%
Shao Jingchun	7/7	100%
Zhu Ning	4/7	57%
Chen Yuanling	3/7	43%
Director resigned during the Reporting Period		
Wang Zhanfeng	1/1	100%
Liang Qiang	5/5	100%
Wang Wenjie	5/5	100%
Xu Nuo	N/A	N/A
Zhou Langlang	0/1	0%

Notes:

1. Changes in Directors are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management".
2. Attendance includes on-site attendance and attendance by telephone or by video conference.
3. Attendance rate is the percentage of the number of meetings attended to the number of meetings required to attend.
4. Mr. Xu Nuo's attendance rate is not applicable because the Company did not hold any relevant meetings during his tenure.

12.2.5 Independence from Controlling Shareholder

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

12.3 Board of Directors

12.3.1 Composition and Responsibilities of the Board

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

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

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

The Board is accountable to the Shareholders' general meeting in accordance with the Articles of Association. The major duties of the Board include:

(1) to convene and report its work to the Shareholders' general meeting; (2) to implement the resolutions of the Shareholders' general meeting; (3) to determine the operation plans, development strategies and investment proposals of the Company and supervise the implementation thereof; (4) to formulate capital plans; (5) to formulate annual financial budget and final accounts of the Company; (6) to formulate profit distribution plan and loss recovery plan of the Company; (7) to formulate proposals for increases or reductions of the registered capital of the Company; (8) to formulate plans for the merger, division, changes of organization and dissolution of the Company; (9) to formulate proposals for the issuance of corporate bonds, any classes of Shares, warrants or other marketable securities by the Company and its listing; (10) to formulate plans for the repurchase of Shares of the Company under the circumstances set out in (1) and (2) of

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

12.3.2 Board Meetings

In 2022, the Board of Directors held 16 meetings, including 4 regular meetings and 12 extraordinary meetings. 66 resolutions were passed and 19 work reports were heard at the meetings. Among the resolutions passed, there were 34 resolutions on operation and management matters, 4 resolutions on system establishment, 10 resolutions on personnel management and 18 other resolutions. Among above resolutions, the major issues included: reviewing and approving the final accounts plan and the profit distribution plan for 2021 and the fixed assets investment budget for 2022 of the Company; reviewing and approving the 2021 Annual Report (Annual Results Announcement), social responsibility report for 2021 and 2022 Interim Report (Interim Results Announcement) of the Company; reviewing and approving the extension of the validity period of tier II capital bonds resolution of the Company; reviewing and approving the work report of the Board for 2021; listening to the report of the Company on related party transaction management and risk management.

In addition, the Board conducted self-evaluation on the effectiveness of the internal control of the Group during the Reporting Period. Details are set out in "13. Internal Control".

12.3.3 Attendance of Board Meetings

Directors' attendance at Board meetings in 2022:

Members	Number of meetings attended/ required to attend	Attendance rate
Executive Director		
Liu Zhengjun	10/11	91%
Non-executive Directors		
Zhao Jiangping	16/16	100%
Zheng Jiangping	16/16	100%
Xu Wei	11/11	100%
Independent non-executive Directors		
Tse Hau Yin	16/16	100%
Shao Jingchun	16/16	100%
Zhu Ning	16/16	100%
Chen Yuanling	16/16	100%
Director resigned during the Reporting Period		
Wang Zhanfeng	3/3	100%
Liang Qiang	12/12	100%
Wang Wenjie	11/11	100%
Xu Nuo	1/1	100%

Notes:

1. Changes in Directors are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management".
2. Attendance includes physical attendance and attendance by telephone and video conference.
3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

4. According to the relevant provisions of the Articles of Association, where the number of equity interests of the Company pledged by a shareholder reaches or exceeds 50% of the equity interests held by such shareholder in the Company, no voting right of the nominated directors shall be exercised at the board meeting and such directors shall not be counted for the attendance at the board meeting. During the Reporting Period, as the number of equity interests of the Company pledged by Warburg Pincus LLC exceeds 50% of the equity interests held by it in the Company, no voting right of its nominated director, Mr. Zhou Langlang, shall be exercised at the board meeting and Mr. Zhou Langlang shall not be counted for the attendance at the board meeting. On May 27, 2022 Mr. Zhou Langlang resigned as a non-executive Director of the Company and as a member of the Strategy and Development Committee of the Board.

12.4 Special Committees of the Board

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

12.4.1 Strategy and Development Committee

As of the Latest Practicable Date, the Strategy and Development Committee of the Company consisted of nine Directors. The chairman was acted by Mr. Liu Zhengjun, the chairman of the Board. The members included executive Director Mr. Li Zimin, non-executive Directors Ms. Zhao Jiangping, Mr. Zheng Jiangping, Mr. Xu Wei, and independent non-executive Directors Mr. Tse Hau Yin, Mr. Shao Jingchun, Mr. Zhu Ning and Ms. Chen Yuanling.

The major duties and authorities of the Strategy and Development Committee include, but are not limited to, the following: to review the operational target and general strategic development plan of the Company and to make recommendations to the Board; to assess factors that may affect the strategic development plan of the Company and its implementation and make recommendations on adjustment of the strategic plan to the Board in a timely manner based on the economic and financial conditions and market trends in the PRC and overseas; to review the annual financial budget and final accounts based on the development strategy, and make recommendations thereon to the Board; to assess the overall development status of various businesses and make suggestions on adjustment of the strategic development plan to the Board in a timely manner; to review the implementation of the business plan and investment plan of the Company, and the strategic asset allocation and the asset liability management objectives of the Company, and make recommendations thereon to the Board; to review major restructuring and adjustment proposals, and make recommendations thereon to the Board; to review major investment and financing plans and other matters such as the acquisition, disposal and write-off of assets and provision of guarantees to external parties that are subject to the approval of the general meeting of Shareholders and the Board, and make recommendations thereon to the Board; to review those plans for the establishment of any legal entity and the merger with or acquisition of any entity that are subject to the approval of the general meeting of Shareholders and the Board, and make recommendations thereon to the Board; to review the establishment and adjustment plan of the Company's internal functional departments and first level sub-branches as well as other institutions directly under the control of the Company and make recommendations thereon to the Board; to review plans such as information technology development and other special strategic development plans, and make recommendations thereon to the Board; to examine and assess the soundness of the corporate governance structure of the Company in order to ensure that the financial reports, risk management and internal controls are in compliance with corporate governance standards; and to perform such other duties as stipulated by laws, regulations, regulatory documents, the securities regulatory authorities in place(s) where the Shares of the Company are listed and the Articles of Association and other matters as authorized by the Board.

In 2022, the Strategy and Development Committee convened ten meetings in total to consider 24 resolutions and reports, including the fixed assets investment budget of the Company for 2022 and the business plan for 2022 of the Company, etc.

Attendance of members at Strategy and Development Committee meetings in 2022:

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Liu Zhengjun	7/7	100%
Zhao Jiangping	10/10	100%
Zheng Jiangping	10/10	100%
Xu Wei	7/7	100%
Tse Hau Yin	10/10	100%
Shao Jingchun	10/10	100%
Zhu Ning	10/10	100%
Chen Yuanling	10/10	100%
Directors resigned during the Reporting Period		
Wang Zhanfeng	1/1	100%
Liang Qiang	8/8	100%
Wang Wenjie	8/8	100%
Xu Nuo	1/1	100%

Notes:

1. Changes in Directors are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management".
2. Attendance includes physical attendance and attendance by telephone and video conference.
3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.
4. According to the relevant provisions of the Articles of Association, where the number of equity interests of the Company pledged by a Shareholder reaches or exceeds 50% of the equity interests held by such Shareholder in the Company, no voting right of the nominated directors shall be exercised at the board meeting, and such directors shall not be counted for the attendance at the board meeting. During the Reporting Period, since the number of equity interests of the Company pledged by Warburg Pincus LLC exceeded 50% of the equity interests held by it in the Company, no voting right of its nominated Director, Mr. Zhou Langlang, shall be exercised at the meeting of the Strategy and Development Committee of the Board, and Mr. Zhou shall not be counted for the attendance at the meeting of the Strategy and Development Committee of the Board. On May 27, 2022, Mr. Zhou Langlang resigned as the non-executive Director and the member of the Strategy and Development Committee of the Board of the Company.

12.4.2 Risk Management Committee

As of the Latest Practicable Date, the Risk Management Committee of the Company consisted of four Directors. The chairman was acted by Ms. Zhao Jiangping, a non-executive Director. The members included executive Director Mr. Li Zimin, non-executive Directors Mr. Zheng Jiangping and independent non-executive Director Ms. Chen Yuanling.

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

In 2022, the Risk Management Committee convened five meetings in total to consider and listen to 12 resolutions and reports, including the work summary in 2021 and work plan for 2022 of the Risk Management Committee of the Company and amendments to the Systems of Reputational Risk Management, etc.

Attendance of members at Risk Management Committee meetings in 2022:

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Zhao Jiangping	5/5	100%
Zheng Jiangping	5/5	100%
Chen Yuanling	5/5	100%
Directors resigned during the Reporting Period		
Wang Wenjie	4/4	100%
Xu Nuo	N/A	N/A

Notes:
1. Changes in Directors are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management".
2. Attendance includes on-site attendance and attendance by telephone or by video conference.
3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.
4. Attendance rate is not applicable to Mr. Xu Nuo because the Company did not hold any relevant meetings during his tenure.

12.4.3 Related Party Transaction Committee

As of the Latest Practicable Date, the Related Party Transaction Committee of the Company consisted of five Directors. The chairman was acted by Mr. Shao Jingchun, an independent non-executive Director. The members included non-executive Directors Mr. Zheng Jiangping and Mr. Xu Wei, independent non-executive Directors Mr. Tse Hau Yin and Mr. Zhu Ning.

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

In 2022, the Related Party Transaction Committee convened seven meetings in total to consider and listen to 21 resolutions and reports, including the related party transaction management of the Company for 2021, and work summary in 2021 and work plan for 2022 of the Related Party Transaction Committee, the entering into of the Financing and Asset Transactions Framework Agreement with CITIC Group, etc.

Attendance of members at Related Party Transaction Committee meetings in 2022:

Members	Number of meetings attended/ required to attend	Attendance rate
Shao Jingchun	7/7	100%
Zheng Jiangping	7/7	100%
Tse Hau Yin	7/7	100%
Xu Wei	6/6	100%
Zhu Ning	7/7	100%

Notes:

1. Changes in Directors are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management".
2. Attendance includes on-site attendance and attendance by telephone or by video conference.
3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

12.4.4 Audit Committee

As of the Latest Practicable Date, the Audit Committee of the Company comprised four Directors. The chairman was acted by Mr. Tse Hau Yin, an independent non-executive Director. The members included non-executive Director Ms. Zhao Jiangping, and independent non-executive Directors Mr. Shao Jingchun and Ms. Chen Yuanling.

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

In 2022, the Audit Committee convened eight meetings in total to consider and listen to 23 resolutions and reports, including proposal for the 2021 Annual Results Announcement and the 2021 annual report, proposal on the appointment of accounting firm for 2022, the final accounts and audit work plan of the Company for 2022.

Attendance of members at Audit Committee meetings in 2022:

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Tse Hau Yin	8/8	100%
Zhao Jiangping	8/8	100%
Shao Jingchun	8/8	100%
Chen Yuanling	8/8	100%
Directors resigned during the Reporting Period		
Xu Nuo	N/A	N/A

Notes:
1. Changes in Directors are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management".
2. Attendance includes on-site attendance and attendance by telephone or by video conference.
3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.
4. Attendance rate is not applicable to Mr. Xu Nuo because the Company did not hold any relevant meetings during his tenure.

12.4.5 Nomination and Remuneration Committee

As of the Latest Practicable Date, the Nomination and Remuneration Committee of the Company consisted of three Directors. The chairman was acted by Mr. Zhu Ning, an independent non-executive Director. The members included non-executive Director Mr. Zheng Jiangping and independent non-executive Director Mr. Shao Jingchun.

The main responsibilities of the Nomination and Remuneration Committee include, but are not limited to: to review the strategic development plan of human resources and make recommendations to the Board of Directors; to make recommendations to the Board of Directors on the candidates for the Directors, the President and the secretary to the Board of Directors; to formulate the procedure and standard for election and appointment of Directors, chairman and members of the special committees of the Board and senior management and make recommendations to the Board of Directors; to conduct preliminary review of the qualifications of Directors and senior management candidates and make recommendations to the Board of Directors; to nominate chairmen of special committees under the Board of Directors (except for the chairman of the Strategy and Development Committee) and member candidates; to formulate performance appraisal system and remuneration packages for the Directors, and evaluate the performance and behavior of the Directors, and submit them to the Shareholders' general meeting for determination after reporting to and approval by the Board of Directors; to formulate and review the performance appraisal system and remuneration packages for the senior management and the head of internal audit department of the Company, evaluate the performance and behavior of senior management and submit them to the Board of Directors for approval; to consider the major human resources and remuneration policies and management systems submitted by the senior management and to be approved by the Board of Directors or Shareholders' general meeting, submit them to the Board of Directors for decision-making and monitor the implementation of relevant policies and management systems; and other matters as required by the laws, regulations, regulatory documents, the securities regulatory authorities of the place(s) where the Shares of the Company are listed and the Articles of Association and as authorized by the Board of Directors.

In 2022, the Nomination and Remuneration Committee convened six meetings in total to consider and listen to 14 resolutions and reports, including the nomination of Mr. Liu Zhengjun as the Candidate for Executive Director of the Board of Directors of the Company, and the nomination of Mr. Li Zimin as the Candidate for Executive Director of the Company, the nomination of Mr. Xu Wei as the Candidate for non-executive Director of the Board of the Company, the nomination of Mr. Tang Hongtao as the Candidate for non-executive Director of the Board of the Company, and the nomination of Mr. Zhu Wenhui as the vice president and chief financial officer of the Company.

Attendance of members at Nomination and Remuneration Committee meetings in 2022:

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Zhu Ning	6/6	100%
Zheng Jiangping	6/6	100%
Shao Jingchun	6/6	100%

Notes:

1. Changes in Directors are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management".
2. Attendance includes on-site attendance and attendance by telephone or by video conference.
3. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.

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

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

A candidate for Director shall, at least 14 days prior to the convening of the Shareholders' general meeting, give a written undertaking letter indicating that he/she agrees to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrants that he/she will duly perform his/her obligations as a Director after he/she is elected. A written notice of the candidate's willingness to be elected shall have a notice period of no less than seven days, and shall be delivered to the Company no later than seven days prior to the convening of the Shareholder's general meeting and no earlier than the day after issue date on which the notice of such meeting for the election is delivered;

The Board shall disclose the detailed information on the candidates of Directors to the Shareholders at least seven days before the convening of the Shareholder's general meeting to ensure Shareholders to obtain adequate knowledge about the candidates when casting their votes;

The Shareholders' general meeting shall vote on the election of the candidates of Directors one by one; and

A candidate for Director shall act as a Director upon the consideration and approval of the Shareholders' general meeting with his/her qualification verified by the regulatory authorities.

To improve the effectiveness of the Board and the standard of corporate governance, the Company formulated the Board Diversification Policy. The composition of the Board reflects the appropriate balance between the requisite skills, experience and diverse perspectives to ensure an effective leadership and independent decision-making ability of the Company. The Board shall have appropriate number of executive Directors and non-executive Directors, including independent non-executive Directors, so as to enable the members of the Board to be independent and make judgment in an effective manner.

When selecting the candidates, the Nomination and Remuneration Committee will consider (among other things) the composition diversity of the Board and various other factors such as gender, age, cultural and educational background, professional experience, skills, knowledge and/or terms of service, to ensure that the members of the Board possess appropriate skills, experience and diversified perspectives and opinions.

The Board of Directors consists of 9 Directors with knowledge and experience in economics, accounting, law, management and other fields, and female Directors represent 22.2% of the total number of the Board. The composition of the Board of Directors of the Company complies with the Listing Rules requirements relating to gender diversity of Board members and is in line with the Company's Board Diversity Policy. The Company values the importance and benefits of gender diversity on its Board members, and the Company's Board Diversity Policy ensures that the Board will have potential successors in reserve to retain the existing gender diversity of the Board.

12.5 Board of Supervisors

12.5.1 Duties of the Board of Supervisors

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

12.5.2 Composition of the Board of Supervisors

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

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

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

12.5.3 Chairman of the Board of Supervisors

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

12.5.4 Operation of the Board of Supervisors

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

12.5.5 Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors of the Company convened four meetings in total, and considered and approved 10 resolutions and reviewed 5 issues, including the 2021 Annual Report.

12.5.6 Supervisors' attendance at meetings of the Board of Supervisors

Attendance of members at meetings of the Board of Supervisors of the Company in 2022:

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

Notes:

1. Attendance includes on-site attendance and attendance by telephone or by video conference.
2. Attendance rate is the percentage of number of meetings attended to the number of meetings required to attend.
3. Supervisors who did not attend the meeting in person have entrusted other supervisors to attend the meeting on their behalf.

12.5.7 Special Committees of the Board of Supervisors

As of December 31, 2022, the Board of Supervisors set one special committee, namely the Supervision Committee under the Board of Supervisors, which consisted of four members. The chairman was acted by Mr. Cheng Fengchao and the members included Mr. Han Xiangrong, Ms. Sun Hongbo and Ms. Guo Jinghua.

The main duties of the Supervision Committee under the Board of Supervisors include: to assist the Board of Supervisors to organize and carry out daily supervision of the performance of the Board, senior management and its members, financial management, internal control and risk management; to assist the Board of Supervisors to inspect and supervise the Company's finance, and to communicate with the Company's senior management, external auditing institution on the preparation and review of regular financial reports; to organize and implement key tasks specified in the annual plan of the Board of Supervisors; to organize and implement the performance evaluation work according to relevant work system on performance evaluation of Directors, Supervisors and senior management by the Board of Supervisors and the annual performance evaluation programs considered and approved by the Board of Supervisors.

During the Reporting Period, the Supervision Committee under the Board of Supervisors convened 4 meetings in total to review 7 issues, including 2021 Annual Audit Work.

12.5.8 Trainings for the Supervisors

During the Reporting Period, all members of the Board of Supervisors of the Company participated in the relevant trainings of the Hong Kong Chartered Governance Institute, mainly learning the key points on the governance and regulation of the Hong Kong capital market, etc.; reading the latest information related to supervision covering anti-corruption, related party transactions, corporate governance, etc.

12.6 Chairman of the Board and President

In accordance with C.2.1 of the Corporate Governance Code as contained in Appendix 14 to the Listing Rules and the Articles of Association, the chairman of the Board and the president of the Company shall be assumed by different individuals, and the chairman of the Board shall not be assumed by the legal representative or key management of the controlling Shareholder.

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

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

12.7 Senior Management

12.7.1 Composition and duties of Senior Management

The senior management of the Company is the execution body of the Company and is accountable to the Board. As of the Latest Practicable Date, details of its composition and the biography of members are set out in "11. Directors, Supervisors and Senior Management — 11.3 Senior Management". There is a strict separation of powers between the senior management and the Board. The senior management determines the operation management and decisions within its terms of reference as authorized by the Board. The senior management shall timely, accurately and completely report the Company's business performance, important contracts, financial position, risk profile and operation prospects to the Board on a regular basis or as required by the Board, accept inquiries from the Board and special committees of the Board, and accept the supervision of the Board of Supervisors.

12.7.2 Supervision and evaluation on the performance of senior management

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

12.7.3 Remuneration of Directors and senior management

The remuneration policies of the Directors and senior management are set out in "14. Report of the Board of Directors — 14.26 Remuneration Policy of Directors, Supervisors and Senior Management".

12.8 Communication with Shareholders

12.8.1 Policies related to Shareholders

During the Reporting Period, the Company has reviewed the implementation and effectiveness of Shareholders' Communication Policy and formulated the Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. Pursuant to the Shareholders' Communication Policy, the Company regularly holds the annual general meeting every year; the Company establishes a special investor relationship section on its website for updating the information regularly, to ensure that the update information about the Group is available to shareholders and potential investors on a timely manner. Such information includes financial statements, results announcements, circulars, notices of general meetings and relevant explanatory documents, and all announcements. The Company convenes the results presentation every half year to timely inform shareholders or potential investors the Company's results. The Company receives inquiries from shareholders or potential investors from time to time. Through the above-mentioned measures, the Company can effectively implement the Shareholders' Communication Policy, to ensure that the Company maintains long-term effective and good communication with its shareholders.

12.8.2 Information disclosure and investor relations

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

In 2022, the Company strictly abided by the principles of truthfulness, accuracy, completeness, timeliness and fairness and conscientiously conducted information disclosure. The Company continued to improve the quality of periodic report disclosure and strengthened the pertinence and effectiveness of the periodic report disclosure. The Company disclosed the extraordinary announcements in accordance with laws and regulations in a timely and accurate manner, and constantly improved the transparency of information disclosure to protect the investors' rights to know. The Company continued to improve the information disclosure mechanism, raised awareness of employees in information disclosure and enhanced compliance culture building in information disclosure.

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

12.8.3 Contacts of Board Office

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

Board Office of China Huarong Asset Management Co., Ltd.

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

Tel. no.: 86-10-59619119

Email address: ir@chamc.com.cn

12.9 Inside Information Management

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

12.10 Auditor's Remunerations

The remunerations paid and payable by the Group to Ernst & Young, the auditor of the Company, in respect of audit and non-audit services in 2021 and 2022 are set out below, respectively:

Audit and non-audit services	**For the year ended December 31, 2022**	2021
	(in millions of RMB)	
Audit services	**49.6**	47.3
Non-audit services	**1.6**	2.0
Total	**51.2**	49.3

12.11 Responsibilities of Directors for Financial Statements

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

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

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

12.13 Securities Transactions by Directors, Supervisors and Relevant Employees

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Relevant Employees which regulates the securities transactions by Directors, Supervisors and relevant employees and is of no less exacting terms than the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**") in Appendix 10 to the Listing Rules. The Company has made enquiries to all Directors and Supervisors who all confirmed that they had complied with the Model Code and the requirements set out therein during the Reporting Period.

12.14 Independence of Independent Non-executive Directors

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

12.15 Training for Directors

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

The major trainings attended by the Directors and their continuous professional development in 2022 are as follows:

	Types of Training	
Name of Directors	**Read the latest information related to regulation**	**Attend a training class/lecture**
Executive Director		
Liu Zhengjun	√	√
Non-executive Directors		
Zhao Jiangping	√	√
Zheng Jiangping	√	√
Xu Wei	√	√
Independent non-executive Directors		
Tse Hau Yin	√	√
Shao Jingchun	√	√
Zhu Ning	√	√
Chen Yuanling	√	√

12.16 Liability Insurance for Directors

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

12.17 Joint Company Secretaries

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

13. Internal Control

13.1 Statement of the Board in Relation to Internal Control Responsibilities

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

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

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

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

During the Reporting Period, the Board continued to enhance and optimize the internal control management system in line with the internal control objectives of the Company, in accordance with the Basic Standards for Enterprise Internal Control and its supporting guidelines, the Measures on the Internal Control of Financial Asset Management Companies, the Guidelines on the Internal Control of Commercial Banks, the Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules and other regulatory requirements.

13.3 Main Features and Building of Internal Control Management System

The basic objectives of the Company's internal control were to provide reasonable assurance for the achievement of the effectiveness of the Company's operation, the reliability of the report and the compliance of operation. During the Reporting Period, the Company revised and issued China Huarong Internal Control Measures to further consolidate the internal control management foundation on the basic system level. The Company conducted internal control self-assessment, through the benchmarking between external regulatory documents and the Company's internal system, to comprehensively rationalize and evaluate the core businesses and management process, and further identify the key risk points, optimize control measures, revise the internal control system and management tools, and ensure that all tasks are in line with the strategic goal of building New Huarong with high-quality development. Meanwhile, the Company proactively promoted the construction of internal control compliance culture and improved the level of internal control compliance management by investigation and research, inspection, rectification, assessment, tracing accountability, publicity and training and other measures in combination with the activities of "Compliance Culture Construction Year".

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

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

13.5 Internal Control Measures for Risks of Being Sanctioned

To ensure that the Group abides by its undertakings to the Hong Kong Stock Exchange as disclosed in the Prospectus relating to the listing in Hong Kong that the Group or Relevant Persons would not be subject to any sanction risks, the Group has improved the internal control policies and procedures and implemented the following measures:

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

2. The Company has invited international legal advisors to review internal control policies and procedures related to sanction laws, and updated relevant internal control measures based on the advice of the legal advisors.

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

4. The Company has hired lawyers to assist in the assessment of the Group's sanction risks every six months, and to provide relevant staff with necessary training on sanctions risk knowledge.

14. Report of the Board of Directors

14.1 Principal Business

The Group's business operation and review and discussion about future business development are set out in "9. Management Discussion and Analysis — 9.3 Business Overview" and "9. Management Discussion and Analysis — 9.6 Development Outlook", respectively.

The major risks and uncertainties that the Group may be exposed are set out in "9. Management Discussion and Analysis — 9.4 Risk Management". During the Reporting Period, there was a transition within the Board of Directors and the Board of Supervisors, the details of which are set out in "11. Directors, Supervisors and Senior Management — 11.4 Changes in Directors, Supervisors and Senior Management", respectively.

Meanwhile, the environmental policies of the Group are set out in "14.7 Social Responsibility Report (Namely Environmental, Social and Governance Report)" of this report of the Board of Directors. The compliance with relevant laws and regulations with significant impact on the Group are set out in "14.29 Compliance with Relevant Laws and Regulations" of this report of the Board of Directors. Descriptions of the relationship between the Group and its employees, clients and suppliers are set out in "9. Management Discussion and Analysis — 9.3 Business Overview — 9.3.7 Human Resources Management", and "14.11 Major Clients" and "14.12 Major Suppliers" of this report of the Board of Directors, respectively.

14.2 Dividend Policy

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

14.3 Profit and Dividend Distribution

In view of the fact that the profit distributable by the Company at the end of 2022 was negative, according to the provisions of the Articles of Association and considering the actual situation of the Company's current operations and development, no cash dividend and bonus shares will be distributed, no transfer of any capital reserve to share capital and no other form of distribution will be conducted by the Company for the year ended December 31, 2022.

14.4 Reserves

Reserves of the Group for the year ended December 31, 2022 are set out in the Consolidated Statement of Changes in Equity in the consolidated financial statements.

14.5 Distributable Reserves

The distributable reserves of the Group for the year ended December 31, 2022 are set out in the Consolidated Statement of Financial Position in the consolidated financial statements.

14.6 Summary of Financial Information

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2022 are set out in "5. Financial Summary".

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

In 2022, the Group further improved the Environmental, Social and Governance ("**ESG**") indicator collection system. The disclosure scope of ESG environmental indicator covered the Company's headquarters, headquarters of branches and subsidiaries in 2022. Meanwhile, we made deep communication with stakeholders to enquire their opinions and suggestions regarding 21 social responsibility issues on economy, society, environment and corporate governance, and we derived a matrix of material issues in 2022 through scientific analysis and took it as an important reference for the Group to determine the management direction for social responsibility of the year and prepare future work plans. For details regarding ESG of China Huarong, please refer to the relevant chapters of the 2022 Annual Report of China Huarong to be published by the Company, which can be accessed or downloaded on the websites of the Company and the Hong Kong Stock Exchange.

14.8 Donation

Total donations made by the Group for 2022 amounted to RMB4.7 million.

14.9 Property and Equipment

None of the properties held by the Group had any percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of more than 5%. The details in relation to the changes in property and equipment of the Group for the year ended December 31, 2022 are set out in "17. Audit Report and Financial Statements — V. Explanatory Notes — 35. Property and equipment".

14.10 Pension Plan

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

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

14.11 Major Clients

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

14.12 Major Suppliers

During the Reporting Period, the cost from the top five suppliers from which the Company acquired distressed assets accounted for not more than 30% of the Company's acquisition costs in 2022.

14.13 Share Capital and Public Float

As at December 31, 2022, the Company had a total of 80,246,679,047 Shares, and 441 registered holders. Details are set out in "10. Changes in Share Capital and Information on Substantial Shareholders".

References are made to the announcements of the Company dated November 21, 2021, December 30, 2021 and April 20, 2022, in relation to (i) the completion of non-public issuance of Domestic Shares and H Shares by the Company (the "**Issuance**"); (ii) the agreement of the Hong Kong Stock Exchange to grant a temporary waiver to the Company to allow the minimum public float of the Company to be reduced to 18.23% for the period from the completion of the Issuance to August 31, 2022 (the "**Waiver**"); and (iii) the fact that in order to restore the public float to at least 25% of the Company's total issued Shares as soon as reasonably practicable, the Company has received powers of attorney from certain domestic Shareholders to appoint the Company to transfer certain Domestic Shares of the Company held by them into H Shares in accordance with the relevant provisions, and list and circulate on the Main Board of the Hong Kong Stock Exchange (the "**Full Circulation**"), and to authorize the Board of Directors of the Company or its authorized persons to deal with matters relating to the Full Circulation. On November 24, 2022, the Full Circulation was completed. Upon completion of the Full Circulation, H-shares of the Company held by the public will account for approximately 28.64% of the total number of shares issued by the Company and meet the minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules. For details, please refer to the relevant announcement of the Company dated November 24, 2022.

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

14.14 Pre-emptive Right and Share Option Arrangement

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

14.15 Purchase, Sale and Redemption of Listed Securities

During the reporting period, save for those disclosed in this Report, no listed securities of the Company were purchased, sold or redeemed by the Company or its subsidiaries.

14.16 Issuance of Securities

Details of securities issued by the Company are set out in "17. Audit Report and Financial Statements — V. Explanatory Notes — 47. Bonds and notes issued".

14.17 Material Interests and Short Positions

Details of material interests and short positions of Shareholders are set out in "10. Changes in Share Capital and Information on Substantial Shareholders — 10.2 Substantial Shareholders — 10.2.1 Interests and Short Positions held by the Substantial Shareholders and Other Parties".

14.18 Use of Proceeds

14.18.1 Proceeds from Initial Public Offering of Shares

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

As of December 31, 2022, all proceeds from initial public offering of shares have been utilized.

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

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

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

As of December 31, 2022, the proceeds have been used to replenish the Company's core tier-1 capital.

14.19 Borrowings

The balance of the borrowings of the Group as at December 31, 2022 amounted to approximately RMB629,496 million. Details of our borrowings are set out in "17. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 42. Borrowings".

14.20 Directors, Supervisors and Senior Management

Details of the Directors, Supervisors and senior management of the Company are set out in "11. Directors, Supervisors and Senior Management". The daily operations of the Board are set out in "12. Corporate Governance Report".

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

As of December 31, 2022, none of the Directors, Supervisors and chief executive of the Company had any interests or short positions in the Shares and underlying Shares of the Company or other associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

None of the Directors and Supervisors of the Company or their associated entities had any beneficial interests, directly or indirectly, in any transactions, arrangements or contracts of significance (except service contracts) concerning the business of the Group entered into with the Company or any of its controlling companies, subsidiaries or fellow subsidiaries in 2022.

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

14.23 Material Contracts with Controlling Shareholders

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

14.24 Management Contracts

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

14.25 Interests of Directors in Businesses Competing with the Company

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

14.26 Remuneration Policy of Directors, Supervisors and Senior Management

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

14.27 Relationship between Directors, Supervisors and Senior Management

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

14.28 Indemnity from Directors, Supervisors and Senior Management

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

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

14.29 Compliance with Relevant Laws and Regulations

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

14.30 Major Subsidiaries

The major subsidiaries of the Group are set out in "17. Audit Report and Financial Statements — V. Explanatory Notes — 64. Particulars of principal subsidiaries".

14.31 Auditors

The consolidated financial statements of the Company for 2022 prepared under the IFRSs and PRC GAAP have been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

14.32 Statement for Changes of Auditors in the Past Three Years

Since Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP have provided audit services for the Company for eight years by 2020, reaching the maximum service term stipulated by the MOF, therefore the Company changed its accountants to Ernst & Young and Ernst & Young Hua Ming LLP in 2020.

14.33 Equity-Linked Agreement

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

14.34 Debentures Issued

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

14.35 Audit Committee

The Audit Committee of the Board of the Company has reviewed the annual results of the Group for 2022 and the 2022 audited consolidated financial statements prepared in accordance with IFRSs and PRC GAAP.

By order of the Board
LIU Zhengjun
Chairman
March 29, 2023

15. Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors did well in the supervision work in accordance with the relevant PRC laws and regulations, regulatory requirements such as the Measures for the Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial) and the provisions of the Articles of Association, and actively exerted the supervisory role to promote the Company's continuous improvement of corporate governance and promote the legal, compliant and stable development.

15.1 Convening of Meetings

During the Reporting Period, the Board of Supervisors held 4 meetings to review and approve 10 resolutions including 2021 Annual Report and to consider 5 resolutions. The Supervision Committee of the Board of Supervisors held 4 meetings to consider 7 resolutions, including the annual audit for 2021.

15.2 Supervision Work

Performance supervision. By attending the relevant meetings of the Board of Directors and senior management, accessing documents, listening to reports, conducting research and daily performance supervision, the Board of Supervisors continuously paid attention to the implementation of national economic and financial policies, regulatory requirements, serving the national strategies, supporting and serving the real economy, promoting the task of "ensuring stability in employment, financial operations, foreign trade, foreign investment, domestic investment, and expectations" and "ensuring security in jobs, basic living needs, operations of market entities, food and energy security, stable industrial and supply chains, and the normal functioning of primary-level governments", preventing and mitigating financial risks. The Board of Supervisors paid attention to the formulation of the Company's development strategy, actively promoted the formulation of development strategy that complies with the national economic and financial policies and the Company's functional positioning, and pushed forward the further enhancement of the scientificity, rationality and effectiveness in respect of the development strategy. The Board of Supervisors was also aware of the compliance with laws and regulations, the Articles of Association and relevant rules of procedures by the Board of Directors, senior management and its members, strengthened the supervision on the performance of duties of Directors and senior management, focusing on the supervision of the implementation of resolutions passed on the general meeting of Shareholders and meetings of the Board of Directors and the regulatory opinions. The Board of Supervisors carried out annual performance evaluation according to the items, standards, methods and procedures specified in the relevant regulatory requirements, made recommendations to Directors and senior management on performance of duties on five dimensions, namely performance of loyalty obligations, diligence obligations, professionalism, independence and ethical standards, as well as compliance, and reported evaluation profile and the evaluation results to the general meeting of Shareholders and the regulatory authorities.

Financial supervision. The Board of Supervisors strengthened supervision on the preparation and review procedures of regular financial reports, carefully reviewed regular financial reports, annual financial accounts and profit distribution plans. The Supervision Committee of the Board of Supervisors convened four meetings to hear the reports on the annual audit results for 2021, the interim review results and annual audit results for 2022, fully communicated with the external audit institutions and senior management regarding asset quality, expected credit loss model and operations of holding institutions, and made relevant suggestions. The Board of Supervisors regularly accessed operational and financial information, monitored changes in key financial data, and paid close attention to trends of change in profitability, assets and liabilities, and financial income and expenditure indicators, and further supervised the implementation of business plans. The Board of Supervisors kept an eye on the implementation of capital replenishment plans, tax plans and cost reduction and efficiency enhancement, and actively appealed to the regulatory authorities to support the Company's replenishment of medium and long-term capital sources.

Internal control supervision. The Board of Supervisors paid attention to the implementation of the policies of the relevant state departments and the regulatory requirements of the regulatory authorities, listened to the report on the relevant situation, followed up with the implementation progress and promoted the implementation of regulatory requirements to achieve substantial results. The Board of Supervisors carried out surveys on the classification and management of institutions, put forward relevant suggestions, and promoted the Company to improve the top-level design for the transformation and development of core business. The Board of Supervisors conducted studies on standardization of post-investment management and made relevant suggestions to promote the standardized, normalized and process-based post-investment management. The Board of Supervisors carried out surveys on differentiated operations of non-financial subsidiaries, proposed relevant recommendations, and propelled the Company to make plans for top-level design of institutional layout in a scientific way. The Board of Supervisors conducted supervision on internal control in key areas, carried out investigations on the construction of internal control compliance and the planning and construction of information systems, respectively, paid attention to internal control on anti-money laundering, case prevention and management, related transactions and data governance, adhered to problem-orientated principle, and promoted further enhancement of the effectiveness of internal control systems in key areas, effective performance of the three lines of defense and lawful and compliant operation. The Board of Supervisors assigned members to attend more than 130 meetings related to senior management's business decision-making, and continuously paid attention to the performance of senior management's duties in major business decision-making.

Risk management supervision. The Board of Supervisors conducted surveys on comprehensive risk management, paid attention to the operation of the comprehensive risk management system, formulation and transmission of risk management strategies and risk appetite, the improvement and implementation of risk management policies and procedures, concerned about the management of consolidated statements, capital management and stress tests, and promoted the further optimization of the comprehensive risk management system. The Board of Supervisors carried out researches on asset quality and risk resolution, investigated the overall status of credit risk and market risk and asset quality control, and helped the Company further improve the risk resolution mechanism and system. The Board of Supervisors conducted surveys on asset quality in key regions, of key institutions and key businesses, analyzed and revealed potential and suggestive risks and tendencies of some operating units, and drove the operating units to focus on their main responsibility and strengthen risk control.

15.3 Self-construction

The Board of Supervisors faithfully performed its duties. The Supervisors attended more than 50 meetings during the Reporting Period. The Board of Supervisors carried out four theme studies, investigated four operating units and conducted three off-site studies, put forward opinions and suggestions on major issues, difficulties and hot-spot issues that must be solved for the current reform and development of the Company, and propelled the Company to further strengthen the top-level design of operation and management. The Board of Supervisors organized the Supervisors to attend relevant trainings of the Hong Kong Chartered Governance Institute and CITIC Group, familiarized them with the latest policies and requirements of the regulatory authorities related to corporate governance, anti-fraud, related transactions, core business development, etc., to continuously enhance the ability to perform duties. The Board of Supervisors organized and conducted evaluations and assessments on Supervisors' performance of their duties to assess the Supervisors' performance of their duties, which was reported to the general meeting of Shareholders and regulatory authorities.

By order of the Board of Supervisors
HU Jianzhong
Chairman of the Board of Supervisors
March 29, 2023

16. Significant Events

16.1 Material Litigation and Arbitration

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

16.2 Major Acquisition and Disposal of Assets and Merger

During the Reporting Period, the Company has completed the equity transfer of Huarong Consumer Finance, Huarong Securities, Huarong Xiangjiang Bank and Huarong Trust. Details of which are set out in "17. Audit Report and Financial Statements — V. Notes to the Consolidated Financial Statements — 15. Discontinued operations". In addition, the Group did not enter into any material acquisition or disposal of assets or mergers of enterprises.

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

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

16.4 Implementation of Share Incentive Scheme

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

16.5 Major Contracts and Their Implementation

16.5.1 Major Custodies, Underwriting and Leasing

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

16.5.2 Material Guarantees

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

16.6 Events after the Reporting Period

Details of events after the Reporting Period are set out in "17. Audit Report and Financial Statements — VI. Events after the Balance Sheet Date".

17. Audit Report and Financial Statements

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA HUARONG 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 Huarong Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 140 to 344, which comprise the consolidated statement of financial position as at 31 December 2022, 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 31 December 2022, 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 ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key Audit Matters (continued)

Key audit matter

Expected credit loss allowance for debt instruments at amortised cost

The Group adopts the expected credit loss model to assess the impairment of financial assets according to *International Financial Reporting Standard 9 Financial Instruments* ("IFRS 9"). Complex models and assumptions are used in the measurement of expected credit losses for debt instruments at amortised cost, for example:

- Significant increase in credit risk — The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for financial assets with 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;
- 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.

How our audit addressed the key audit matter

With the support of our internal credit risk modelling experts, we evaluated and tested the methodology, important parameters of the expected credit loss model, management's major judgements and related assumptions, including:

- Assessing the reasonableness of the expected credit loss model methodology;
- Assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for debt assets at amortised cost;
- Assessing the reasonableness of related parameters, including the probability of default, loss given default, exposure at default, and the significant increase in credit risk, in response to the macroeconomic changes;
- Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and different weights of multiple macroeconomic scenarios; and
- Selecting samples to assess the reasonableness of management judgments on whether the credit risk has increased significantly since initial recognition and whether credit impairment has occurred.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matters (continued)

Key audit matter	**How our audit addressed the key audit matter**
Expected credit loss allowance for debt instruments at amortised cost (continued)	
The Group's disclosures about accounting judgements and estimations of impairment of financial assets and the details of these financial assets are included in Note IV.1.2 Impairment of financial assets, Note V.30 Debt instruments at amortised cost and Note V.61.1 Credit risk.	We adopted a risk-based sampling approach in our credit review procedures. We assessed the debtors' repayment capacity and reasonableness of credit risk staging, taking into consideration debtors' financial information, collateral valuation reports and other available information. We focused on debt instruments at amortised cost with perceived higher risk and selected samples from credit impaired debt instruments, overdue but performing debt instruments, and borrowers with negative warning signs or adverse press coverage. We performed credit review for the selected credit impaired debt instruments by assessing the amount, timing and likelihood of forecast of recoverable cash flows through inquiry, applying judgement and our own research, especially reasonableness of the models and the related assumptions related to cash flows from collateral. Furthermore, we checked the adequacy of related disclosures including the disclosures of credit risk and expected credit losses.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments measured at Level 3 fair value	
Financial assets carried at fair value represented a significant portion of the Group's total assets, and carrying balances of financial instruments measured at Level 3 fair value accounted for approximately 31% of the Group's total assets. The fair values of level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of subjective judgement by management and the use of assumptions and estimates, particularly those requiring significant unobservable inputs. Valuation results can vary significantly when different valuation techniques and assumptions are applied. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note IV.2.2 Fair value of financial instruments and Note V.62 Fair value of financial instruments.	Our procedures in relation to the valuation of financial instruments measured at Level 3 fair value as at 31 December 2022 included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. For unobservable inputs, such as estimated future cash flows, we compared the cash flows against relevant contractual terms or performed assessments of cash flows from collateral or profit forecasts. We re-performed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we checked the adequacy of disclosures related to the fair value hierarchy.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of control over structured entities The Group has interests in various structured entities, such as private equity funds, trusts, asset management plans and wealth management products, in conducting financial investments, asset management business and credit assets transfers. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control taking into consideration the power arising from rights, variable returns, and the link between power and returns. The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this is considered as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note IV.1.4 Control on structured entities, Note V.32 Interests in consolidated structured entities and Note V.33 Interests in unconsolidated structured entities.	We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it controls structured entities. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has legal or constructive obligation to absorb any loss of structured entities by reviewing relevant term sheets, and whether the Group has provided liquidity support or credit enhancement to structured entities, as well as the fairness of transactions between the Group and structured entities. Furthermore, we checked the adequacy of disclosures related to interests in structured entities.

INDEPENDENT AUDITOR'S REPORT (continued)

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 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 it 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is NG Chi Keung.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2022	2021
Continuing operations			
Income from distressed debt assets	2	**22,779,072**	28,077,208
Fair value changes on distressed debt assets	3	**5,709,817**	6,464,546
Fair value changes on other financial assets and liabilities	4	**(11,158,179)**	11,599,326
Interest income	5	**11,225,412**	13,592,094
Finance lease income		**1,056,261**	2,040,905
Gains from derecognition of financial assets measured at amortised cost		**16,108**	1,227,994
(Losses)/gains from derecognition of debt instruments at fair value through other comprehensive income		**(591,429)**	265,718
Commission and fee income	6	**233,507**	413,896
Net gains on disposals or deemed disposals of subsidiaries, associates and joint ventures		**589,008**	571,681
Dividend income	7	**914,309**	1,063,196
Other income and other net gains or losses	8	**6,490,141**	2,777,352
Total		**37,264,027**	68,093,916
Interest expense	9	**(37,064,535)**	(42,679,833)
Commission and fee expense	10	**(593,775)**	(208,377)
Operating expenses	11	**(6,839,441)**	(7,533,037)
Impairment losses under expected credit loss model	12	**(29,380,971)**	(13,214,610)
Impairment losses on other assets	13	**(1,184,369)**	(604,505)
Total		**(75,063,091)**	(64,240,362)
Change in net assets attributable to other holders of consolidated structured entities	32	**352,861**	(2,269,685)
Share of results of associates and joint ventures		**329,930**	134,650
(Loss)/profit before tax from continuing operations		**(37,116,273)**	1,718,519
Income tax credit/(expense)	14	**3,734,824**	(4,211,913)
Loss for the year from continuing operations		**(33,381,449)**	(2,493,394)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Note V	**2022**	2021
Discontinued operations			
Profit after tax for the year from discontinued operations	15	**5,595,175**	4,479,460
(Loss)/profit for the year		**(27,786,274)**	1,986,066
(Loss)/profit attributable to:			
Equity holders of the Company		**(27,581,088)**	378,475
Holders of perpetual capital instruments	55	**531,082**	1,219,190
Non-controlling interests		**(736,268)**	388,401
		(27,786,274)	1,986,066
(Loss)/earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	16		
— Basic		**(0.344)**	0.010
— Diluted		**(0.344)**	0.010
Loss per share attributable to equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	16		
— Basic		**(0.398)**	(0.047)
— Diluted		**(0.398)**	(0.047)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December	
	Note V	**2022**	2021
(Loss)/profit for the year		**(27,786,274)**	1,986,066
Other comprehensive (expenses)/income:			
Items that will not be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit obligations		**6,887**	(14,449)
Fair value (losses)/gains on investments in equity instruments at fair value through other comprehensive income		**(331,101)**	46,495
Income tax effect	37	**(30,916)**	(7,158)
		(355,130)	24,888
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(4,376,744)**	1,507,257
Fair value changes on hedging instruments designated in cash flow hedges	22,54	**275,979**	326,372
Financial assets measured at fair value through other comprehensive income			
— fair value changes		**408,186**	(1,030,918)
— amounts reclassified to profit or loss upon disposals		**171,925**	(299,632)
— impairment provided		**(1,371,625)**	(75,129)
Income tax effect	37	**201,284**	95,322
		(4,690,995)	523,272
Other comprehensive (expenses)/income for the year, net of income tax		**(5,046,125)**	548,160
Total comprehensive (expenses)/income for the year		**(32,832,399)**	2,534,226
Total comprehensive (expenses)/income attributable to:			
Equity holders of the Company		**(32,199,503)**	822,323
Holders of perpetual capital instruments	55	**531,082**	1,219,190
Non-controlling interests		**(1,163,978)**	492,713
		(32,832,399)	2,534,226

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Note V	**2022**	2021
Assets			
Cash and balances with central bank	19	**23,172**	23,956,501
Deposits with financial institutions	20	**97,578,243**	146,698,257
Placements with financial institutions	21	**1,300,243**	19,685,761
Financial assets at fair value through profit or loss	22	**309,455,886**	351,047,719
Financial assets held under resale agreements	23	**706,711**	11,044,271
Contract assets	24	**5,530,061**	5,735,596
Loans and advances to customers	25	**38,460**	247,164,003
Finance lease receivables	26	**14,528,340**	23,554,067
Debt instruments at fair value through other comprehensive income	27	**25,318,414**	57,203,624
Equity instruments at fair value through other comprehensive income	28	**2,038,595**	3,139,579
Inventories	29	**23,051,908**	20,854,078
Debt instruments at amortised cost	30	**415,352,728**	580,799,434
Interests in associates and joint ventures	31	**9,572,767**	10,514,845
Investment properties	34	**7,158,594**	6,854,222
Property and equipment	35	**7,164,861**	9,621,207
Right-of-use assets	36	**1,098,704**	3,502,108
Deferred tax assets	37	**15,860,379**	15,612,489
Goodwill	38	**18,222**	322,971
Assets held for sale		**—**	7,301,599
Other assets	39	**19,529,708**	23,809,451
Total assets		**955,325,996**	1,568,421,782

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

AS AT 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

		As at 31 December	
	Note V	**2022**	2021
Liabilities			
Borrowings from central bank		**—**	23,147,628
Deposits from financial institutions		**—**	13,656,340
Placements from financial institutions	40	**6,215,802**	4,784,219
Financial assets sold under repurchase agreements	41	**6,744,795**	30,866,222
Borrowings	42	**629,495,975**	747,625,462
Financial liabilities at fair value through profit or loss	22	**768,146**	683,662
Due to customers	43	**—**	257,208,888
Tax payable	44	**2,695,061**	1,388,605
Contract liabilities	45	**720,357**	401,197
Lease liabilities	46	**683,387**	2,049,540
Deferred tax liabilities	37	**895,661**	341,556
Bonds and notes issued	47	**189,859,771**	271,065,213
Liabilities directly associated with the assets held for sale		**—**	1,740,257
Other liabilities	48	**68,867,667**	109,478,566
Total liabilities		**906,946,622**	1,464,437,355
Equity			
Share capital	49	**80,246,679**	80,246,679
Other equity instruments	50	**19,900,000**	—
Capital reserve	51	**16,414,328**	16,431,847
Surplus reserve	52	**8,564,210**	8,564,210
General reserve	53	**13,002,514**	17,888,551
Other reserves	54	**(919,314)**	3,906,560
Accumulated losses		**(90,181,567)**	(67,693,975)
Equity attributable to equity holders of the Company		**47,026,850**	59,343,872
Perpetual capital instruments	55	**1,752,562**	22,377,908
Non-controlling interests		**(400,038)**	22,262,647
Total equity		**48,379,374**	103,984,427
Total equity and liabilities		**955,325,996**	1,568,421,782

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

The consolidated financial statements on page 140 to 344 were approved and authorised for issue by the Board of Directors on 29 March 2023 and are signed on its behalf by:

Chairman: **Liu Zhengjun** *Executive Director:* **Li Zimin**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company											Perpetual capital instruments	Non-controlling interests	Total
							Other reserves								
	Note V	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Hedging reserve	Others	Accumulated losses	Subtotal			
As at 1 January 2022		80,246,679	–	16,431,847	8,564,210	17,888,551	1,036,951	3,026,448	(99,301)	(57,538)	(67,693,975)	59,343,872	22,377,908	22,262,647	103,984,427
(Loss)/profit for the year		–	–	–	–	–	–	–	–	–	(27,581,088)	(27,581,088)	531,082	(736,268)	(27,786,274)
Other comprehensive (expenses)/ income for the year		–	–	–	–	–	(961,924)	(3,939,357)	275,979	6,887	–	(4,618,415)	–	(427,710)	(5,046,125)
Total comprehensive (expenses)/ income for the year		–	–	–	–	–	(961,924)	(3,939,357)	275,979	6,887	(27,581,088)	(32,199,503)	531,082	(1,163,978)	(32,832,399)
Capital contribution by other equity instrument holders	50	–	19,900,000	–	–	–	–	–	–	–	–	19,900,000	–	–	19,900,000
Redemption of perpetual capital instruments	55	–	–	–	–	–	–	–	–	–	–	–	(14,911,370)	–	(14,911,370)
Distribution relating to perpetual capital instruments	55	–	–	–	–	–	–	–	–	–	–	–	(947,259)	–	(947,259)
Disposal of subsidiaries		–	–	–	–	(4,886,037)	1,996	–	–	–	4,884,041	–	(5,297,799)	(21,518,663)	(26,816,462)
Realised gain of equity instruments at fair value through other comprehensive income	28	–	–	–	–	–	(209,455)	–	–	–	209,455	–	–	–	–
Others		–	–	(17,519)	–	–	–	–	–	–	–	(17,519)	–	19,956	2,437
As at 31 December 2022		80,246,679	19,900,000	16,414,328	8,564,210	13,002,514	(132,432)	(912,909)	176,678	(50,651)	(90,181,567)	47,026,850	1,752,562	(400,038)	48,379,374

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

		Equity attributable to equity holders of the Company										Perpetual capital instruments	Non-controlling interests	Total
						Other reserves								
	Note V	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Translation reserve	Hedging reserve	Others	Accumulated losses	Subtotal			
As at 1 January 2021		39,070,208	17,241,496	8,564,210	17,842,051	2,288,475	1,593,515	(425,673)	(43,089)	(67,976,466)	18,154,727	25,475,878	20,626,259	64,256,864
Profit for the year		—	—	—	—	—	—	—	—	378,475	378,475	1,219,190	388,401	1,986,066
Other comprehensive (expenses)/income for the year		—	—	—	—	(1,301,008)	1,432,933	326,372	(14,449)	—	443,848	—	104,312	548,160
Total comprehensive (expenses)/income for the year		—	—	—	—	(1,301,008)	1,432,933	326,372	(14,449)	378,475	822,323	1,219,190	492,713	2,534,226
Share issued	49	41,176,471	805,333	—	—	—	—	—	—	—	41,981,804	—	—	41,981,804
Dividends declared		—	—	—	—	—	—	—	—	—	—	—	(522,579)	(522,579)
Appropriation to general reserve	53	—	—	—	46,500	—	—	—	—	(46,500)	—	—	—	—
Redemption of perpetual capital instruments	55	—	—	—	—	—	—	—	—	—	—	(3,345,465)	—	(3,345,465)
Distribution relating to perpetual capital instruments	55	—	—	—	—	—	—	—	—	—	—	(971,695)	—	(971,695)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	12,000	12,000
Disposal of subsidiaries		—	—	—	—	—	—	—	—	—	—	—	(85,522)	(85,522)
Change in ownership interests in subsidiaries		—	129,721	—	—	—	—	—	—	—	129,721	—	—	129,721
Realised loss of equity instruments at fair value through other comprehensive income	28	—	—	—	—	49,484	—	—	—	(49,484)	—	—	—	—
Others		—	(1,744,703)	—	—	—	—	—	—	—	(1,744,703)	—	1,739,776	(4,927)
As at 31 December 2021		80,246,679	16,431,847	8,564,210	17,888,551	1,036,951	3,026,448	(99,301)	(57,538)	(67,693,975)	59,343,872	22,377,908	22,262,647	103,984,427

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December	
		2022	2021
OPERATING ACTIVITIES			
(Loss)/profit before tax from continuing operations		**(37,116,273)**	1,718,519
Profit before tax from discontinued operations		**10,124,572**	5,416,255
Adjustments for:			
Impairment losses on financial assets and other items under expected credit loss model		**31,445,558**	17,091,105
Impairment losses on other assets		**1,316,848**	937,918
Depreciation of property and equipment and investment properties		**945,275**	1,015,243
Depreciation of right-of-use assets		**281,868**	718,349
Amortisation of intangible assets and other assets		**318,180**	259,660
Share of results of associates and joint ventures		**(329,930)**	(134,625)
Fair value changes on financial assets and liabilities		**11,983,913**	(10,534,770)
Interest income arising from investment other than held for trading		**(15,466,126)**	(15,997,769)
Dividend income		**(780,240)**	(907,805)
Losses/(Gains) from derecognition of financial assets measured at amortised cost		**109,154**	(541,156)
Losses/(Gains) from derecognition of debt instruments at fair value through other comprehensive income		**512,333**	(334,586)
Interest expense of bonds and notes issued and other borrowings		**11,921,096**	14,435,825
Change in net assets attributable to other holders of consolidated structured entities		**(569,226)**	2,669,413
Net gains on disposal or deemed disposal of subsidiaries, associates and joint ventures		**(8,165,520)**	(571,681)
Net gains on disposal of property and equipment		**(1,280,556)**	(264,768)
Net foreign exchange (gains)/losses		**(2,695,187)**	417,592
Net (reversal)/addition of contingent liabilities		**(60,218)**	70,493
Others		**(495,243)**	—
Operating cash flows before movements in working capital		**2,000,278**	15,463,212
Net increase in loans and advances to customers		**(9,070,474)**	(19,628,116)
Net decrease in finance lease receivables		**8,242,778**	15,537,109
Net (increase)/decrease in balances with central bank and deposits with financial institutions		**(752,026)**	144,301

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2022	2021
Net decrease in financial assets at fair value through profit or loss		**10,119,425**	34,102,290
Net decrease in placements with financial institutions		**151,154**	1,888,229
Net (increase)/decrease in financial assets held under resale agreements		**(453,000)**	5,654,106
Net decrease in debt instruments at amortised cost		**37,339,242**	40,568,142
Net decrease in debt instruments at fair value through other comprehensive income		**6,181,785**	13,222,189
Net increase in due to customers		**23,427,480**	5,593,028
Net decrease in borrowings from central bank		**(434,245)**	(53,589)
Net increase in placements and deposits from financial institutions		**3,473,725**	127,366
Net increase in financial assets sold under repurchase agreements		**1,176,776**	15,324,158
Net decrease in borrowings of financial institution subsidiaries		**(105,453,724)**	(18,301,868)
Other changes in operating receivables		**(18,978,653)**	(7,390,966)
Other changes in operating payables		**10,865,611**	(2,427,635)
Cash (used in)/from operations		**(32,163,868)**	99,821,956
Income tax paid		**(1,412,875)**	(4,398,371)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(33,576,743)**	95,423,585

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2022	2021
INVESTING ACTIVITIES			
Cash receipts from disposals of financial assets		**81,101,510**	146,576,002
Cash receipts from interest income arising from investment other than held for trading		**7,511,393**	14,259,367
Cash receipts from dividend income		**806,338**	944,710
Cash receipts from disposals/liquidation of associates and joint ventures		**2,605,741**	4,463,020
Cash receipts from disposals of property and equipment, and other assets		**2,107,689**	1,279,277
Cash payments for purchases of financial assets		**(86,101,894)**	(124,680,507)
Cash payments for investments in associates and joint ventures		**(1,393,398)**	(336,413)
Cash receipts for pledge deposits in bank		**952,882**	1,701,782
Cash payments for purchases of property and equipment, investment properties and other assets		**(538,725)**	(981,666)
Net cash inflow on acquisitions of subsidiaries		**—**	12,000
Net cash inflow on disposal of subsidiaries		**1,526,400**	175,809
NET CASH FROM INVESTING ACTIVITIES		**8,577,936**	43,413,381
FINANCING ACTIVITIES			
Cash payments for consolidated structured entities		**(22,029,810)**	(36,383,699)
Issuance of perpetual capital instruments		**19,900,000**	—
Redemption of perpetual capital instruments		**(14,911,370)**	(3,345,465)
Proceeds of borrowings of non-financial institution subsidiaries		**19,496,180**	27,664,954
Repayments of borrowings of non-financial institution subsidiaries		**(33,373,400)**	(38,600,104)
Repayments of leases liabilities		**(552,620)**	(906,299)
Cash receipts from bonds and notes issued		**101,570,743**	114,160,614
Cash repayments for bonds and notes redeemed		**(117,140,932)**	(172,937,919)
Proceeds from issue of shares		**—**	41,981,804
Interest paid for bonds and notes issued and other borrowings		**(9,793,417)**	(18,364,495)
Dividends paid		**(66,001)**	(4,643,689)
Cash payments for distribution to holders of perpetual capital instruments		**(947,259)**	(971,695)
NET CASH USED IN FINANCING ACTIVITIES		**(57,847,886)**	(92,345,993)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts in thousands of Renminbi, unless otherwise stated)

	Note V	Year ended 31 December 2022	2021
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(82,846,693)**	46,490,973
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**179,637,223**	133,154,878
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(36,033)**	(8,628)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	56	**96,754,497**	179,637,223
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES INCLUDE:			
Interest received		**30,955,174**	58,303,180
Interest paid		**(32,698,351)**	(38,983,880)
		(1,743,177)	19,319,300

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

I. GENERAL INFORMATION

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

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

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

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

II. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

1. Standards, amendments and interpretations effective in 2022

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts — Costs of Fulfilling a Contract*
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

Amendments to IFRS 3 replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. In addition, the amendments add an exception to the recognition principle of IFRS 3 Business Combinations 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. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

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

Amendments to IAS 37 specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). 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.

Annual Improvements to IFRSs 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Amendments to IFRS 9 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. 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 adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

II. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

2. Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2022

		Effective for annual periods beginning on or after
Amendments to IAS 8	*Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*	1 January 2024

Amendments to IAS 8 introduce a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 1 and IFRS practice statement 2 provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Amendments to IAS 1 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
- 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

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

III. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs as issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

2. Basis of preparation

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

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY.

Going concern basis

The Group's consolidated financial statements have been prepared on a going concern basis. Facing a complex and challenging external environment, the Company concentrated on its "One-Three-Five" strategic goals of striving to bring itself back onto the right track within the next year, improving quality and efficiency significantly in the next three years, and becoming a leading industry player over the next five years. In 2022, the Company focused on its core business of distressed assets, effectively served the real economy, prevented and mitigated risks, and pressed ahead with its battle against its legacy risks.

However, the Group's net loss attributable to shareholders of the parent company for the year 2022 amounted to RMB27.58 billion due to a combination of factors, which include significant fluctuations in the capital markets, macroeconomic pressures, and downturn in the real estate markets.

The Company came under pressure in meeting certain regulatory capital requirements and was exposed to high liquidity risk resulting from its operating losses. As at 31 December 2022, the Group's bonds payable amounted to RMB189.86 billion, of which RMB18.02 billion were due within one year. As at 31 December 2022, the Group had borrowings of RMB629.50 billion, of which RMB421.06 billion were due within one year.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of preparation (continued)

Going concern basis (continued)

To address the above circumstances, the Group's management took action to carefully consider and assess its future operation plans, sources of working capital and financing, and determine whether the Group can continue operating as a going concern within the next 12 months. These actions include:

i. With support from its substantial shareholders, the Company further promoted the execution of its "One-Three-Five" strategic goals, comprehensively emphasized the role of strategies, and strengthened operation management, reform and innovation, further concentrated on its core business, and continued to promote organizational streamlining, so as to lay a solid foundation for achieving transformation and development in three years and becoming a leading industry player in five years.

ii. Leveraging on the advantages of CITIC Group Corporation ("CITIC Group") in the integration of industry and finance, the Company has enhanced its cooperation with its substantial shareholders. The Company has signed Financing and Asset Transactions Framework Agreement and Comprehensive Service Agreement with CITIC Group, integrated the strengths and resources of the Company and CITIC Group, gave full play to the synergistic effect of CITIC Group's comprehensive financial platform, promoted its cooperation and collaboration with CITIC Group in project development, business innovation, investments and financing.

iii. Maintaining stable liquidity. The Group closely monitors market liquidity conditions and strictly carries out risk monitoring and control. Domestic and foreign bonds are following the repayment schedule. At present, the Group maintains stable fundings and active communications with financial institutions on refinancing and therefore the management is of the view that its liquidity risk is under control.

The Company has maintained active communication with its substantial shareholders and relevant authorities regarding the above measures and future business plans and has prepared a cash flow forecast for the next year. The Company's directors have reviewed this cash flow forecast. The Company's management are of the view that it can obtain adequate working capital to finance its operations and to meet its financial obligations as they fall due within the next 12 months. Accordingly, the Company considers it appropriate to use the going concern basis for the preparation of these financial statements.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022 including controlled structured entities. A company consolidates a subsidiary when it controls it. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

3. Basis of consolidation (continued)

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

5. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note III. 4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

5. Goodwill (continued)

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described in Note III. 6 below.

6. Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstance, except for the fact that IFRS 9, IFRS 15 and IFRS 16 have not yet been adopted by some of these associates or joint ventures. Appropriate adjustments have been made to conform the associate's and the joint venture's accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group.

6. Interests in associates and joint ventures (continued)

When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

The Group assesses whether there is objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interests in associates and joint ventures (continued)

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

7. Cash and cash equivalents

Cash consists of cash on hand and deposits which is not subject to any restriction for use. Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currencies

The functional currency of the Company and its subsidiaries operating in Mainland China is RMB. The Company's subsidiaries operating outside 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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rate for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

8. Foreign currencies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

9. Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

9. Financial instruments (continued)

9.1 Classification and subsequent measurement of financial assets

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

Business model

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, or both collecting contractual cash flows and selling financial assets. If neither of the above applies, the business model of the financial assets is "other". The entity's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

The contractual cash flow characteristics

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

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.1 Classification and subsequent measurement of financial assets (continued)

The contractual cash flow characteristics (continued)

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as financial assets at fair value through profit or loss if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.1 Classification and subsequent measurement of financial assets (continued)

The contractual cash flow characteristics (continued)

(i) Amortised cost and interest income (continued)

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Debt instruments/receivables classified as at FVOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVOCI

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "dividend income" line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVOCI or designated as FVOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "fair value changes on distressed debt assets", "fair value changes on other financial assets and liabilities" or "dividend income" line items.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including loans and advances to customers, financial assets held under resale agreements, debt instruments at FVOCI, debt instruments at amortised cost and other financial assets) and other items (finance lease receivables, credit enhancement and credit commitments) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument, (referred to as Stage 2 and Stage 3). In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date, (referred to as Stage 1). Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, payment in advance and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

9. Financial instruments (continued)

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(ii) Definition of default (continued)

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) To purchase or originate a financial asset at a substantial discount which reflects the fact that a credit loss has occurred.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

9. Financial instruments (continued)

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with IFRS 16.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For undrawn loan commitments, the ECL is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitments draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down.

For ECL on financial guarantee contracts or on loan commitments for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;

- Past-due status;

- Nature and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

For undrawn loan commitments, the loss allowances are the present value of the difference between:

- the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan: and.

- the cash flows that the Group expects to receive if the loan is drawn down.

Except for investments in debt instruments/receivables that are measured at FVOCI, loan commitments and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amounts of these debt instruments/receivables. Such amount represents the changes in the investment revaluation reserve in relation to accumulated loss allowance.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.2 Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(vi) Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation (see Note V.27);
- for loan commitments and financial guarantee contracts: as a provision; and
- where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

9.3 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.4 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Perpetual capital instruments issued by the Group, which includes no contractual obligation for the Group to deliver cash or another financial asset to the holders or to exchange financial assets or financial liabilities with the holders under conditions that are potentially unfavourable to the Group, are classified as equity instruments and are initially recorded at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.4 Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL (continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible loan notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contracts liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Financial instruments (continued)

9.5 Derivative financial instruments

Derivatives are initially recognised at fair value at the date when the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

9.6 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

10. Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Hedge accounting (continued)

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line of the consolidated statement of profit or loss as the recognised hedged item.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Hedge accounting (continued)

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

11. Contract assets and contract liabilities

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

Contract assets

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

Contract liabilities

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Contract assets and contract liabilities (continued)

Incremental costs of obtaining a contract

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

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

- The costs are expected to be recovered.

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

12. Inventories

Properties under development and properties for sale

Properties under development and properties for sale are carried at the lower of cost and net realisable value on an individual basis. Cost is determined on a specific identification basis including allocation of the related development expenditure incurred and where appropriate, borrowing costs capitalised. Net realisable value represents the estimated selling price for the properties less estimated cost to completion and costs necessary to make the sales.

Properties under development for sale are transferred to properties for sale upon completion.

13. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

All investment properties upon the incorporation of the Company were revalued by reference to the valuation carried out during the financial restructuring. The revalued amount was adopted as the deemed cost of the related investment properties.

13. Investment properties (continued)

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost or deemed cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost or deemed 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 capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised 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 derecognised.

14. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purposes are stated in the consolidated statements of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Property and equipment (continued)

Ownership interests in leasehold land and building (continued)

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

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

Category	Depreciation	Residual value rates	Annual depreciation rates
Buildings	5–35 years	3%–5%	2.71%–19.40%
Machinery equipment	5–20 years	3%–5%	4.75%–19.40%
Electronic equipment, furniture and fixtures	3–10 years	3%–5%	9.50%–32.33%
Motor vehicles and vessels	4–6 years	3%–5%	15.83%–24.25%

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

15. Borrowing costs

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

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

15. Borrowing costs (continued)

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

16. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at revalued amounts, being their fair value at the date of the revaluation less subsequent accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

17. Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

17. Impairment on property and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (continued)

The recoverable amount of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

18. Resale and repurchase agreements

18.1 Financial assets held under resale agreements

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

18.2 Financial assets sold under repurchase agreements

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

19. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

III. 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. The probability of shareholders' approval (if required in the jurisdiction) should be considered as part of the assessment of whether the distribution is highly probable.

Property, plant and equipment and intangible assets are not depreciated or amortised once held for sale.

Assets and liabilities held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

21. Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

21. Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

21.1 Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Revenue from contracts with customers (continued)

21.2 Variable consideration

For contracts that contain variable consideration (including floating management fee), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

21.3 Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Revenue from contracts with customers (continued)

21.4 Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (commission expenses) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

21.5 Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its construction contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

22. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

22. Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

22. Taxation (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

23. Leases

23.1 Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

23.2 The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

23. Leases (continued)

23.2 The Group as a lessee (continued)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings, machinery equipment, electronic equipment and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date of underlying asset is available for use). Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property and inventory are presented within "investment properties" and "inventories" respectively.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Leases (continued)

23.2 The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

23. Leases (continued)

23.2 The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

23.3 The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Leases (continued)

23.3 The Group as a lessor (continued)

Classification and measurement of leases (continued)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Upon application of IFRS 16 on 1 January 2019, variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Leases (continued)

23.4 Sales and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises debt instruments at amortised cost equal to the transfer proceeds within the scope IFRS 9.

24. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refer to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognised as assets and liabilities of the Group.

25. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

25. Employee benefits (continued)

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognised in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

The employees of the Company and some subsidiaries of the Group participate in annuity scheme set up by the Group (the "Annuity Scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Retirement benefit costs and termination benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, an entity shall remeasure the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions, reflecting the benefits offered under the plan and the plan assets before and after the plan amendment, curtailment or settlement, without considering the effect of asset ceiling (i.e. the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan).

25. Employee benefits (continued)

Retirement benefit costs and termination benefits (continued)

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. However, if the Group remeasures the net defined benefit liability or asset before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan and the plan assets after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as follows:

- service costs (including past service costs, gains and losses on curtailment and settlements);

- interest expense; and

- remeasurement.

The Group presents the first two components of its defined benefit costs in profit or loss in "Operating expenses". Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficits in the Group's defined benefit plan.

A liability for a termination benefit is recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

26. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note III, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

1. Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

1.1 Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers of the business are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial assets (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

1.2 Impairment of financial assets

Significant increase of credit risk and determination of credit impairment: As explained in Note III.9, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition; and it comes to stage 3 when it is credit impaired (other than purchased or original credit-impaired assets). IFRS 9 does not define what constitutes a significant increase in credit risk or credit impairment. In assessing whether the credit risk of an asset has significantly increased or an asset became credit impaired, the Group takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note III.9.2 and Note V.61.1 for more details.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

1. Critical judgements in applying accounting policies (continued)

1.2 Impairment of financial assets (continued)

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note V.61.1 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluate the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss. See Note V.61.1 for more details on ECL.

1.3 Transfer of financial assets

Whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as whether, and to what extent, derecognition is appropriate requires significant judgement. In making this judgement, the Group evaluates whether it has transferred the right to collect the contractual cash flows, retained substantially all the risks and rewards of the transferred assets, or retained control of the transferred assets.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

1. Critical judgements in applying accounting policies (continued)

1.4 Control on structured entities

The Group's management needs to assess whether the Group has all the following: (a) power over the structured entity, (b) exposure to significant variable returns from its involvement with the structured entity, and (c) the ability to use its power over the structured entity to affect its returns. If such power, exposure and ability exist, the Group has to consolidate such structured entity. When the Group served as manager or trustee of the structured entity, the Group uses the following judgements to determine whether control exists in a structured entity: the scope of decision-making as a manager or trustee, the power held by other parties, the remuneration and the exposure to variability of returns. The Group reassesses whether or not it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in Note III.3. The judgements the Group used in determining whether or not it has control over the structured entities are detailed in Note V.32.

1.5 Judgement on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

1.6 Judgement on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the investees' policy-making process, composition of Board of directors or other governing body, change in ownership and existence of contractual arrangements.

2. Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

2.1 Impairment of financial assets

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. More details of forward-looking information are set out in Note V.61.1.(iii).

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2. Key sources of estimation uncertainty (continued)

2.1 Impairment of financial assets (continued)

Probability of default (the "PD"): PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Loss Given Default (the "LGD"): LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. More details of PD and LGD are set out in Note V.61.1.(iv).

Exposure At Default (the "EAD"): EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

2.2 Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and counterparties, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. As at 31 December 2022, the fair value of Level 3 financial assets that are measured at fair value on a recurring basis amounted to RMB292,576 million (31 December 2021: RMB307,897 million). Details of Level 3 fair value measurements are set out in Note V.62.1.

2.3 Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgement is required to assess the probability of future taxable profits.

IV. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

2. Key sources of estimation uncertainty (continued)

2.4 Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognised as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in the current period is accumulated in properties under development and the common cost among construction periods is allocated among each period on the basis of saleable area.

2.5 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 asset group or portfolio of assets allocated to goodwill. When estimating the present value of future cash flows, the Group needs to anticipate future cash flows from the asset group or portfolio of assets, and select the appropriate discount rate.

2.6 Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. By considering all relevant factors that create an economic incentive, the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. 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 the option to renew or to terminate.

2.7 Leases — Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates to reflect the terms and conditions of the lease.

V. EXPLANATORY NOTES

1. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including distressed asset management, debt equity swap asset management, distressed asset management business conducted by subsidiaries, distressed asset-based special situations investment and distressed asset-based property development.

Financial services operations

The financial services segment comprises finance lease service which is mainly carried out by a subsidiary of the Company.

As disclosed in Note V.15 and Note V.64, as at 31 December 2022, Huarong Xiangjiang Bank Corporation Limited ("Huarong Xiangjiang Bank"), Huarong Securities Co., Ltd. ("Huarong Securities"), and Huarong Consumer Finance Co., Ltd. ("Huarong Consumer Finance") had already been disposed of. The businesses of the above subsidiaries had been classified as discontinued operations and were therefore no longer included in the financial services segment. In addition, segment information of the comparative period had been restated accordingly.

Asset management and investment operations

The asset management and investment segment comprises relevant business operated by the Company and certain of its subsidiaries, mainly including private equity fund, financial investment, international business and other business.

V. EXPLANATORY NOTES (continued)

1. Segment information (continued)

Asset management and investment operations (continued)

As disclosed in Note V.15 and Note V.64, as at 31 December 2022, Huarong International Trust Co., Ltd. ("Huarong Trust") had already been disposed of. The business of the above subsidiary had been classified as a discontinued operation and was therefore no longer included in the asset management and investment segment. In addition, segment information of the comparative period had been restated accordingly.

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China and Hong Kong. There is no significant customer concentration of the Group's business. There are no customers from which the revenue account for more than 10% of the Group's revenue.

Segment income, expenses, gains, losses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

V. EXPLANATORY NOTES (continued)

1. Segment information (continued)

Year ended 31 December 2022	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	22,779,072	—	—	—	22,779,072
Fair value changes on distressed debt assets	5,709,817	—	—	—	5,709,817
Fair value changes on other financial assets and liabilities	(2,340,081)	6,509	(8,824,607)	—	(11,158,179)
Interest income	4,250,559	4,155,567	5,515,409	(2,696,123)	11,225,412
Finance lease income	238	1,026,734	29,289	—	1,056,261
Gains/(losses) from derecognition of financial assets measured at amortised cost	73,158	—	(57,050)	—	16,108
Losses from derecognition of debt instruments at fair value through other comprehensive income	(279,535)	—	(311,894)	—	(591,429)
Commission and fee income	228,702	—	62,099	(57,294)	233,507
Net (losses)/gains on disposals or deemed disposal of subsidiaries, associates and joint ventures	(8,751)	—	597,759	—	589,008
Dividend income	280,786	—	633,433	90	914,309
Other income and other net gains or losses	1,411,764	2,359,665	2,736,827	(18,115)	6,490,141
Total	32,105,729	7,548,475	381,265	(2,771,442)	37,264,027
Interest expense	(23,884,984)	(3,073,711)	(12,173,275)	2,067,435	(37,064,535)
Commission and fee expense	(487,925)	—	(134,406)	28,556	(593,775)
Operating expenses	(4,194,760)	(1,469,291)	(1,207,928)	32,538	(6,839,441)
Impairment losses under expected credit loss model	(24,692,239)	(1,195,243)	(3,493,489)	—	(29,380,971)
Impairment losses on other assets	(357,145)	(212,883)	(614,341)	—	(1,184,369)
Total	(53,617,053)	(5,951,128)	(17,623,439)	2,128,529	(75,063,091)
Change in net assets attributable to other holders of consolidated structured entities	29,389	—	323,472	—	352,861
Share of results of associates and joint ventures	(15,799)	—	345,729	—	329,930
(Loss)/profit before tax from continuing operations	(21,497,734)	1,597,347	(16,572,973)	(642,913)	(37,116,273)
Income tax credit					3,734,824
Loss for the year from continuing operations					(33,381,449)
Profit after tax for the year from discontinued operations					5,595,175
Capital expenditure	58,307	437,873	8,902	—	505,082
Depreciation and amortisation	423,858	814,854	339,027	(9,662)	1,568,077

1. Segment information (continued)

As at 31 December 2022	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Segment assets	**710,394,206**	**107,094,813**	**212,630,487**	**(90,653,889)**	**939,465,617**
Including: Interests in associates and joint ventures	**2,493,334**	**—**	**7,079,433**	**—**	**9,572,767**
Deferred tax assets					**15,860,379**
Total assets					**955,325,996**
Segment liabilities	**593,910,626**	**88,261,235**	**309,935,470**	**(88,751,431)**	**903,355,900**
Deferred tax liabilities					**895,661**
Tax payable					**2,695,061**
Total liabilities					**906,946,622**

V. EXPLANATORY NOTES (continued)

1. Segment information (continued)

Year ended 31 December 2021	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Income from distressed debt assets	28,077,208	—	—	—	28,077,208
Fair value changes on distressed debt assets	6,464,546	—	—	—	6,464,546
Fair value changes on other financial assets and liabilities	7,915,107	2,476	3,681,743	—	11,599,326
Interest income	4,690,786	4,797,401	8,048,724	(3,944,817)	13,592,094
Finance lease income	—	1,980,232	60,673	—	2,040,905
Gains from derecognition of financial assets measured at amortised cost	870,615	—	357,379	—	1,227,994
Gains/(losses) from derecognition of debt instruments at fair value through other comprehensive income	373,689	14,788	(122,759)	—	265,718
Commission and fee income	296,061	—	142,669	(24,834)	413,896
Net (losses)/gains on disposals or deemed disposal of subsidiaries, associates and joint ventures	(82,609)	—	654,290	—	571,681
Dividend income	1,151,252	—	280,376	(368,432)	1,063,196
Other income and other net gains or losses	1,990,932	879,309	(51,151)	(41,738)	2,777,352
Total	51,747,587	7,674,206	13,051,944	(4,379,821)	68,093,916
Interest expense	(29,550,124)	(3,901,205)	(12,496,272)	3,267,768	(42,679,833)
Commission and fee expense	(106,978)	—	(120,238)	18,839	(208,377)
Operating expenses	(5,201,195)	(786,428)	(1,533,982)	(11,432)	(7,533,037)
Impairment losses under expected credit loss model	(7,853,615)	(832,286)	(4,528,709)	—	(13,214,610)
Impairment losses on other assets	(46,725)	(180,411)	(377,369)	—	(604,505)
Total	(42,758,637)	(5,700,330)	(19,056,570)	3,275,175	(64,240,362)
Change in net assets attributable to other holders of consolidated structured entities	(1,854,159)	—	(415,526)	—	(2,269,685)
Share of results of associates and joint ventures	71,519	—	63,131	—	134,650
Profit/(loss) before tax from continuing operations	7,206,310	1,973,876	(6,357,021)	(1,104,646)	1,718,519
Income tax expense					(4,211,913)
Loss for the year from continuing operations					(2,493,394)
Profit after tax for the year from discontinued operations					4,479,460
Capital expenditure	66,995	787,413	78,580	—	932,988
Depreciation and amortisation	581,313	1,153,017	287,266	(28,344)	1,993,252

V. EXPLANATORY NOTES (continued)

1. Segment information (continued)

As at 31 December 2021	Distressed asset management	Financial services	Asset management and investment	Elimination	Consolidated
Segment assets	802,135,841	588,533,080	254,266,963	(99,428,190)	1,545,507,694
Including: Interests in associates and joint ventures	2,471,696	—	8,043,149	—	10,514,845
Assets held for sale	266,590	7,035,009	—	—	7,301,599
Deferred tax assets					15,612,489
Total assets					1,568,421,782
Segment liabilities	712,139,123	534,850,597	312,475,114	(98,497,897)	1,460,966,937
Liabilities directly associated with the assets held for sale	1,591	1,738,666	—	—	1,740,257
Deferred tax liabilities					341,556
Tax payable					1,388,605
Total liabilities					1,464,437,355

2. Income from distressed debt assets

The amount represents interest income arising from distressed debt assets classified as debt instruments at FVOCI and debt instruments at amortised cost, which include loans acquired from financial institutions and other distressed debt assets acquired from non-financial institutions (see Notes V.27 and V.30).

3. Fair value changes on distressed debt assets

The amount represents fair value changes on distressed debt assets measured at FVTPL during the year (see Note V.22).

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

4. Fair value changes on other financial assets and liabilities

	Year ended 31 December	
	2022	2021
Listed and unlisted shares and funds	**(8,880,182)**	9,238,076
Derivatives and structured products	**(1,366,383)**	218,543
Debt instruments	**(773,920)**	(364,355)
Trust products	**95,860**	1,387,192
Wealth management products	**46,611**	451,012
Other investments and financial liabilities	**(280,165)**	668,858
Total	**(11,158,179)**	11,599,326

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

5. Interest income

	Year ended 31 December	
	2022	2021
Debt instruments at amortised cost other than distressed debt assets	**5,263,713**	6,166,440
Receivables arising from sales and leaseback arrangements	**3,860,630**	4,414,321
Deposits with financial institutions	**1,767,096**	2,081,118
Debt instruments at FVOCI other than distressed debt assets	**190,515**	571,983
Placements with financial institutions	**88,866**	115,926
Loans and advances to customers	**41,139**	222,217
Financial assets held under resale agreements	**13,347**	19,913
Balances with central bank	**106**	176
Total	**11,225,412**	13,592,094

V. EXPLANATORY NOTES (continued)

6. Commission and fee income

	Year ended 31 December	
	2022	2021
Asset management business	**138,231**	235,129
Securities and futures brokerage business	**93,455**	162,974
Fund management business	**1,821**	15,793
Total	**233,507**	413,896

(1) Disaggregation of revenue

	Year ended 31 December	
	2022	2021
By geographical markets		
Mainland China	**217,514**	384,120
Hong Kong	**15,993**	29,776
Total	**233,507**	413,896

	Year ended 31 December	
	2022	2021
Timing of revenue recognition		
A point in time	**126,301**	173,192
Over time	**107,206**	240,704
Total	**233,507**	413,896

V. EXPLANATORY NOTES (continued)

6. Commission and fee income (continued)

(2) Performance obligations for contracts with customers

(a) Asset management business consist mainly of fund management business

The Group provides asset management service by acting as a trustee, a manager or a general partner in private equity funds.

The Group is titled fixed and variable considerations for its provision of asset management services. The Group deducts and collects fixed considerations from funds under management regularly over the service period and recognised the revenue over time. For certain asset management service contracts, the Group is entitled additional revenue according to investment performance, and the relevant revenue is recognised when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Securities and futures business

Apart from asset management services, the Group also provides securities and futures transaction dealing, and securities underwriting services.

The Group's securities and futures transaction dealing services represent clients to perform clearing and settlements of securities, futures and funds according to clients' instructions. The Group collects transaction price as a certain percentage of transaction prices when the instructed transaction is cleared. The Group recognises revenue at a point when the services are completed.

The Group provides underwriting services in respect of equity or debt instruments issued by customers. Transaction price is collected as a certain percentage of funds raised when the securities are successfully issued. The relevant revenue is recognised at one point when the services are completed. Progress payments received by the Group before the issue of the securities are recognised as contract liabilities.

6. Commission and fee income (continued)

(3) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021, and the expected timing of recognising revenue are as follows:

	Year ended 31 December 2022
	Asset management business
Within one year	**3,370**
More than one year but not more than two years	**—**
Total	**3,370**

	Year ended 31 December 2021
	Asset management business
Within one year	65
More than one year but not more than two years	44
Total	109

These amounts disclosed above do not include transaction price allocated to performance obligations which is part of a contract that has an original expected duration of one year or less. It also does not include any estimates in variable considerations that the Group will recognise in the future.

(4) Relationship between disaggregation of revenue and revenue information disclosed in segment

The Group provides asset management services (excluding trust and fund management) in "Distress asset management" and "Asset management and investment" segments. For securities and futures brokerage and fund management, they are recorded in "Distress asset management" segment as disclosed in Note V.1.

7. Dividend income

	Year ended 31 December	
	2022	2021
Financial assets at FVTPL	**735,612**	899,474
Equity instruments at FVOCI	**178,697**	163,722
Total	**914,309**	1,063,196

8. Other income and other net gains or losses

	Year ended 31 December	
	2022	2021
Net gains/(losses) on exchange differences	**2,699,920**	(658,026)
Income from the disposal of investment properties	**1,261,902**	—
Income arising from operating leases	**884,257**	1,065,060
Income from investment in associates(1)	**495,243**	—
Revenue from properties development(2)	**187,408**	871,145
Government grants(3)	**85,156**	146,527
Revenue from construction services	**40,388**	440,374
Revenue from hotel operation	**32,244**	131,123
Net gains on assets pending for disposal	**10,344**	49,073
Revenue from futures and spot trading	**—**	310,204
Others	**793,279**	421,872
Total	**6,490,141**	2,777,352

(1) Income from investment in associates

On 15 December 2022, the Company's share of the net fair value of Zhongshan Public Utilities Group Co., Ltd.'s identifiable assets and liabilities exceeded the cost of the investment by RMB495 million, which had been included as income.

(2) Revenue from properties development

The Group entered into contracts with customers to sell properties. According to contract terms, in conjunction with external legal factors, the Group is of the view that it does not have enforceable right to payment from customers for performance completed to date. Therefore, the relevant revenue is recognised at the point when properties are transferred.

Customers have to pay first down payments to the Group according to a certain percentage of transaction prices when they entered into sales and purchases agreements. In additional, the Group collects partial transaction prices in advance from customers for certain properties under progress sold. The Group recognises cumulative amounts received for purchases of properties as contract liabilities initially, and recognises them as revenue from contract liabilities, when customers obtain control over these properties.

Revenue from properties development is recorded in "Distressed asset management" segment and "Asset management and investment" segment as disclosed in Note V.1.

(3) Government grants are subsidies granted by local governments for the Group's establishment of operations or subsidiaries in certain cities.

V. EXPLANATORY NOTES (continued)

9. Interest expense

Interest expense mainly arise from the distressed asset management and financial leasing business of the Group.

	Year ended 31 December	
	2022	2021
Borrowings	**(28,445,412)**	(33,776,434)
Bonds and notes issued	**(8,436,776)**	(8,690,831)
Financial assets sold under repurchase agreements	**(85,750)**	(57,405)
Placements from financial institutions	**(49,624)**	(21,014)
Lease liabilities	**(29,712)**	(113,158)
Other liabilities	**(17,261)**	(20,991)
Total	**(37,064,535)**	(42,679,833)

10. Commission and fee expense

	Year ended 31 December	
	2022	2021
Asset management business	**(559,222)**	(188,126)
Fund management and other business	**(31,745)**	(6,921)
Securities and futures brokerage business	**(2,808)**	(13,330)
Total	**(593,775)**	(208,377)

V. EXPLANATORY NOTES (continued)

11. Operating expenses

	Year ended 31 December	
	2022	2021
Employee benefits[1]	**(2,668,508)**	(2,346,255)
Tax and surcharges	**(507,270)**	(489,778)
Others	**(3,663,663)**	(4,697,004)
Including:		
Depreciation of property and equipment	**(599,042)**	(722,458)
Cost of properties development and sales	**(192,910)**	(781,339)
Depreciation of right-of-use assets	**(281,868)**	(431,676)
Amortisation	**(45,732)**	(51,882)
Depreciation of investment properties	**(262,380)**	(144,742)
Management fee for leases	**(74,358)**	(94,283)
Rental for short-term leases	**(33,476)**	(30,756)
Total	**(6,839,441)**	(7,533,037)

For the year ended 31 December 2022, the Group's principal auditors' remuneration was RMB51 million (2021: RMB49 million).

(1) Employee benefits

	Year ended 31 December	
	2022	2021
Wages or salaries, bonuses, allowances and subsidies	**(1,875,170)**	(1,507,890)
Defined contribution plans[i]	**(269,849)**	(287,964)
Housing funds	**(139,137)**	(139,654)
Staff welfare	**(105,476)**	(158,929)
Social insurance	**(99,766)**	(105,973)
Labour union and staff education expenses	**(83,411)**	(66,211)
Early retirement benefits	**(14,993)**	(6,677)
Others	**(80,706)**	(72,957)
Total	**(2,668,508)**	(2,346,255)

For the year ended 31 December 2022, the Group's employee benefits (including both continued and discontinued operations) totaled RMB3,981 million (2021: RMB4,813 million).

(i) Defined contribution plans include pension scheme, unemployment insurance and corporate annuity scheme set up by the Company and certain other group entities.

12. Impairment losses under expected credit loss model

	Year ended 31 December	
	2022	2021
Debt instruments at amortised cost (Note V.61.1)	**(24,439,121)**	(10,435,225)
Debt instruments at FVOCI (Note V.61.1)	**(2,937,890)**	(1,241,958)
Financial lease receivables (Note V.61.1)	**(914,735)**	(705,524)
Financial assets held under resale agreements	**(284,358)**	399,767
Loans and advances to customers (Note V.61.1)	**(10,883)**	(31,281)
Credit enhancements and commitments (Note V.48)	**—**	(16,506)
Others	**(793,984)**	(1,183,883)
Total	**(29,380,971)**	(13,214,610)

13. Impairment losses on other assets

	Year ended 31 December	
	2022	2021
Interests in associates and joint ventures (Note V.31)	**(435,695)**	(364,257)
Goodwill (Note V.38)	**(286,686)**	—
Foreclosed assets	**(160,777)**	(101,794)
Property and equipment (Note V.35)	**(53,734)**	(86,020)
Inventories (Note V.29)	**(42,983)**	—
Others	**(204,494)**	(52,434)
Total	**(1,184,369)**	(604,505)

14. Income tax credit/(expense)

	Year ended 31 December	
	2022	2021
Current income tax		
PRC enterprise income tax	**(69,899)**	(4,703,148)
PRC land appreciation tax (“LAT”)	**(32,743)**	(57,815)
Profits tax of Hong Kong and Macau, China	**(34,284)**	(29,246)
Over-provisions/(under-provisions) in prior years	**148,188**	(64,405)
Deferred income tax (Note V.37)	**3,723,562**	642,701

14. Income tax credit/(expense) (continued)

	Year ended 31 December	
	2022	2021
Income tax credit/(expense) attributable to continuing operations	**3,734,824**	(4,211,913)
Income tax expense attributable to discontinued operations	**(4,529,397)**	(936,795)
Total	**(794,573)**	(5,148,708)

The statutory income tax rate applicable to PRC enterprises was 25% for the year of 2022 (2021: 25%).

The preferential income tax rate applicable to PRC enterprises within the scope of the western development area was 15% for the year of 2022 (2021: 15%).

The preferential income tax rate applicable to PRC high-tech enterprises was 15% for the year of 2022 (2021: 15%).

Macau profits tax rate applicable to enterprises within Macau was 12% for the year of 2022 (2021: 12%).

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

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

V. EXPLANATORY NOTES (continued)

14. Income tax credit/(expense) (continued)

Reconciliation of consolidated (loss)/profit before tax to income tax credit/(expense) is as follows:

	Year ended 31 December	
	2022	2021
(Loss)/Profit before tax from continuing operations	**(37,116,273)**	1,718,519
Profit before tax from discontinued operations	**10,124,572**	5,416,255
(Loss)/Profit before tax	**(26,991,701)**	7,134,774
Income tax calculated at the tax rate of 25%	**6,747,925**	(1,783,694)
LAT	**(32,744)**	(57,815)
Tax effect of LAT	**8,186**	14,454
Tax effect of income not taxable for tax purpose	**319,699**	363,203
Tax effect of expenses not deductible for tax purpose	**(2,492,375)**	(1,143,455)
Tax effect of different tax rate of subsidiaries	**(571,532)**	(254,466)
Over-provisions/(under-provisions) in prior years	**88,433**	(64,663)
Effect of unused tax losses and deductible temporary differences not recognised as deferred tax assets	**(4,074,853)**	(2,759,916)
Utilisation of tax losses and deductible temporary differences previously not recognised	**91,747**	704,159
Others	**(879,059)**	(166,515)
Income tax expense	**(794,573)**	(5,148,708)
Income tax credit/(expense) attributable to continuing operations	**3,734,824**	(4,211,913)
Income tax expense attributable to discontinued operations	**(4,529,397)**	(936,795)

V. EXPLANATORY NOTES (continued)

15. Discontinued operations

15.1 Huarong Xiangjiang Bank

On 9 June 2022, the Company entered into an Equity Transaction Contract with Hunan Chasing Financial Holding Group Co., Ltd. and Central Huijin Investment Ltd to transfer 40.53% of its equity interests in Huarong Xiangjiang Bank for RMB11,981 million. The Equity Transaction had been completed in June 2022, after which Huarong Xiangjiang Bank ceased to be included into the Company's scope of consolidation as a subsidiary. As the banking business is no longer a part of the Group's businesses, Huarong Xiangjiang Bank has been classified as a discontinued operation.

(1) The results of Huarong Xiangjiang Bank

	Period from 1 January 2022 to the date of disposal	2021
Total revenue	**10,777,491**	21,688,128
Total expenses	**(8,527,396)**	(17,853,947)
Profit before tax	**2,250,095**	3,834,181
Income tax expense	**(505,754)**	(851,046)
Net profit for the year	**1,744,341**	2,983,135
Loss on disposal of the discontinued operation	**(1,958,854)**	—
(Loss)/profit after tax for the year from the discontinued operation	**(214,513)**	2,983,135

(i) The Group's related party transactions had been deducted from the above amounts.

(2) Net cash flows incurred by Huarong Xiangjiang Bank

	Period from 1 January 2022 to the date of disposal	2021
Net cash flow from operating activities	**10,911,041**	8,608,698
Net cash flow (used in)/from investing activities	**(4,430,618)**	9,617,214
Net cash flow used in financing activities	**(5,553,395)**	(15,398,001)
Net cash flows	**927,028**	2,827,911

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.1 Huarong Xiangjiang Bank (continued)

(3) Loss on disposal of the discontinued operation

	At the date of disposal
Total consideration	11,980,668
Accumulated other comprehensive income reclassified to the statement of profit or loss	14,128
Less: Net assets disposed of	(11,891,808)
Tax effect of the discontinued operation	(2,061,842)
Loss on disposal of the discontinued operation	(1,958,854)

(4) Net cash flows in respect of the disposal of Huarong Xiangjiang Bank

	At the date of disposal
Cash consideration received from disposal	11,980,668
Less: balances of cash and cash equivalents disposed of	(16,949,956)
Net cash flows in respect of the disposal	(4,969,288)

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.1 Huarong Xiangjiang Bank (continued)

(5) Net assets of Huarong Xiangjiang Bank at the date of disposal

	At the date of disposal
Cash and balances with central bank	22,218,152
Deposits with financial institutions	1,082,206
Placements with financial institutions	8,106,572
Financial assets at fair value through profit or loss	27,236,384
Financial assets held under resale agreements	3,078,211
Loans and advances to customers	252,279,278
Debt instruments at FVOCI	10,746,030
Equity instruments at FVOCI	227,046
Debt instruments at amortised cost	112,682,923
Property and equipment	1,961,188
Right-of-use assets	1,555,616
Deferred tax assets	2,784,933
Other assets	2,911,691
Less: Borrowings from central bank	(22,785,438)
Deposits from financial institutions	(19,042,353)
Placements from financial institutions	(1,507,020)
Financial assets sold under repurchase agreements	(19,514,769)
Due to customers	(280,514,978)
Tax payable	(427,280)
Lease liabilities	(899,272)
Bonds and notes issued	(64,745,763)
Other liabilities	(2,736,019)
Net assets	34,697,338
Attributable to:	
Equity holders of the Company	11,891,808
Non-controlling interests	17,507,731
Perpetual capital instruments	5,297,799

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.2 Huarong Securities

On 27 January 2022, the Company entered into an Equity Transaction Contract with China Reform Capital Co., Ltd. to transfer 71.99% of its equity interests in Huarong Securities for RMB10,933 million. The Equity Transaction had been completed in June 2022, after which Huarong Securities ceased to be included into the Company's scope of consolidation as a subsidiary. As the securities business is no longer a part of the Group's businesses, Huarong Securities has been classified as a discontinued operation.

(1) The results of Huarong Securities

	Period from 1 January 2022 to the date of disposal	2021
Total revenue	**1,110,088**	1,958,259
Total expenses	**(972,323)**	(1,455,596)
Change in net assets attributable to other holders of consolidated structured entities	**213,441**	(270,113)
Profit before tax	**351,206**	232,550
Income tax expense	**(13,752)**	52,315
Net profit for the year	**337,454**	284,865
Profit on disposal of the discontinued operation	**2,170,458**	—
Profit after tax for the year from the discontinued operation	**2,507,912**	284,865

(i) The Group's related party transactions had been deducted from the above amounts.

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.2 Huarong Securities (continued)

(2) Net cash flows incurred by Huarong Securities

	Period from 1 January 2022 to the date of disposal	2021
Net cash flow from in operating activities	**176,016**	795,612
Net cash flow from investing activities	**2,347,357**	6,054,760
Net cash flow used in financing activities	**(2,908,448)**	(6,118,953)
Net cash flows	**(385,075)**	731,419

(3) Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	10,932,981
Accumulated other comprehensive income reclassified to the statement of profit or loss	28,455
Less: Net assets disposed of	(7,495,628)
Tax effect of the discontinued operation	(1,295,350)
Gain on disposal of the discontinued operation	2,170,458

(4) Net cash flows in respect of the disposal of Huarong Securities

	At the date of disposal
Cash consideration received from disposal	10,932,981
Less: balances of cash and cash equivalents disposed of	(11,259,473)
Net cash flows in respect of the disposal	(326,492)

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.2 Huarong Securities (continued)

(5) Net assets of Huarong Securities at the date of disposal

	At the date of disposal
Deposits with financial institutions	11,773,497
Financial assets at fair value through profit or loss	5,063,006
Financial assets held under resale agreements	1,059,723
Loans and advances to customers	3,281,728
Debt instruments at FVOCI	15,548,410
Equity instruments at FVOCI	25,000
Debt instruments at amortised cost	1,298,004
Property and equipment	73,057
Right-of-use assets	249,481
Deferred tax assets	363,973
Goodwill	18,063
Other assets	1,041,792
Less: Financial assets sold under repurchase agreements	(5,787,843)
Financial liabilities at fair value through profit or loss	(3,236)
Tax payable	2,208
Lease liabilities	(234,153)
Bonds and notes issued	(11,045,288)
Contract liabilities	(376)
Other liabilities	(12,270,377)
Net assets	10,456,669
Attributable to:	
Equity holders of the Company	7,495,628
Non-controlling interests	2,961,041

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.3 Huarong Consumer Finance

On 27 December 2021, the Company entered into an Equity Transaction Contract with Bank of Ningbo Co., Ltd. to transfer 70% of its equity interests in Huarong Consumer Finance for RMB1,091 million. The Equity Transaction had been completed in May 2022, after which Huarong Consumer Finance ceased to be included into the Company's scope of consolidation as a subsidiary. As the consumer finance business is no longer a part of the Group's businesses, Huarong Consumer Finance has been classified as a discontinued operation.

(1) The results of Huarong Consumer Finance

	Period from 1 January 2022 to the date of disposal	2021
Total revenue	**354,124**	1,238,232
Total expenses	**(295,986)**	(1,001,916)
Profit before tax	**58,138**	236,316
Income tax (expense)/credit	**(122)**	3,012
Net profit for the year	**58,016**	239,328
Profit on disposal of the discontinued operation	**408,300**	—
Profit after tax for the year from the discontinued operation	**466,316**	239,328

(i) The Group's related party transactions had been deducted from the above amounts.

(2) Net cash flows incurred by Huarong Consumer Finance

	Period from 1 January 2022 to the date of disposal	2021
Net cash flow (used in)/from operating activities	**(73,236)**	10,871
Net cash flow used in investing activities	**(622)**	(2,317)
Net cash flow used in financing activities	**(2,333)**	(6,701)
Net cash flows	**(76,191)**	1,853

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.3 Huarong Consumer Finance (continued)

(3) Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	1,091,032
Less: Net assets disposed of	(567,474)
Tax effect of the discontinued operation	(115,258)
Gain on disposal of the discontinued operation	408,300

(4) Net cash flows in respect of the disposal of Huarong Consumer Finance

	At the date of disposal
Cash consideration received from disposal	1,091,032
Less: balances of cash and cash equivalents disposed of	(458,609)
Net cash flows in respect of the disposal	632,423

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.3 Huarong Consumer Finance (continued)

(5) Net assets of Huarong Consumer Finance at the date of disposal

	At the date of disposal
Deposits with financial institutions	458,609
Loans and advances to customers	5,393,157
Property and equipment	905
Right-of-use assets	5,797
Deferred tax assets	134,579
Other assets	75,631
Less: Placements from financial institutions	(945,146)
Financial assets sold under repurchase agreements	(754,634)
Financial liabilities at fair value through profit or loss	(3,534,419)
Deferred tax liabilities	(5,379)
Other liabilities	(18,423)
Net assets	810,677
Attributable to:	
Equity holders of the Company	567,474
Non-controlling interests	243,203

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.4 Huarong Trust

On 16 August 2022, the Company entered into an Equity Transaction Contract with China Trust Protection Fund Co., Ltd. to transfer 76.79% of its equity interests in Huarong Trust for RMB6,152 million. The Equity Transaction had been completed in December 2022, after which Huarong Trust ceased to be included into the Company's scope of consolidation as a subsidiary. As the Trust business is no longer a part of the Group's businesses, Huarong Trust has been classified as a discontinued operation.

(1) The results of Huarong Trust

	Period from 1 January 2022 to the date of disposal	2021
Total revenue	**363,322**	1,326,582
Total expenses	**(477,625)**	(83,733)
Change in net assets attributable to other holders of consolidated structured entities	**2,924**	(129,616)
Share of results of associates and joint ventures	**—**	(25)
Profit before tax	**(111,379)**	1,113,208
Income tax expense	**(42,142)**	(141,076)
Net profit for the year	**(153,521)**	972,132
Profit on disposal of the discontinued operation	**2,988,981**	—
Profit after tax for the year from the discontinued operation	**2,835,460**	972,132

(i) The Group's related party transactions had been deducted from the above amounts.

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.4 Huarong Trust (continued)

(2) Net cash flows incurred by Huarong Trust

	Period from 1 January 2022 to the date of disposal	2021
Net cash flow (used in)/from operating activities	**(180,634)**	861,962
Net cash flow from/(used in) investing activities	**9,904,411**	(3,186,463)
Net cash flow (used in)/from financing activities	**(9,761,853)**	2,170,864
Net cash flows	**(38,076)**	(153,637)

(3) Gain on disposal of the discontinued operation

	At the date of disposal
Total consideration	6,152,341
Less: Net assets disposed of	(2,668,182)
Tax effect of the discontinued operation	(495,178)
Gain on disposal of the discontinued operation	2,988,981

(4) Net cash flows in respect of the disposal of Huarong Trust

	At the date of disposal
Cash consideration received from disposal	6,152,341
Less: balances of cash and cash equivalents disposed of	(234,408)
Net cash flows in respect of the disposal	5,917,933

V. EXPLANATORY NOTES (continued)

15. Discontinued operations (continued)

15.4 Huarong Trust (continued)

(5) Net assets of Huarong Trust at the date of disposal

	At the date of disposal
Deposits with financial institutions	238,046
Financial assets at fair value through profit or loss	743,202
Debt instruments at amortised cost	3,117,390
Investment properties	16,493
Property and equipment	11,922
Right-of-use assets	26,932
Deferred tax assets	428,849
Other assets	73,820
Less: Tax payable	(151)
Lease liabilities	(14,588)
Deferred tax liabilities	(384)
Other liabilities	(1,166,807)
Net assets	3,474,724
Attributable to:	
Equity holders of the Company	2,668,182
Non-controlling interests	806,542

V. EXPLANATORY NOTES (continued)

16. (Loss)/earnings per share

The calculation of (Loss)/earnings per share attributable to equity shareholders of the Company is as follows:

	Year ended 31 December	
	2022	2021
(Loss)/earnings:		
(Loss)/profit attributable to equity holders of the Company	**(27,581,088)**	378,475
Continuing operations	**(31,970,481)**	(1,857,177)
Discontinued operations	**4,389,393**	2,235,652
Number of shares:		
Weighted average number of shares for the year (in thousands)	**80,246,679**	39,295,833
Basic (loss)/earnings per share (RMB Yuan)	**(0.344)**	0.010
Diluted (loss)/earnings per share (RMB Yuan)	**(0.344)**	0.010
Basic loss per share from continuing operations (RMB Yuan)	**(0.398)**	(0.047)
Diluted loss per share from continuing operations (RMB Yuan)	**(0.398)**	(0.047)
Basic earnings per share from discontinued operations (RMB Yuan)	**0.055**	0.057
Diluted earnings per share from discontinued operations (RMB Yuan)	**0.055**	0.057

17. Emoluments of directors and supervisors

	Year ended 31 December 2022				
	Fees	Paid remuneration and other benefits	Performance related bonuses	Employer's contribution to pension scheme	Total before tax
Executive directors					
LIU Zhengjun[1][10]	—	—	—	—	—
WANG Zhanfeng[2]	—	117	62	13	192
LIANG Qiang[3]	—	383	186	37	606
WANG Wenjie[4]	—	308	149	32	489
Non-executive directors					
ZHAO Jiangping[10]	—	—	—	—	—
ZHENG Jiangping[10]	—	—	—	—	—
XU Wei[5][10]	—	—	—	—	—
XU Nuo[6][10]	—	—	—	—	—
ZHOU Langlang[7][10]	—	—	—	—	—
Independent non-executive directors					
TSE Hau Yin	250	—	—	—	250
SHAO Jingchun	250	—	—	—	250
ZHU Ning	250	—	—	—	250
CHEN Yuanling	250	—	—	—	250
Supervisors					
HU Jianzhong	—	482	248	47	777
CHENG Fengchao	200	—	—	—	200
HAN Xiangrong	200	—	—	—	200
SUN Hongbo	20	—	—	—	20
GUO Jinghua[9]	20	—	—	—	20
Total	1,440	1,290	645	129	3,504

17. Emoluments of directors and supervisors (continued)

	Year ended 31 December 2021				
	Fees	Paid remuneration and other benefits	Performance related bonuses	Employer's contribution to pension scheme	Total before tax
Executive directors					
WANG Zhanfeng(2)	—	471	248	48	767
LIANG Qiang(3)	—	274	145	28	447
WANG Wenjie(4)	—	438	223	44	705
Non-executive directors					
ZHAO Jiangping	—	—	—	—	—
ZHENG Jiangping	—	—	—	—	—
XU Nuo(6)	—	—	—	—	—
ZHOU Langlang(7)	—	—	—	—	—
Independent non-executive directors					
TSE Hau Yin	250	—	—	—	250
SHAO Jingchun	250	—	—	—	250
ZHU Ning	250	—	—	—	250
CHEN Yuanling	250	—	—	—	250
Supervisors					
HU Jianzhong	—	471	248	45	764
CHENG Fengchao	200	—	—	—	200
HAN Xiangrong	200	—	—	—	200
ZHENG Shengqin(8)	8	—	—	—	8
SUN Hongbo	20	—	—	—	20
GUO Jinghua(9)	13	—	—	—	13
Total	1,441	1,654	864	165	4,124

(1) Liu Zhengjun was appointed as Executive Director and Chairman in April 2022.

(2) Wang Zhanfeng resigned in April 2022.

(3) Liang Qiang resigned in September 2022.

(4) Wang Wenjie resigned in September 2022.

(5) Xu Wei was appointed as a non-executive director in May 2022.

(6) Xu Nuo resigned in March 2022.

V. EXPLANATORY NOTES (continued)

17. Emoluments of directors and supervisors (continued)

(7) Zhou Langlang resigned in May 2022.

(8) Zheng Shengqin resigned in May 2021.

(9) Guo Jinghua was appointed as an employee supervisor in May 2021.

(10) The above-mentioned directors have not received any remuneration from the Group in this year.

The executive directors and supervisors' emoluments shown above were for their services as directors and supervisors in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were for their services as directors of the Company and/or its subsidiaries. The independent non-executive directors' emoluments shown above were for their services as the directors of the Company.

The total compensation packages for these directors and supervisors for the years ended 31 December 2022 and 2021 have not been approved by the general meeting, or finalised in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as set out in Note V.18 below as an inducement to join or upon joining the Group or as a compensation for loss of office. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

V. EXPLANATORY NOTES (continued)

18. Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 and 31 December 2021 were as follows:

	Year ended 31 December	
	2022	2021
Salaries and other benefits	**2,615**	2,436
Employer's contribution to pension scheme	**454**	591
Discretionary and performance related incentive payments	**6,695**	8,506
Total	**9,764**	11,533

Among the five individuals with the highest emoluments in the Group, none of them was a director nor supervisor during the years of 2022 and 2021. The number of these five individuals whose emoluments fall within the following bands is as follows:

	Year ended 31 December	
	2022	2021
HKD2,000,001 to HKD2,500,000	**5**	—
HKD2,500,001 to HKD3,000,000	**—**	4
HKD3,000,001 to HKD3,500,000	**—**	1
	5	5

19. Cash and balances with central bank

	As at 31 December	
	2022	2021
Cash	**122**	497,754
Mandatory reserve deposits with central bank(1)	**7,588**	15,192,316
Surplus reserve deposits with central bank(2)	**15,460**	8,144,629
Other deposits with central bank	**2**	121,802
Total	**23,172**	23,956,501

As at 31 December 2022, the balance of the Group mainly arises from its leasing business (31 December 2021: banking business and leasing business).

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

As at 31 December 2022, the RMB and foreign currency mandatory reserve deposits placed with the PBOC were mainly based on 5.00% and 6.00% of eligible RMB and foreign currency deposits of Huarong Financial Leasing Co., Ltd. ("Huarong Financial Leasing"), a subsidiary of the Company. The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

As at 31 December 2021, the RMB and foreign currency mandatory reserve deposits placed with the PBOC were mainly based on 6.00% of Huarong Xiangjiang Bank and Huarong Financial Leasing; and 9.00% of eligible RMB and foreign currency deposits of Huarong Xiangjiang Bank and Huarong Financial Leasing.

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

20. Deposits with financial institutions

	As at 31 December	
	2022	2021
Banks(1)	**93,313,613**	139,523,649
Clearing settlement funds(2)	**3,292,653**	6,257,730
Other financial institutions	**991,112**	941,140
Subtotal	**97,597,378**	146,722,519
Less: Allowance for ECL(3)	**(19,135)**	(24,262)
Total	**97,578,243**	146,698,257

(1) The Group maintains bank accounts to hold customers' deposits arising from its brokerage business. As at 31 December 2022, the bank balances and clearing settlement funds held on behalf of customers by the Group amounted to RMB3,324 million (31 December 2021: RMB9,970 million). The Group has recognised the corresponding amount in accounts payable to brokerage clients and margin deposit received from securities customers (see Note V.48).

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

(3) As at 31 December 2022 and 2021, the Group's deposits with financial institutions were all in Stage I.

V. EXPLANATORY NOTES (continued)

21. Placements with financial institutions

(1) Analysed by type of counterparty

	As at 31 December	
	2022	2021
Banks	**1,300,536**	18,821,172
Other financial institutions	**—**	864,589
Subtotal	**1,300,536**	19,685,761
Less: Allowance for ECL		
— 12-month ECL	**(293)**	—
— Lifetime ECL	**—**	—
Subtotal	**(293)**	—
Net placements with financial institutions	**1,300,243**	19,685,761

(2) Analysed by geographical sectors

	As at 31 December	
	2022	2021
Mainland China	**1,300,243**	19,685,761
Total	**1,300,243**	19,685,761

V. EXPLANATORY NOTES (continued)

22. Financial assets and financial liabilities at FVTPL

	As at 31 December	
	2022	2021
Distressed debt assets	**179,725,620**	182,087,159
Equity instruments		
— Listed	**32,612,310**	39,630,654
— Unlisted	**21,828,176**	21,532,540
Funds	**39,205,127**	49,095,186
Trust products	**13,918,510**	11,682,265
Debt securities		
— Corporate bonds	**5,734,413**	12,807,916
— Government bonds	**—**	3,377,495
— Financial institution bonds	**295,860**	423,360
— Public sector and quasi-government bonds	**—**	94,516
Derivatives and structured products(1)	**3,632,050**	6,348,139
Convertible bonds	**1,765,254**	2,189,644
Wealth management products(2)	**1,680,502**	5,654,981
Asset management plans	**979,607**	7,864,081
Entrusted loans	**660,350**	884,284
Asset-backed securities	**27,148**	147,597
Negotiable certificates of deposit	**—**	378,319
Other debt assets	**7,390,959**	6,849,583
Total	**309,455,886**	351,047,719

	As at 31 December	
	2022	2021
Financial liabilities mandatorily measured at FVTPL		
Derivatives financial instruments(1)(3)	**744,397**	332,262
Financial liabilities designated as at FVTPL		
Interest of other holders of consolidated structured entities(4)	**23,749**	351,400
Total	**768,146**	683,662

V. EXPLANATORY NOTES (continued)

22. Financial assets and financial liabilities at FVTPL (continued)

(1) The Group entered into a series of interest rate swap and cross-currency swap contracts designated as highly effective hedging instruments in order to manage the Group's foreign currency exposure in relation to foreign currency denominated bonds and notes issued. The terms of the derivative contracts have been negotiated to match the terms of the respective designated hedged items and therefore the hedge is considered highly effective. As at 31 December 2022, the fair value of these hedging instruments amounted to RMB268 million and these instruments had been included in derivatives financial instruments classified as financial assets at FVTPL (31 December 2021: RMB307 million hedging instruments had been included in derivatives financial instruments classified as financial liabilities at FVTPL).

(2) This mainly represents wealth management products issued by banking institutions outside the Group.

(3) As at 31 December 2022, the fair value of the Group's forward contracts amounted to RMB741 million (31 December 2021: RMB5 million).

(4) In respect of these liabilities designated at FVTPL, the Group is required at maturities to pay amounts according to other investors' share in the underlying assets of the special structure entities consolidated. The amount ultimately paid by the Group depends on the fair values of these assets at maturities and may be different from the carrying amounts as at 31 December 2022.

23. Financial assets held under resale agreements

	As at 31 December	
	2022	2021
By collateral type:		
Securities	**706,720**	12,163,715
Bills	**—**	1,507,991
Subtotal	**706,720**	13,671,706
Less: Allowance for ECL		
— 12-month ECL	**(9)**	—
— Lifetime ECL	**—**	(2,627,435)
Subtotal	**(9)**	(2,627,435)
Net financial assets held under resale agreements	**706,711**	11,044,271

23. Financial assets held under resale agreements (continued)

As at 31 December 2022, the Group received pledged securities with a fair value of approximately RMB738 million (31 December 2021: RMB14,634 million). As at 31 December 2022, none of them could be resold or repledged by the Group in the absence of default by their owners (31 December 2021: Nil). For the years ended 31 December 2022 and 2021, the Group did not repledge the securities. The Group has an obligation to return the pledged securities to their counterparties on the maturity dates of the resale agreements.

24. Contract assets

	As at 31 December	
	2022	2021
Construction contracts	**5,530,061**	5,735,596

The Group's contractual assets primarily relate to its right to receive consideration for work of the public-private partnership project (PPP project) completed but not yet billed. The rights to receive consideration is conditional upon future contract performance. When the rights become unconditional, the contractual assets are transferred to trade receivables. The Group's contractual assets are related to revenue earned from ongoing construction services. As such, the balance depends on the progress of ongoing construction services at the end of the year and the accounting recognition of significant financing components.

25. Loans and advances to customers

	As at 31 December	
	2022	2021
Loans and advances to customers measured at amortised cost		
Corporate loans and advances	**—**	125,058,627
Personal loans and advances		
— Personal consumption loans	**—**	33,715,168
— Mortgages	**—**	37,562,809
— Loans for business operations	**—**	17,595,514
— Others	**—**	2,171
Subtotal	**—**	88,875,662
Loans to margin clients	**112,805**	4,463,589
Gross loans and advances to customers measured at amortised cost	**112,805**	218,397,878
Less: Allowance for ECL		
— 12-month ECL	**(26)**	(1,073,790)
— Lifetime ECL	**(74,319)**	(7,034,878)
Subtotal	**(74,345)**	(8,108,668)
Net loans and advances to customers measured at amortised cost	**38,460**	210,289,210
Loans and advances measured at fair value through other comprehensive income		
— Discounted bills	**—**	36,874,793
Net loans and advances to customers	**38,460**	247,164,003

The movements of expected credit loss on loans and advances during the years ended 31 December 2022 and 2021 are detailed in Note V.61.1.

26. Finance lease receivables

	As at 31 December	
	2022	2021
Minimum finance lease receivables:		
Within 1 year (inclusive)	**8,525,468**	13,023,298
1 year to 2 years (inclusive)	**4,125,186**	7,299,150
2 years to 3 years (inclusive)	**3,169,874**	3,533,086
3 years to 4 years (inclusive)	**1,515,764**	3,083,662
4 years to 5 years (inclusive)	**1,454,400**	1,304,530
Over 5 years	**1,406,723**	1,647,459
Gross amount of finance lease receivables	**20,197,415**	29,891,185
Less: Unearned finance income	**(2,914,440)**	(3,615,604)
Net amount of finance lease receivables	**17,282,975**	26,275,581
Less: Allowance for ECL		
— 12-month ECL	**(146,380)**	(190,654)
— Lifetime ECL	**(2,608,255)**	(2,530,860)
Subtotal	**(2,754,635)**	(2,721,514)
Carrying amount of finance lease receivables	**14,528,340**	23,554,067
Present value of minimum finance lease receivables:		
Within 1 year (inclusive)	**7,368,348**	11,490,160
1 year to 2 years (inclusive)	**3,503,286**	6,399,811
2 years to 3 years (inclusive)	**2,689,155**	3,096,393
3 years to 4 years (inclusive)	**1,285,631**	2,702,444
4 years to 5 years (inclusive)	**1,243,158**	1,143,081
Over 5 years	**1,193,397**	1,443,692
Total	**17,282,975**	26,275,581

The movements of expected credit loss on finance lease receivables during the years ended 31 December 2022 and 2021 are detailed in Note V.61.1.

27. Debt instruments at FVOCI

	As at 31 December	
	2022	2021
Distressed debt assets	**16,683,796**	23,030,955
Debt securities		
— Public sector and quasi-government bonds	**1,393,996**	1,752,312
— Government bonds	**1,219,882**	10,500,620
— Corporate bonds	**806,497**	12,992,600
— Financial institution bonds	**655,961**	2,642,473
Entrusted loans[(1)]	**2,174,677**	2,409,438
Asset management plans	**1,459,518**	2,794,928
Debt instruments	**757,299**	963,403
Trust products	**154,400**	90,551
Asset-backed securities	**12,388**	26,344
Total	**25,318,414**	57,203,624

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

The movements of expected credit loss on debt instruments at FVOCI during the years ended 31 December 2022 and 2021 are detailed in Note V.61.1.

28. Equity instruments at FVOCI

	As at 31 December	
	2022	2021
Listed investments	**1,405,358**	831,405
Unlisted investments	**633,237**	2,308,174
Total	**2,038,595**	3,139,579

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

(2) In the current year, the Group disposed of certain investments at their fair value of RMB876 million as at the date of disposal as the investment no longer met the investment objective of the Group (2021: RMB1,777 million). A cumulative gain on disposal of RMB209 million has been transferred to retained earnings (2021: A cumulative loss of RMB49 million). The Group received RMB179 million dividend from equity instruments at FVOCI for the year of 2022 (2021: RMB164 million).

V. EXPLANATORY NOTES (continued)

29. Inventories

	As at 31 December	
	2022	2021
Costs		
Property development costs	**21,815,427**	13,710,171
Properties for sale	**2,220,181**	8,086,401
Subtotal	**24,035,608**	21,796,572
Allowance for impairment losses(1)	**(983,700)**	(942,494)
Total	**23,051,908**	20,854,078

(1) Movement for allowance for impairment losses

	Year ended 31 December	
	2022	2021
Movement for allowance for impairment losses		
At beginning of the year	**(942,494)**	(1,585,686)
Charge for the year	**(42,983)**	—
Write-offs/transfer out	**1,777**	643,192
At end of the year	**(983,700)**	(942,494)
Net book value of inventories pledged for borrowings	**1,080,826**	1,351,517

During the year, borrowing costs of RMB797 million (2021: RMB621 million) were capitalised in the costs of inventory.

V. EXPLANATORY NOTES (continued)

29. Inventories (continued)

Analysis of leasehold lands:

As at 1 January 2022	
Carrying amount	**13,387,401**
As at 31 December 2022	
Carrying amount	**13,447,485**
For the year ended 31 December 2022	
Total cash outflow	**240,770**
Additions	**18,467**
As at 1 January 2021	
Carrying amount	10,139,475
As at 31 December 2021	
Carrying amount	13,387,401
For the year ended 31 December 2021	
Total cash outflow	5,530,730
Additions	7,102,403

Effective from 1 January 2019, the carrying amount of leasehold lands is measured under IFRS 16 at cost less any accumulated depreciation and any impairment losses.

30. Debt instruments at amortised cost

	As at 31 December	
	2022	2021
Distressed debt assets		
Loans acquired from financial institutions	**34,834,318**	31,957,115
Other debt assets acquired from non-financial institutions	**225,908,531**	277,866,266
Subtotal	**260,742,849**	309,823,381
Less: Allowance for ECL		
— 12-month ECL	**(2,419,646)**	(2,820,287)
— Lifetime ECL	**(42,204,297)**	(37,679,714)
Subtotal	**(44,623,943)**	(40,500,001)
Carrying amount of distressed debt assets	**216,118,906**	269,323,380
Other debt assets		
Debt instruments	**92,152,347**	112,163,632
Receivables arising from sales and leaseback arrangements	**75,112,705**	69,336,374
Entrusted loans(1)	**46,437,189**	53,845,625
Trust products	**39,424,849**	56,594,621
Debt securities	**7,891,847**	94,677,178
Asset management plans	**6,373,333**	7,024,465
Asset-backed securities	**1,401**	1,603,565
Others	**1,932,620**	2,199,122
Subtotal	**269,326,291**	397,444,582
Less: Allowance for ECL		
— 12-month ECL	**(772,838)**	(1,232,407)
— Lifetime ECL	**(69,319,631)**	(84,736,121)
Subtotal	**(70,092,469)**	(85,968,528)
Carrying amount of other debt assets	**199,233,822**	311,476,054
Total	**415,352,728**	580,799,434

(1) These are the entrusted loans granted through commercial banks outside the Group.

V. EXPLANATORY NOTES (continued)

30. Debt instruments at amortised cost (continued)

During the year ended 31 December 2022, the Group disposed of certain financial assets measured at amortised cost, primarily for the purpose of credit risk management.

The movements of expected credit loss on debt instruments at amortised cost during the years ended 31 December 2022 and 2021 are detailed in Note V.61.1.

31. Interests in associates and joint ventures

	As at 31 December	
	2022	2021
Interests in associates		
Cost of investments in associates[1]	**11,134,112**	12,689,495
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**(589,059)**	(948,507)
Less: Allowance for impairment losses[2]	**(2,927,219)**	(3,121,883)
Subtotal	**7,617,834**	8,619,105
Interests in joint ventures		
Cost of investments in joint ventures	**6,064,408**	5,986,647
Share of post-acquisition profits or losses and other comprehensive income, net of dividends received	**(292,677)**	(357,929)
Less: Allowance for impairment losses[2]	**(3,816,798)**	(3,732,978)
Subtotal	**1,954,933**	1,895,740
Total	**9,572,767**	10,514,845
Fair value of listed companies	**1,605,200**	755,575

(1) On 15 December 2022, the Company newly invested in the associate, Zhongshan Public Utilities Group Co., Ltd., whose initial investment cost was RMB495 million lower than the Company's share of fair value of identifiable net assets. Please refer to Note V.8 for details.

V. EXPLANATORY NOTES (continued)

31. Interests in associates and joint ventures (continued)

(2) Allowance for impairment losses.

	Year ended 31 December	
	2022	2021
At beginning of the year	**(6,854,861)**	(7,408,305)
Charge for the year	**(435,695)**	(364,257)
Write-off and transfer out	**949,807**	834,822
Others	**(403,268)**	82,879
At end of the year	**(6,744,017)**	(6,854,861)

During the year, the Group received an aggregate of dividend of RMB43 million (2021: RMB79 million) from associates and joint ventures.

The Group performed an impairment test on the interests in associates and joint ventures at the end of the reporting period and assessed recoverable amounts, being the higher of the fair value and the value in use of the related investments. Provision was made for the items with recoverable amounts being lower than the carrying amounts and the impairment losses were recognised in profit or loss. The fair value of these associates and joint ventures were mainly the unadjusted quotation in the active market. For the year ended 31 December 2022, the Group recognised RMB436 million impairment losses for these associates and joint ventures (2021: RMB364 million).

Details of the Group's principal associates and joint ventures are as follows:

Name of entity	Place of incorporation/ establishment	Principal place of business	Carrying amount		Proportion of ownership held by the Group		Proportion of voting rights held by the Group		Principal activities
			At 31 December		At 31 December		At 31 December		
			2022	2021	**2022**	2021	**2022**	2021	
					%	%	%	%	
Associates									
Ruikong (Holdings) Ltd.	Hong Kong, PRC	Hong Kong, PRC/ Netherlands	**—**	1,849,485	**—**	22.59	**—**	22.59	Investment Holding
Beijing Energy International Holding Co., Ltd.	Bermuda, UK	Hong Kong, PRC	**1,220,647**	1,257,399	**13.59**	13.59	**13.59**	13.59	Energy Industry
Huarong Jinshang Asset Management Co., Ltd.	Taiyuan, PRC	Mainland China	**1,167,493**	1,108,655	**48.88**	48.88	**48.88**	48.88	Asset Management
Joint ventures									
Sacred Heart Healthcare L.P.	Cayman Islands	Cayman Islands	**346,870**	317,540	**83.33**	83.33	**50.00**	50.00	Fund

V. EXPLANATORY NOTES (continued)

32. Interests in consolidated structured entities

To determine whether control exists in a structured entity, the Group uses the following judgements:

(1) For a structured entity that the Group sponsors and provides financial guarantee, the Group therefore has an obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that the structured entity will be consolidated.

(2) For private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the fund that is of such significance that it indicates that the fund manager is a principal. The fund will be consolidated if the Group acts in the role of principal.

(3) For trust products or asset management plans where the Group involves as trustee/manager and/or as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the trust products or asset management plans that is of such significance that it indicates that the Group is a principal. The trust products or asset management plans will be consolidated if the Group acts in the role of principal.

The Group had consolidated certain structured entities during the year. They mainly include trust products, asset management plans and private equity funds.

As at 31 December 2022, interests in these consolidated structured entities held by the Group amounted to RMB113,718 million (31 December 2021: RMB96,154 million).

The financial impact of these trust products, asset management plans and private equity funds on the Group's financial position as at 31 December 2022 and 2021, and results and cash flows for the years then ended, though consolidated, are not significant individually and therefore not disclosed separately.

Interests held by other interest holders are presented as other liabilities and financial liabilities at FVTPL in the consolidated statement of financial position as disclosed in Notes V.48 and V.22. For the year ended 31 December 2022, losses from net assets attributable to other holders of consolidated structured entities collectively amounted to RMB569 million (2021: RMB2,669 million gains), of which losses from continuing operations collectively amounted to RMB353 million (2021: RMB2,270 million gains) and losses from fair value changes on financial liabilities collectively amounted to RMB0.01 million (2021: RMB479 million gains from fair value changes on financial liabilities).

V. EXPLANATORY NOTES (continued)

33. Interests in unconsolidated structured entities

Apart from the structured entities the Group has consolidated as detailed in Note V.32, the Group also served as general partner, manager or trustee of certain structured entities and therefore had power over them. However, in the opinion of the Board of the Company, the variable returns the Group exposed to over these structured entities are not significant. The Group therefore did not consolidate these structured entities.

The Group classified the investments in these unconsolidated structured entities as financial assets at FVTPL, debt instruments at FVOCI, debt instruments at amortised cost or interests in joint ventures as appropriate.

The size of assets under management, carrying amount and maximum exposure to loss of the Group's investments in unconsolidated structured entities that are sponsored by the Group are as follows:

	31 December 2022				
	Size of assets under management	**Carrying amount**	**Maximum exposure to loss**	**Income from structured entity**	**Income type**
Private equity funds	**4,064,385**	**1,368,462**	**1,368,462**	**475,854**	
				1,196	**Commission and fee income**
				—	**Interest income**
				474,658	**Fair value changes on other financial assets and liabilities**
Total	**4,064,385**	**1,368,462**	**1,368,462**	**475,854**	

33. Interests in unconsolidated structured entities (continued)

	31 December 2021				
	Size of assets under management	Carrying amount	Maximum exposure to loss	Income from structured entity	Income Type
Trust products	71,451,051	—	—	83,138	
				83,138	Commission and fee income
				—	Interest income
				—	Fair value changes on other financial assets and liabilities
Private equity funds	30,031,471	4,484,484	4,484,484	380,630	
				14,719	Commission and fee income
				57,893	Interest income
				308,018	Fair value changes on other financial assets and liabilities
Asset management plans	34,679,099	1,660,115	1,660,115	57,689	
				57,689	Commission and fee income
				—	Interest income
				—	Fair value changes on other financial assets and liabilities
Total	136,161,621	6,144,599	6,144,599	521,457	

Meanwhile, the Group also holds interests in the unconsolidated structured entities sponsored by independent third parties through investments. As at 31 December 2022, the carrying amount and maximum exposure to loss amounted to RMB29,032 million (31 December 2021: RMB27,256 million). As at 31 December 2022, these investments are accounted for in financial assets at FVTPL, debt instruments at FVOCI, debt instruments at amortised cost and interests in associates and joint ventures.

V. EXPLANATORY NOTES (continued)

34. Investment properties

	Year ended 31 December	
	2022	2021
Cost		
At beginning of the year	**9,572,899**	6,142,914
Additions	**—**	2,622,908
Transfer in	**1,500,789**	847,221
Transfer out	**(246,460)**	(40,144)
Disposals	**(661,222)**	—
Disposal of subsidiaries	**(29,111)**	—
At end of the year	**10,136,895**	9,572,899
Accumulated depreciation		
At beginning of the year	**1,066,304**	763,983
Charge for the year	**263,071**	145,434
Transfer in	**49,437**	158,166
Transfer out	**(35,368)**	(1,279)
Disposals	**(4,905)**	—
Disposal of subsidiaries	**(12,618)**	—
At end of the year	**1,325,921**	1,066,304
Allowance for impairment losses		
At beginning of the year	**1,652,373**	1,377,925
Transfer in	**954**	274,706
Transfer out	**(947)**	(258)
At end of the year	**1,652,380**	1,652,373
Net book value		
At beginning of the year	**6,854,222**	4,001,006
At end of the year	**7,158,594**	6,854,222
Net book value of investment properties pledged for borrowings	**1,380,823**	1,437,804

34. Investment properties (continued)

The Group leases out buildings under operating leases with rentals payable monthly. The leases typically run for an initial period of 1 to 5 years, with unilateral rights to extend the lease beyond initial period held by lessees only.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

During the year, there was no cash outflow for leased properties under sub-leases (2021: Nil), and there was no income from subleasing of right-of-use assets (2021: Nil).

During the year, the Group transferred inventories of RMB382 million (2021: RMB265 million), property and equipment of RMB477 million (2021: RMB183 million) and intangible assets of RMB642 million (2021: RMB399 million) to investment properties.

V. EXPLANATORY NOTES (continued)

35. Property and equipment

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles and vessels	Construction in progress	Total
Costs						
As at 1 January 2022	4,520,479	3,508,328	1,627,447	4,098,618	1,106,509	14,861,381
Purchases	19,613	1,853	72,348	1,289	349,064	444,167
Disposal of Subsidiaries	(1,390,736)	(455,935)	(1,079,245)	(51,579)	(938,479)	(3,915,974)
Disposals	(22,755)	(7,737)	(39,076)	(331,503)	(4,430)	(405,501)
Transfer in	384,675	814	11,028	506,945	733	904,195
Transfer out	(1,129)	—	—	—	(496,484)	(497,613)
As at 31 December 2022	3,510,147	3,047,323	592,502	4,223,770	16,913	11,390,655
Accumulated depreciation						
As at 1 January 2022	1,618,762	668,859	1,331,258	1,333,447	—	4,952,326
Charge for the year	148,488	36,575	101,809	395,332	—	682,204
Disposal of Subsidiaries	(475,771)	(219,724)	(907,290)	(43,016)	—	(1,645,801)
Disposals	(19,680)	(7,701)	(32,307)	(182,504)	—	(242,192)
Transfer in	6,621	883	6,409	118,705	—	132,618
Transfer out	(102)	—	—	—	—	(102)
As at 31 December 2022	1,278,318	478,892	499,879	1,621,964	—	3,879,053
Allowance for impairment losses						
As at 1 January 2022	128,413	101,005	—	58,430	—	287,848
Charge for the year	—	—	—	58,893	—	58,893
Disposals	—	—	—	—	—	—
As at 31 December 2022	128,413	101,005	—	117,323	—	346,741
Net book values						
As at 1 January 2022	2,773,304	2,738,464	296,189	2,706,741	1,106,509	9,621,207
As at 31 December 2022	2,103,416	2,467,426	92,623	2,484,483	16,913	7,164,861
Including:						
Net book value of assets pledged as at 31 December 2022	27,148	—	—	3,618,152	—	3,645,300

35. Property and equipment (continued)

	Buildings	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles and vessels	Construction in progress	Total
Costs						
As at 1 January 2021	6,590,167	3,542,737	1,576,530	5,518,136	822,116	18,049,686
Purchases	119,545	(4,348)	172,266	72,773	362,115	722,351
Transfer to assets of a disposal group classified as held for sale	—	—	(13,685)	(1,833)	—	(15,518)
Disposals	(1,989,524)	(30,061)	(107,369)	(1,490,458)	(62)	(3,617,474)
Transfer in	3,955	—	29	—	—	3,984
Transfer out	(203,664)	—	(324)	—	(77,660)	(281,648)
As at 31 December 2021	4,520,479	3,508,328	1,627,447	4,098,618	1,106,509	14,861,381
Accumulated depreciation						
As at 1 January 2021	1,767,434	628,160	1,264,440	1,290,395	—	4,950,429
Charge for the year	202,481	43,269	162,004	462,055	—	869,809
Transfer to assets of a disposal group classified as held for sale	—	—	(12,769)	(1,407)	—	(14,176)
Disposals	(238,436)	(2,570)	(82,126)	(417,596)	—	(740,728)
Transfer in	—	—	—	—	—	—
Transfer out	(112,717)	—	(291)	—	—	(113,008)
As at 31 December 2021	1,618,762	668,859	1,331,258	1,333,447	—	4,952,326
Allowance for impairment losses						
As at 1 January 2021	287,856	94,125	—	—	—	381,981
Charge for the year	—	24,570	—	61,450	—	86,020
Disposals	(159,443)	—	—	(3,020)	—	(180,153)
As at 31 December 2021	128,413	101,005	—	58,430	—	287,848
Net book values						
As at 1 January 2021	4,534,877	2,820,452	312,090	4,227,741	822,116	12,717,276
As at 31 December 2021	2,773,304	2,738,464	296,189	2,706,741	1,106,509	9,621,207
Including:						
Net book value of assets pledged as at 31 December 2021	—	—	—	3,609,166	—	3,609,166

35. Property and equipment (continued)

As at 31 December 2022, properties that the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB167 million (31 December 2021: RMB162 million). The Board of the Company do not anticipate the aforesaid matters to have any significant adverse effect on the Group's operations.

As at 31 December 2022, the Group's original cost of the fully depreciated property and equipment that were still in use amounted to RMB361 million (31 December 2021: RMB1,077 million).

36. Right-of-use assets

	Buildings	Leasehold land	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Total
Costs						
As at 1 January 2022	3,369,182	1,609,958	4,022	7,701	3,060	4,993,923
Addition	298,343	368,149	1,795	1,429	590	670,306
Disposals	(214,541)	(813,757)	(291)	(760)	(2,090)	(1,031,439)
Disposal of subsidiaries	(1,809,195)	(605,374)	—	—	—	(2,414,569)
As at 31 December 2022	1,643,789	558,976	5,526	8,370	1,560	2,218,221
Accumulated depreciation						
As at 1 January 2022	1,155,557	329,214	2,308	2,589	2,147	1,491,815
Charge for the year	489,741	65,361	1,127	1,508	864	558,601
Disposals	(196,922)	(146,914)	(291)	(421)	(1,849)	(346,397)
Disposal of subsidiaries	(468,835)	(115,667)	—	—	—	(584,502)
As at 31 December 2022	979,541	131,994	3,144	3,676	1,162	1,119,517
Allowance						
As at 1 January 2022	—	—	—	—	—	—
Charge for the year	—	—	—	—	—	—
Transfer out	—	—	—	—	—	—
As at 31 December 2022	—	—	—	—	—	—
Net book values						
As at 1 January 2022	2,213,625	1,280,744	1,714	5,112	913	3,502,108
As at 31 December 2022	664,248	426,982	2,382	4,694	398	1,098,704

V. EXPLANATORY NOTES (continued)

36. Right-of-use assets (continued)

	Buildings	Leasehold land	Machinery equipment	Electronic equipment, furniture and fixtures	Motor vehicles	Total
Costs						
As at 1 January 2021	2,177,820	2,007,285	3,552	9,905	3,022	4,201,584
Addition	2,674,396	28,603	1,211	886	38	2,705,134
Assets held for sale	(20,702)	—	—	—	—	(20,702)
Disposals	(1,462,332)	(425,930)	(741)	(3,090)	—	(1,892,093)
As at 31 December 2021	3,369,182	1,609,958	4,022	7,701	3,060	4,993,923
Accumulated depreciation						
As at 1 January 2021	1,169,429	326,812	797	3,198	1,334	1,501,570
Charge for the year	690,503	28,777	2,220	1,562	813	723,875
Assets held for sale	(12,941)	—	—	—	—	(12,941)
Disposals	(691,434)	(26,375)	(709)	(2,171)	—	(720,689)
As at 31 December 2021	1,155,557	329,214	2,308	2,589	2,147	1,491,815
Allowance						
As at 1 January 2021	—	252,859	—	—	—	252,859
Transfer out	—	(252,859)	—	—	—	(252,859)
As at 31 December 2021	—	—	—	—	—	—
Net book values						
As at 1 January 2021	1,008,391	1,427,614	2,755	6,707	1,688	2,447,155
As at 31 December 2021	2,213,625	1,280,744	1,714	5,112	913	3,502,108

For interest expenses on lease liabilities for the years ended 31 December 2022 and 31 December 2021, please refer to Note V.9 for details.

For expenses on short-term leases for the years ended 31 December 2022 and 31 December 2021, please refer to Note V.11 for details.

For the year ended 31 December 2022, total cash outflow for leases amounted to RMB553 million (2021: RMB987 million).

V. EXPLANATORY NOTES (continued)

36. Right-of-use assets (continued)

For both years, lease contracts of the Group are entered into for fixed term of 2 year to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, as at 31 December 2022, lease liabilities of RMB683 million (31 December 2021: RMB2,050 million) were recognised with related right-of-use assets of RMB1,099 million (31 December 2021: RMB3,502 million) and investment properties of RMB58 million (31 December 2021: RMB58 million). The lease agreements did not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

37. Deferred taxation

For the purpose of presentation on the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The followings are the analysis of the deferred tax balances:

	As at 31 December	
	2022	2021
Deferred tax assets		
— Continuing operations	**15,860,379**	15,612,489
— Discontinued operations	**—**	3,012
Deferred tax liabilities		
— Continuing operations	**(895,661)**	(341,556)
Total	**14,964,718**	15,273,945

37. Deferred taxation (continued)

	Changes in fair value of financial assets at FVOCI	Changes in fair value of financial assets at FVTPL	Staff costs accrued but not paid	Allowance for impairment losses	Discontinued operations	Others	Total
As at 1 January 2022	**937,665**	**(650,654)**	**485,328**	**14,553,877**	**3,012**	**(55,283)**	**15,273,945**
(Charge)/credit to profit or loss (Note V.14)	**—**	**911,915**	**36,113**	**2,593,040**	**(362,810)**	**182,494**	**3,360,752**
(Charge)/credit to other comprehensive income	**(33,655)**	**—**	**—**	**264,378**	**(8,585)**	**—**	**222,138**
Disposal of subsidiaries and others	**26,110**	**(618,629)**	**(175,431)**	**(2,514,379)**	**368,383**	**(978,171)**	**(3,892,117)**
As at 31 December 2022	**930,120**	**(357,368)**	**346,010**	**14,896,916**	**—**	**(850,960)**	**14,964,718**
As at 1 January 2021	1,115,441	(496,018)	589,348	12,861,986	—	(55,678)	14,015,079
(Charge)/credit to profit or loss (Note V.14)	—	(154,560)	(102,893)	1,179,492	3,012	92,005	1,017,056
(Charge)/credit to other comprehensive income	(178,656)	—	—	237,118	—	—	58,462
Disposal of subsidiaries and others	880	(76)	(1,127)	275,281	—	(91,610)	183,348
As at 31 December 2021	937,665	(650,654)	485,328	14,553,877	3,012	(55,283)	15,273,945

As at 31 December 2022, the Group's unused tax losses and deductible temporary differences not recognised as deferred tax assets amounted to RMB40,011 million and RMB109,134 million respectively (31 December 2021: RMB29,664 million and RMB121,826 million respectively).

The expiry dates of unused tax losses are as follows:

	As at 31 December	
	2022	2021
1 to 5 years	**15,239,282**	11,738,062
Undated	**24,771,407**	17,926,070
Total	**40,010,689**	29,664,132

38. Goodwill

	Year ended 31 December	
	2022	2021
Cost		
As at 1 January	**1,212,463**	1,212,463
Disposal of a subsidiary (Note V.15.2(5))	**(18,063)**	—
As at 31 December	**1,194,400**	1,212,463
Impairment		
As at 1 January	**(889,492)**	(889,492)
Impairment loss recognised for the year (Note V.13)	**(286,686)**	—
As at 31 December	**(1,176,178)**	(889,492)
Net goodwill as at 31 December	**18,222**	322,971

Impairment testing on goodwill

The gross balance was mainly comprised of goodwill of RMB834 million, RMB245 million and RMB90 million arising from acquisitions of Huarong Rongda Futures Co., Ltd. ("Huarong Rongda Futures"), Huarong Investment Stock Corporation Ltd. ("HISC") and Huarong International Financial Holdings Limited ("HIFH") respectively.

As at 31 December 2022, the impairment of the goodwill arising from acquisitions determined to be:

- For Huarong Rongda Futures, the goodwill was tested based on its fair value less costs of disposals. An impairment loss of RMB287 million was recognised during the year. As at 31 December 2022, the goodwill has been fully impaired.

- For HISC, the goodwill was tested based on its value in use, which is calculated using cash flow projection based on financial budget approved by management covering a five-year period. As at 31 December 2019, the goodwill has been fully impaired.

- For HIFH, the goodwill was tested based on its fair value less costs of disposals. As at 31 December 2018, the goodwill has been fully impaired.

V. EXPLANATORY NOTES (continued)

39. Other assets

	As at 31 December	
	2022	2021
Other receivables	**22,153,058**	23,041,458
Foreclosed assets[(1)]	**4,184,097**	4,969,295
Payments in advance	**1,022,132**	1,418,204
Deductible value-added tax	**145,260**	431,918
Clearing and settlement receivables	**97,366**	595,795
Dividends receivable	**89,033**	71,904
Prepaid income tax	**87,245**	1,139,967
Intangible assets	**85,969**	573,238
Prepaid expenses	**53,855**	241,173
Notes receivable	**13,815**	14,185
Others	**1,333,094**	1,527,981
Subtotal	**29,264,924**	34,025,118
Allowance for other assets	**(9,735,216)**	(10,215,667)
Total	**19,529,708**	23,809,451

(1) The Group disposes foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

40. Placements from financial institutions

(1) Analysed by type of counterparties

	As at 31 December	
	2022	2021
Banks	**6,215,802**	4,784,219
Total	**6,215,802**	4,784,219

V. EXPLANATORY NOTES (continued)

40. Placements from financial institutions (continued)

(2) Analysed by geographical sectors

	As at 31 December	
	2022	2021
Mainland China	**6,215,802**	4,784,219
Total	**6,215,802**	4,784,219

Placements from financial institutions carry interest at market rates which range from 1.95% to 4.31% (31 December 2021: 2.65% to 5.60%) per annum.

41. Financial assets sold under repurchase agreements

	As at 31 December	
	2022	2021
Bonds	**6,744,795**	10,669,250
Discounted bills	**—**	20,196,972
Total	**6,744,795**	30,866,222

42. Borrowings

	As at 31 December	
	2022	2021
Unsecured loans	**605,161,892**	715,983,835
Pledged loans(2)	**14,302,941**	16,314,382
Guaranteed loans(1)	**6,468,222**	8,861,773
Loans secured by properties(2)	**3,562,920**	6,465,472
Total	**629,495,975**	747,625,462

(1) Among the balance of guaranteed loans, a balance of RMB6,468 million (31 December 2021: RMB8,191 million) was borrowed by subsidiaries of the Company and guaranteed by the Company.

42. Borrowings (continued)

(2) The carrying amounts of assets pledged or secured for borrowings are listed as follows:

	As at 31 December	
	2022	2021
Finance lease receivables	**866,170**	4,863,374
Deposits with financial institutions	**2,157,118**	3,110,000
Investment properties	**1,380,823**	1,437,804
Inventories	**1,080,826**	1,351,517
Property and equipment	**3,618,152**	3,609,166
Debt instruments at amortised cost	**12,151,548**	15,869,950
Others	**5,703,063**	10,366,468
Total	**26,957,700**	40,608,279

	As at 31 December	
	2022	2021
Carrying amount repayable[3]:		
Within 1 year (inclusive)	**401,334,625**	549,497,962
1 year to 2 years (inclusive)	**121,403,901**	31,488,408
2 years to 5 years (inclusive)	**79,217,437**	141,553,141
More than 5 years	**545,938**	1,817,088
Subtotal	**602,501,901**	724,356,599
Carrying amount of borrowings that contain a repayment on demand clause repayable[3]:		
Within 1 year (inclusive)	**19,720,946**	18,604,815
1 year to 2 years (inclusive)	**2,218,590**	506,025
2 years to 5 years (inclusive)	**3,218,560**	1,719,703
More than 5 years	**1,835,978**	2,438,320
Subtotal	**26,994,074**	23,268,863
Total	**629,495,975**	747,625,462

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

42. Borrowings (continued)

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at 31 December	
	2022	2021
Within 1 year (inclusive)	**400,391,180**	549,313,810
1 year to 2 years (inclusive)	**122,209,570**	30,615,814
2 years to 5 years (inclusive)	**79,313,950**	141,952,279
More than 5 years	**479,500**	3,434,252
Total	**602,394,200**	725,316,155

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime rate.

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

	As at 31 December	
	2022	2021
Effective interest rate		
Fixed-rate borrowings	**2.10%–10.00%**	1.40%–10.00%
Variable-rate borrowings	**1.25%–6.55%**	1.18%–5.80%

As at 31 December 2022, the Group failed to comply with certain financial or non-financial conditions stipulated in certain lending and borrowing agreements between banks and non-bank financial institutions, and the relevant amount of these borrowings was RMB4,114 million (31 December 2021: RMB9,551 million). The Group is in active dialogue with the relevant institutions, these institutions still provide normal borrowings to the Group and have not yet requested early repayments of borrowings.

43. Due to customers

	As at 31 December	
	2022	2021
Demand deposits		
Corporate customers	**—**	78,644,325
Individual customers	**—**	23,583,574
Time deposits		
Corporate customers	**—**	66,441,766
Individual customers	**—**	61,901,899
Pledged deposits	**—**	8,271,102
Others	**—**	18,366,222
Total	**—**	257,208,888

44. Tax payable

	As at 31 December	
	2022	2021
Enterprise income tax	**2,412,582**	1,082,985
PRC Land appreciation tax	**182,318**	181,755
Profits tax of Hong Kong and Macau, China	**100,161**	123,865
Total	**2,695,061**	1,388,605

45. Contract liabilities

	As at 31 December	
	2022	2021
Properties development contracts(1)	**720,357**	394,898
Sale of goods contracts	**—**	5,417
Futures and insurance contracts	**—**	882
Total	**720,357**	401,197

(1) Properties development contracts

45. Contract liabilities (continued)

	Year ended 31 December	
	2022	2021
At beginning of the year	**394,898**	649,052
Deferred during the year	**490,600**	496,457
Recognised as revenue during the year	**(165,141)**	(750,611)
At end of the year	**720,357**	394,898

Typical payment terms which impact on the amount of contract liabilities recognised are disclosed in the information about the Group's performance obligation, which is set out in Note V.8.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Year ended 31 December	
	2022	2021
Revenue recognised that was included in the contract liabilities balance at the beginning of the year properties development contracts	**124,828**	266,835

The most significant changes in contract liabilities is related to revenue recognised and cash received in advance during current and prior year.

46. Lease liabilities

	As at 31 December	
	2022	2021
Lease liabilities payable:		
Within one year	**213,236**	614,786
Within a period of more than one year but not more than two years	**161,165**	586,144
Within a period of more than two years but not more than five years	**149,371**	621,263
Within a period of more than five years	**159,615**	227,347
Total	**683,387**	2,049,540

47. Bonds and notes issued

	As at 31 December				
	2022	2021	Term	Coupon rate per annum	Interest payment terms
Mid-term U.S. dollar notes	**76,633,782**	77,550,420	3–30 years	2.13%–5.50% fixed rate	Interest payable semi-annually
Negotiable certificates of deposit	**–**	56,752,982	0.5–12 months	1.65%–3.77% fixed rate	Interest payable on maturity date
Financial bonds[(1)]	**60,995,693**	57,164,428	3–5 years	3.70%–5.00% fixed rate	Interest payable annually
Tier II capital bonds[(2)]	**40,088,172**	25,673,055	10 years	3.58%–5.00% fixed rate	Interest payable annually
Mid-term U.S. dollar notes	**8,825,582**	18,102,056	3–5 years	3 months LIBOR+1.125%–1.325% floating rate	Interest payable quarterly
Corporate bonds[(3)]	**843,397**	8,716,920	1–6 years	3.14%–6.50% fixed rate	Interest payable annually
Asset-backed securities[(4)(5)]	**452,728**	6,299,715	495–938 days	3.00%–4.50% fixed rate	Interest payable semi-annually
Subordinate bonds	**–**	8,366,053	3 years	4.60%–5.80% fixed rate	Interest payable annually
Micro bonds	**–**	6,680,720	3 years	3.60%–3.70% fixed rate	Interest payable annually
Mid-term SGD notes	**2,020,417**	1,883,698	8 years	3.80% fixed rate	Interest payable semi-annually
Euro bonds	**–**	3,607,098	5 years	1.625% fixed rate	Interest payable annually
U.S. dollar bonds	**–**	255,028	1 year	2.01%–3.10% fixed rate	Interest payable semi-annually
Beneficiary certificates	**–**	13,040	14 days	6.00% fixed rate	Interest payable on maturity date
Total	**189,859,771**	271,065,213			

V. EXPLANATORY NOTES (continued)

47. Bonds and notes issued (continued)

(1) On 13 December 2021 and 24 January 2022, the Company issued RMB24,860 million and RMB25,240 million financial bonds with both 5-year term and annual interest rate of 4.70% and 4.75% respectively. The interests are to be paid annually and the principal is to be repaid upon maturity. There are no prepayment terms.

(2) On 21 November 2022, the Company issued RMB30,000 million Tier II capital bonds with a 10-year term and annual interest rate of 3.58%. The interests are to be paid annually and the principal is to be repaid upon maturity. There are no prepayment terms.

(3) On 5 January 2022, Huarong Industrial Investment & Management Co., Ltd. issued RMB800 million corporate bonds with a one-year term and annual interest rate of 5.5%. The interests are to be paid annually and the principal is to be repaid upon maturity. There are no prepayment terms. As of 28 January 2023, the bond had been repaid.

(4) The Company issued asset-backed securities of RMB9,870 million in September 2020. These asset-backed securities are comprised of Class A-1, Class A-2, Class A-3, Class A-4, Class A-5 and Class A-6. The tenure of these securities is 26–938 days. The coupon rates of these asset-backed securities range from 3.00% to 4.50% per annum.

(5) The Company issued asset-backed securities of RMB9,545 million in December 2020. These asset-backed securities are comprised of Class A-1, Class A-2, Class A-3, and Class A-4. The tenure of these securities is 131–678 days. The coupon rates of these asset-backed securities range from 3.58% to 4.25% per annum.

48. Other liabilities

	As at 31 December	
	2022	2021
Payables to interest holders of consolidated structured entities	**10,556,691**	36,670,251
Other payables	**20,719,112**	21,352,695
Guarantee deposits received from customers	**15,780,820**	17,537,470
Amounts received in advance(1)	**7,303,058**	8,284,882
Account payable to brokerage clients	**113,074**	6,263,007
Letter of credit	**5,067,798**	5,428,937
Employee benefits payable(2)	**2,994,396**	4,056,773
Margin deposits received from securities customers	**3,218,209**	3,991,809
Amounts due to China Trust Protection Fund	**—**	2,550,000
Sundry taxes payable	**519,598**	1,020,668
Provisions(3)	**10,275**	465,761
Dividends payable	**112,924**	191,235
Bills payable	**955,140**	147,336
Others	**1,516,572**	1,517,742
Total	**68,867,667**	109,478,566

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

48. Other liabilities (continued)

(2) Employee benefits payable

	2022				
	As at 1 January	Increase in the current year	Decrease in the current year	Disposal of subsidiaries	As at 31 December
Wages or salaries, bonuses, allowances and subsidies	2,638,044	2,487,000	(2,700,561)	(335,589)	2,088,894
Social insurance	36,771	153,522	(177,206)	(4,156)	8,931
Housing funds	3,215	213,020	(213,446)	(1,604)	1,185
Staff welfare	2,676	155,460	(156,513)	(399)	1,224
Defined benefit plans(i)	331,341	7,625	(41,169)	(123,637)	174,160
Labour union fees and staff education expenses	385,339	98,913	(47,548)	(81,714)	354,990
Defined contribution plans	216,939	749,232	(556,618)	(400,780)	8,773
— Basic pension insurance	206,924	566,268	(357,227)	(412,663)	3,302
— Unemployment insurance	3,397	6,330	(6,162)	(3,283)	282
— Annuity contribution	6,618	176,634	(193,229)	15,166	5,189
Others	442,448	182,918	(159,316)	(109,811)	356,239
Total	4,056,773	4,047,690	(4,052,377)	(1,057,690)	2,994,396

V. EXPLANATORY NOTES (continued)

48. Other liabilities (continued)

(2) Employee benefits payable (continued)

	2021				
	As at 1 January	Increase in the current year	Decrease in the current year	Transfer to liabilities of a disposal group classified as held for sale	As at 31 December
Wages or salaries, bonuses, allowances and subsidies	2,761,989	2,926,000	(3,027,889)	(22,056)	2,638,044
Social insurance	39,527	203,618	(206,039)	(335)	36,771
Housing funds	3,925	280,969	(281,679)	—	3,215
Staff welfare	8,266	329,129	(334,719)	—	2,676
Defined benefit plans(i)	352,607	35,758	(57,024)	—	331,341
Labour union fees and staff education expenses	347,660	127,849	(86,645)	(3,525)	385,339
Defined contribution plans	75,976	789,048	(648,085)	—	216,939
— Basic pension insurance	36,631	538,729	(368,436)	—	206,924
— Unemployment insurance	3,786	12,446	(12,835)	—	3,397
— Annuity contribution	35,559	237,873	(266,814)	—	6,618
Others	439,745	201,539	(198,836)	—	442,448
Total	4,029,695	4,893,910	(4,840,916)	(25,916)	4,056,773

(i) Defined benefit plans

As at 31 December 2022, the actuarial liabilities existing in relation to the retirement benefit obligations for employees were RMB174 million (31 December 2021: RMB331 million), using the projected unit credit method for both the years of 2022 and 2021.

48. Other liabilities (continued)

(2) Employee benefits payable (continued)

(i) Defined benefit plans (continued)

Principal actuarial assumptions used of the Company are as follows:

	As at 31 December	
	2022	2021
Discount rate — post-employment benefits	**3.00%**	3.00%
Discount rate — termination benefits	**2.50%**	2.50%
Annual increase rate of annuity compensation benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of yearly allowance benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of medical reimbursement and supplemental medical insurance benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of lump-sum death benefits for Pre-existing Retirees	**4.00%**	4.00%
Annual increase rate of basic salary for current internal retirees	**4.00%**	4.00%
Annual increase rate of social insurance and housing fund contributions for current internal retirees	**4.00%**	4.00%

The assumption of future mortality is based on China Life Insurance Mortality Table (2010–2013) — CL5/CL6.

(3) The movement of the loss allowance during the year in credit commitment and financial guarantee contracts are as follows:

	2022	2021
As at 1 January	**395,268**	3,938,432
Charge for the year	**(51,252)**	(929,748)
Transfer out	**(344,016)**	(2,613,416)
As at 31 December	**—**	395,268

Provisions are also made by the Group relating to litigation claims on the Group's entities. As at 31 December 2022, total amount of provisions arising from legal actions of the Group was RMB10.28 million (31 December 2021: RMB70.49 million).

49. Share capital

	For the year ended 31 December	
	2022	2021
Authorised, issued and fully paid		
At the beginning of the year	**80,246,679**	39,070,208
Issue of shares	**—**	41,176,471
At the end of the year	**80,246,679**	80,246,679

	2022		
	As at 1 January	**Issuance**	**As at 31 December**
Registered, issued and fully paid			
Domestic shares	**53,242,042**	**(8,357,624)**	**44,884,418**
H shares	**27,004,637**	**8,357,624**	**35,362,261**
Total	**80,246,679**	**—**	**80,246,679**

	2021		
	As at 1 January	Issuance	As at 31 December
Registered, issued and fully paid			
Domestic shares	14,026,355	39,215,687	53,242,042
H shares	25,043,853	1,960,784	27,004,637
Total	39,070,208	41,176,471	80,246,679

As at 31 December 2022, 33,333,334 thousand of the Company's domestic shares and 1,960,784 thousand of the Company's H shares were subject to lock-up restrictions.

On 30 December 2021, the Company completed the non-public issuance of 39,215,687 thousand of domestic shares under a specific mandate at RMB1.02 per share and the price is to be paid up in RMB. On 30 December 2021, the Company completed the non-public issuance of 1,960,784 thousand of H shares under a specific mandate at HKD equivalent of RMB1.02 per share and the price is to be paid up in Hong Kong Dollars. This non-public share issuance had been verified by Ernst & Young Hua Ming LLP on 11 January 2022 with a verification report, Ernst & Young Hua Ming (2022) Yan Zi No. 60098698_A01.

V. EXPLANATORY NOTES (continued)

50. Other equity instruments

	2022		
	As at 1 January	Issuance	As at 31 December
Perpetual Bonds			
2022 undated capital bonds	—	**19,900,000**	**19,900,000**
Total	—	**19,900,000**	**19,900,000**

Upon approvals by relevant regulators in China, the Company issued RMB19,900 million undated capital bonds (the "bonds") in the domestic interbank bond market on 29 June 2022 and completed the issuance on 30 June 2022. The denomination of the bonds is RMB100 each, and the annual coupon rate of the bonds for the first five years is 4.34%, which is reset every 5 years. The coupon rate will be reset on the date when the benchmark rate is adjusted. The reset coupon rate will be determined by adding the fixed spread determined at the time of issuance to the updated benchmark rate on the date when the benchmark rate is adjusted.

The duration of the bonds is the same as the period of the Company's continuing operation. Subject to satisfaction of redemption conditions and having obtained prior approval of the CBIRC, the Company may redeem the bonds in whole or in part on each payment date 5 years after the issuance date of the bonds. Upon the occurrence of a Non-Viability Trigger Event, the Company has the right to write down the principal amount of the bonds in whole or in part, without the need for consent of the holders of the bonds. The claims in respect of the bonds, in the event of a Winding-Up of the Company, will be subordinated to the claims of general creditors, and subordinated indebtedness that ranks senior to the bonds; will rank in priority to all classes of shares held by the Company's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Company that rank pari passu with the bonds.

The bonds are paid with non-cumulative interest. The Company has the right to cancel distributions of interests on the bonds in whole or in part and such cancellation shall not constitute a default. The Company may, at its sole discretion, use the interest from the cancelled distributions of the bonds to meet other obligations as they fall due. The Company shall not make any distributions to the ordinary shareholders, until it resumes the Distribution Payments in whole to the holders of the bonds. Proceeds raised from the issuance of the bonds, after deduction of transaction costs, were wholly used to replenish the Company's additional tier 1 capital and to increase its capital adequacy ratios.

V. EXPLANATORY NOTES (continued)

51. Capital reserve

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

52. Surplus reserve

Under PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of their net profit determined under the PRC Generally Accepted Accounting Principles to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

The surplus reserve of the Group disclosed represents only the surplus reserve appropriated by the Company.

53. General reserve

Starting from 1 July 2012, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, a financial enterprise is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC Generally Accepted Accounting Principles, at no less than 1.5% of its risk assets at the end of the reporting period. A financial enterprise is allowed to comply with this requirement over a period of 5 years, if it is not probable to achieve the 1.5% requirement immediately.

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

For the year ended 31 December 2022, the Group did not transfer any amount to general reserve(2021: RMB47 million). For the year ended 31 December 2022, the Company did not transfer any amount to general reserve (2021: Nil).

54. Other reserves

The investment revaluation reserve represents cumulative gains and losses arising on the revaluation of equity instruments at FVOCI and debt instruments at FVOCI that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those equity instruments at FVOCI and debt instruments at FVOCI are disposed of or are determined to be impaired.

The hedging reserve represents the cumulative effective portion of gains and losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain and loss arising on changes in fair value of the hedging instrument that are recognised and accumulated under the heading of other reserves will be reclassified to profit or loss when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy or when the hedged forecast transaction is no longer expected to occur.

55. Perpetual capital instruments

Movement of the perpetual capital instruments is as follows:

	Principal	Distribution	Total
Balance at 1 January 2021	25,056,967	418,911	25,475,878
Increase in perpetual capital instruments	(3,345,465)	—	(3,345,465)
Profit attributable to holders of perpetual capital instruments	—	1,219,190	1,219,190
Distribution to holders of perpetual capital instruments	—	(971,695)	(971,695)
Balance at 31 December 2021	21,711,502	666,406	22,377,908
Decrease in perpetual capital instruments	**(14,911,370)**	**—**	**(14,911,370)**
Profit attributable to holders of perpetual capital instruments	**—**	**531,082**	**531,082**
Distribution to holders of perpetual capital instruments	**—**	**(947,259)**	**(947,259)**
Disposal of subsidiaries	**(5,297,799)**	**—**	**(5,297,799)**
Balance at 31 December 2022	**1,502,333**	**250,229**	**1,752,562**

There is no maturity of the instruments and the payments of distribution can be deferred at the discretion of the issuers. The perpetual capital instruments are callable. When the issuers and/or the guarantors elect to declare dividends, the distribution to the holders of perpetual capital instruments shall be made at the distribution rate as defined in the subscription agreements.

V. EXPLANATORY NOTES (continued)

56. Cash and cash equivalents

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

	As at 31 December	
	2022	2021
Deposits with financial institutions	**94,731,660**	142,429,301
Placements with financial institutions	**1,300,535**	19,527,691
Financial assets held under resale agreements	**706,720**	8,507,283
Balances with central bank	**15,460**	8,144,022
Cash at banks and short-term deposits attributable to discontinued operations	—	534,800
Cash on hand	**122**	494,126
Total	**96,754,497**	179,637,223

57. Contingent liabilities

Legal proceedings

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at 31 December 2022, total claim amount of pending litigations was RMB6,459 million (31 December 2021: RMB6,037 million) for the Group, and RMB10.28 million provision (31 December 2021: RMB70.49 million) for the Group was made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

58. Commitments

(1) Credit enhancement

As at 31 December 2022, the Group did not provide credit enhancement for counterparties involving in borrowing arrangements (31 December 2021: Nil).

(2) Credit commitments

	As at 31 December	
	2022	2021
Bank bill acceptance	—	18,144,610
Undrawn credit card commitments	—	8,697,633
Loan commitments	—	2,854,651
Letters of credit issued	—	3,140,574
Letters of guarantee issued	—	319,540
Total	—	33,157,008

As at 31 December 2022, the Group had no credit commitment business and hence no impairment allowance for credit commitments (31 December 2021: RMB80 million impairment allowance for credit commitments).

(3) Other commitments

	As at 31 December	
	2022	2021
Contracted but not provided for		
— Commitments for the acquisition of intangible assets, property and equipment	**108,687**	116,788

59. Transfers of financial assets

Repurchase agreements

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

	Carrying amount of pledged assets		Related liabilities	
	As at 31 December		As at 31 December	
	2022	2021	**2022**	2021
Loans and advances to customers	—	20,027,447	—	20,196,972
Debt instruments at fair value through other comprehensive income	**2,896,276**	9,749,795	**1,959,752**	5,704,861
Debt instruments at amortised cost	**4,448,236**	4,595,470	**4,288,231**	4,226,429
Financial assets at fair value through profit or loss	**752,181**	756,812	**496,812**	737,960
Total	**8,096,693**	35,129,524	**6,744,795**	30,866,222

V. EXPLANATORY NOTES (continued)

59. Transfers of financial assets (continued)

Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers credit assets to special purpose trusts which in turn issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to 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 derecognised, and the consideration paid by third parties is recorded as a financial liability. As at 31 December 2022, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB333 million (31 December 2021: RMB5,697 million), and the carrying amount of their associated liabilities which are recognised as bonds and notes issued and other liabilities amounted to RMB453 million (31 December 2021: RMB6,300 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. As at 31 December 2022, the Group's carrying amount of transferred assets that qualify for derecognition was RMB28 million (31 December 2021: RMB61 million).

Continuing involvement

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to other parties, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the year ended 31 December 2022, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was RMB2,453 million (for the year ended 31 December 2021: Nil). As at 31 December 2022, the carrying amount of continuing involvement assets recognized by the Group was RMB178 million (As at 31 December 2021: Nil), which were recognized in other assets. As at 31 December 2022 and 2021, the carrying amount of continuing involvement liabilities was nil.

60. Related party transactions

(1) The MOF

As at 31 December 2022, the MOF directly owned 27.76% (31 December 2021: 27.76%) of share capital of the Company including domestic shares and H shares.

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

The Group has the following balances and entered into the following transactions with the MOF. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

The Group had the following balances with the MOF:

	As at 31 December	
	2022	2021
Debt instruments at fair value through other comprehensive income	**610,347**	5,166,157
Other assets	**152,295**	152,008
Other liabilities	**12,349**	12,348
Debt instruments at amortised cost	**—**	11,488,140
Financial assets at fair value through profit or loss	**—**	3,049,836

The Group had the following transactions with the MOF:

	Year ended 31 December	
	2022	2021
Interest income	**249,982**	82,544
Fair value changes on other financial assets and liabilities	**32,813**	6,052

60. Related party transactions (continued)

(2) Shareholders holding 5% and more than 5% of the Company's share capital

As at 31 December 2022, CITIC Group owned 23.46% of share capital of the Company (31 December 2021: 23.46%), and China Insurance Rongxin Private Fund Co., Ltd. ("China Insurance Rongxin Fund") owned 18.08% of share capital of the Company (31 December 2021: 18.08%). Transactions between the Group and these shareholders were carried out under normal commercial terms, in ordinary course of business and priced at market rate.

The Group had the following balances with CITIC Group:

	As at 31 December	
	2022	2021
Borrowings	**36,473,355**	32,280,470
Deposits with financial institutions	**3,295,999**	1,974,425
Bonds and notes issued	**3,242,000**	451,000
Other liabilities	**1,440,222**	2,256,288
Placements from financial institutions	**1,001,161**	—
Other assets	**182,022**	100,698
Financial assets at fair value through profit or loss	**162,288**	2,412
Debt instruments at fair value through other comprehensive income	**153,396**	302,237
Deposits from financial institutions	**—**	25,165
Debt instruments at amortised cost	**—**	9,899
Financial assets sold under repurchase agreements	**—**	5,000

The Group had the following transactions with CITIC Group:

	Year ended 31 December 2022
Interest expense	**1,874,631**
Operating expenses	**39,255**
Interest income	**12,622**
Commission and fee expense	**2,040**

During the year ended 31 December 2022, the Group acquired RMB5,247 million financial assets from CITIC Group, and disposed of RMB916 million financial assets to CITIC Group.

During the year ended 31 December 2022, the Group had no related party transaction with China Insurance Rongxin Fund (2021: Nil).

60. Related party transactions (continued)

(3) Government related entities

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

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

(4) Associates and joint ventures

The Group had the following balances and entered into the following transactions with associates and joint ventures. These transactions were entered into in the normal course of business, with pricing policies consistent with those transactions conducted with independent third parties.

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

	As at 31 December	
	2022	2021
Debt instruments at amortised cost	**2,015,543**	2,264,713
Other assets — other receivables	**501,977**	524,756
Other liabilities	**228,217**	85,035
Other assets — trade receivables	**7,734**	8,356
Equity instruments at fair value through other comprehensive income	**—**	132,076

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

	Year ended 31 December	
	2022	2021
Interest income	**113,732**	160,188
Other income and other net gains or losses	**9,311**	12,068
Commission and fee income	**2,236**	2,838
Operating expenses	**605**	556

60. Related party transactions (continued)

(5) Annuity Scheme

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

	Year ended 31 December	
	2022	2021
Contribution to Annuity Scheme	**168,678**	176,000

(6) Key management personnel

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

	Year ended 31 December	
	2022	2021
Emoluments of key management personnel		
— Fees	**1,440**	1,442
— Salaries and other benefits	**3,823**	3,765
— Employer's contribution to pension scheme	**496**	508
— Discretionary and performance related incentive payments	**1,694**	2,373
Total (before tax)	**7,453**	8,088

The total compensation packages for the above key management personnel for the years ended 31 December 2022 and 31 December 2021 have not yet been finalised in accordance with regulations of the relevant authorities in the PRC.

The number of key management personnel whose emoluments fall within the following bands is as follows:

	Year ended 31 December	
	2022	2021
Nil to HKD 500,000	**19**	13
HKD 500,001 to HKD 1,000,000	**8**	7
HKD 1,000,001 to HKD 1,500,000	**—**	2
Total	**27**	22

V. EXPLANATORY NOTES (continued)

61. 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 risk parameters are managed within a range consistent with the Group's strategies and business targets. Based on this, the Group has refined a particular philosophy of risk management culture and established a risk management model and an organisational structure. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risk to the Group include credit risk, market risk, liquidity risk and distressed assets risk. Market risk includes interest rate risk, foreign exchange risk and other price risk.

Risk management framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established Risk Management Committee, which is responsible for 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 overall responsibility for managing all aspects of risk, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

61.1 Credit risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. Credit risk mainly arises from loans and advances to customers, finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes. The nature of credit risk of distressed debt assets classified as debt instruments at amortised cost, debt instruments at FVOCI and financial assets at FVTPL is similar to those mentioned above. Risk management of the distressed assets is detailed in Note V.61.4 together with other types of distressed assets.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(i) Credit risk management

The Group manages the Group's credit risk through the following processes:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, and relevant supervisory guidance.

- Monitoring, identifying, assessing, measuring, reporting, controlling and mitigating credit risk across the Group, from an individual instrument to a portfolio level.

- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from borrowers, to perform robust ongoing credit assessment of borrowers and to continually monitor exposures against internal risk limits.

- Establishing a robust control framework regarding the authorisation structure for the approval and renewal of credit facilities.

- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.

- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.

(ii) Significant increase in credit risk

The Group monitors all financial assets, contract assets, credit enhancement and credit commitments that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

Internal credit risk ratings

In order to minimise credit risk, the Group has developed and maintained the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises 14 categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of borrower are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ii) Significant increase in credit risk (continued)

<u>Internal credit risk ratings (continued)</u>

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. As the credit risk increases the difference in risk of default between grades changes. Each exposure is allocated to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect current information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- Information obtained by periodic review of customer files including audited financial statements review, market data such as prices of quoted bonds where available, changes in the financial sector the customer operates etc.

The Group uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Group collects performance and default information about its credit risk exposures analysed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed.

The Group analyses all collected data using statistical models and estimates the PD of exposures in their remaining lifetime and how such data are expected to change over time. Factors taken into account in this process include macroeconomic data such as year-on-year growth rate of GDP (at constant prices) on a quarterly basis, year-on-year growth rate of M2, growth rate of accumulated value added of Industry and Purchasing Managers' Index. The Group generates a 'base case' scenario of the future direction of relevant economic variables as well as a representative range of other possible forecast scenarios. The Group then uses these forecasts, which are probability-weighted, to adjust its estimates of PDs.

The Group uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ii) Significant increase in credit risk (continued)

Internal credit risk ratings (continued)

The Group considers credit risk has significantly increased if there is:

- Overdue principal or interests by more than 30 days; or
- Significant downgrade in internal rating or external rating; or
- Extension period exceeds 90 days; or
- Significant adverse changes in the operation or financial situation of the issuer or debtor.

(iii) Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase in credit risk as well as in its measurement of ECL. The Group employs external and internal information to generate different scenarios of future forecast of relevant economic variables. In 2022, macroeconomic factors used in the Group's forward-looking model are year-on-year growth rate of GDP (at constant prices) on a quarterly basis, year-on-year growth rate of M2, growth rate of accumulated value added of Industry and Purchasing Managers' Index. The forecast used in the ECL measurement model for year-on-year growth rate of GDP (at constant prices) on a quarterly basis under the baseline scenario is approximately 5%.

(iv) Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

61. Financial risk management (continued)

61.1 Credit risk (continued)

(iv) Measurement of ECL (continued)

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realisation of collateral, cross-collateralisation and seniority of claim, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery, recovery rates and seniority of claims. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective interest rate of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(v) Grouping based on shared risks characteristics

When ECL is measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- instrument type;
- credit risk grade;
- collateral type;
- industry;
- geographic location of the borrower; and
- the value of collateral relative to the financial asset if it has an impact on the probability of a default occurring (loan-to-value (LTV) ratios).

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

61. Financial risk management (continued)

61.1 Credit risk (continued)

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

	As at 31 December	
	2022	2021
Distressed debt assets at amortised cost	**260,742,849**	309,823,381
Finance lease receivables	**17,282,975**	26,275,581
Distressed debt assets at FVOCI	**16,683,796**	23,030,955
Loans and advances to customers	**112,805**	255,272,671
Subtotal	**294,822,425**	614,402,588
Allowance for ECL		
Distressed debt assets at amortised cost	**(44,623,943)**	(40,500,001)
Finance lease receivables	**(2,754,635)**	(2,721,514)
Loans and advances to customers measured at amortised cost	**(74,345)**	(8,108,668)
Subtotal	**(47,452,923)**	(51,330,183)
Net carrying amount		
Distressed debt assets at amortised cost	**216,118,906**	269,323,380
Finance lease receivables	**14,528,340**	23,554,067
Distressed debt assets at FVOCI	**16,683,796**	23,030,955
Loans and advances to customers	**38,460**	247,164,003
Total	**247,369,502**	563,072,405

For financial assets at FVOCI (including distressed debt assets and loans and advances to customers) disclosed above, no loss allowance is recognised as the carrying amount is measured at fair value. The loss allowances from those financial assets were recognised in impairment losses on financial assets and OCI. As at 31 December 2022, the loss allowance of distressed debt assets at FVOCI was RMB5,637 million (31 December 2021: RMB8,165 million). As at 31 December 2022, the Group had no loans and advances to customers business at FVOCI, hence no impairment allowance (31 December 2021: RMB5 million impairment allowance for loans and advances to customers business at FVOCI).

61. Financial risk management (continued)

61.1 Credit risk (continued)

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

Analysed by geographical area

	As at 31 December			
	2022		2021	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**80,571,797**	**27.3**	98,127,221	16.0
Central Region	**64,499,367**	**21.9**	329,228,035	53.5
Pearl River Delta	**48,264,325**	**16.4**	53,324,804	8.7
Yangtze River Delta	**46,593,179**	**15.8**	66,326,758	10.8
Bohai Rim	**41,430,938**	**14.1**	49,151,880	8.0
Northeastern Region	**12,728,229**	**4.3**	15,935,006	2.6
Overseas	**734,590**	**0.2**	2,308,884	0.4
Total	**294,822,425**	**100.0**	614,402,588	100.0

Notes:

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

61. Financial risk management (continued)

61.1 Credit risk (continued)

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

Analysed by industry

	As at 31 December			
	2022		2021	
	Gross amount	**%**	Gross amount	%
Corporate business				
Real estate	**120,513,649**	**40.9**	166,381,601	27.1
Manufacturing	**35,831,758**	**12.2**	52,414,311	8.5
Construction	**31,603,514**	**10.7**	50,142,490	8.2
Leasing and commercial services	**29,261,887**	**9.9**	41,801,832	6.8
Water, environment and public utilities management	**23,884,377**	**8.1**	67,515,134	11.0
Wholesale and retail trade	**23,076,405**	**7.8**	37,264,448	6.1
Production and supply of power, heat, gas and water	**8,164,706**	**2.8**	10,440,230	1.7
Transportation, logistics and postal services	**4,452,367**	**1.5**	9,837,710	1.6
Mining	**3,272,732**	**1.1**	7,603,760	1.2
Bill to discount	—	—	36,874,793	6.0
Others	**14,648,225**	**5.0**	40,787,028	6.6
Subtotal	**294,709,620**	**100.0**	521,063,337	84.8
Personal business				
Mortgages	—	—	37,562,809	6.1
Personal consumption loans	—	—	33,715,168	5.5
Loans for business operations	—	—	17,595,514	2.9
Others	—	—	2,171	0.0
Subtotal	—	—	88,875,662	14.5
Loans to margin clients	**112,805**	0.0	4,463,589	0.7
Total	**294,822,425**	**100.0**	614,402,588	100.0

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

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

By contractual maturity and security type

	Gross amount as at 31 December 2022				Gross amount as at 31 December 2021			
	Up to 1 year	**1 to 5 years**	**Over 5 years**	**Total**	Up to 1 year	1 to 5 years	Over 5 years	Total
Unsecured	**—**	**9,129,488**	**2,950,079**	**12,079,567**	32,386,621	21,732,738	4,945,949	59,065,308
Guaranteed	**4,555**	**3,394,160**	**9,810,486**	**13,209,201**	13,782,014	47,713,104	16,734,839	78,229,957
Collateralised	**3,801,886**	**189,534,151**	**53,143,288**	**246,479,325**	28,965,877	286,030,524	78,613,325	393,609,726
Pledged	**713,407**	**17,102,002**	**5,238,923**	**23,054,332**	44,938,311	30,266,563	8,292,723	83,497,597
Total	**4,519,848**	**219,159,801**	**71,142,776**	**294,822,425**	120,072,823	385,742,929	108,586,836	614,402,588

(vii) Past due distressed debt assets at amortised cost and at FVOCI, loans and advances to customers and finance lease receivables

	Gross amount as at 31 December 2022						Gross amount as at 31 December 2021					
	Past due up to 90 days	**Past due 91 to 360 days**	**Past due 361 days to 3 years**	**Past due Over 3 years**	**Past due Total**	**Past due amount as a % of total gross amount**	Past due up to 90 days	Past due 91 to 360 days	Past due 361 days to 3 years	Past due Over 3 years	Past due Total	Past due amount as a % of total gross amount
Distressed debt assets at amortised cost	**13,790,178**	**36,162,329**	**33,407,916**	**17,146,859**	**100,507,282**	**38.5**	15,355,704	17,399,769	15,274,062	17,850,456	65,879,991	21.3
Distressed debt assets at FVOCI	**947,052**	**4,709,064**	**2,243,470**	**2,524,387**	**10,423,973**	**62.5**	1,585,830	1,541,796	3,503,700	1,008,970	7,640,296	33.2
Loans and advances to customers	**—**	**1,569**	**—**	**81,751**	**83,320**	**73.9**	1,737,329	2,329,964	1,329,303	331,425	5,728,021	2.2
Finance lease receivables	**1,077,488**	**1,795,171**	**202,144**	**311,065**	**3,385,868**	**19.6**	585,375	707,636	754,532	265,154	2,312,697	8.8
Total	**15,814,718**	**42,668,133**	**35,853,530**	**20,064,062**	**114,400,443**	**38.8**	19,264,238	21,979,165	20,861,597	19,456,005	81,561,005	13.3

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(viii) Maximum credit risk exposure without taking into account any collateral or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure per class of financial assets to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advances to customers, finance lease receivables, investment securities, and treasury operations of its banking activities. For loan commitments and financial guarantee contracts, the amounts represent the amounts committed or guaranteed, respectively.

At the end of the reporting period, maximum exposure to credit risk is as follows:

	As at 31 December	
	2022	2021
Balances with central bank	**23,050**	23,458,747
Deposits with financial institutions	**97,578,243**	146,698,257
Placements with financial institutions	**1,300,243**	19,685,761
Financial assets at fair value through profit or loss	**75,289,780**	107,797,366
Financial assets held under resale agreements	**706,711**	11,044,271
Loans and advances to customers	**38,460**	247,164,003
Finance lease receivables	**14,528,340**	23,554,067
Debt instruments at FVOCI	**25,318,414**	57,203,624
Debt instruments at amortised cost	**415,352,728**	580,799,434
Assets held for sale	—	6,866,245
Other assets	**13,562,579**	14,318,972
Subtotal	**643,698,548**	1,238,590,747
Credit commitments	—	33,157,008
Total	**643,698,548**	1,271,747,755

Distressed debt assets at FVTPL may contain certain elements of credit risk. The risks that such assets are exposed to are detailed in Note V. 61.4. The carrying amount of distressed debt assets at FVTPL amounted to RMB179,726 million as at 31 December 2022 (31 December 2021: RMB182,087 million).

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality

(1) Loss allowance

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

	As at 31 December	
	2022	2021
Debt instruments at amortised cost	**114,716,412**	126,468,529
Debt instruments at FVOCI	**9,800,907**	11,199,494
Finance lease receivables	**2,754,635**	2,721,514
Loans and advances to customers	**74,345**	8,113,848
Financial assets held under resale agreements	**9**	2,627,435
Credit commitments and financial guarantee contracts	**—**	395,268
Total	**127,346,308**	151,526,088

No loss allowance is recognised in the statement of financial position for debt instruments at FVOCI as the carrying amount is at fair value.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(2) Movements of loss allowance

The tables below analyse the movement of the loss allowance during the year per class of assets.

<u>Loans and advances to customers</u>

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2021	2,014,997	1,302,864	4,350,358	7,668,219
Changes in the loss allowance				
— Transfer to Stage 1	107,361	(104,871)	(2,490)	—
— Transfer to Stage 2	(20,569)	30,234	(9,665)	—
— Transfer to Stage 3	(670,088)	(445,408)	1,115,496	—
— Charge for the year	435,732	1,767,412	4,401,748	6,604,892
— Reversal for the year	(695,942)	(329,202)	(477,138)	(1,502,282)
— Write-offs	—	—	(4,857,062)	(4,857,062)
— Transfer to assets of a disposal group classified as held for sale	(92,519)	(45,091)	(108,087)	(245,697)
— Others	(2)	—	445,780	445,778
As at 31 December 2021	1,078,970	2,175,938	4,858,940	8,113,848
Changes in the loss allowance				
— Transfer to Stage 1	**231,835**	**(231,057)**	**(778)**	**—**
— Transfer to Stage 2	**(7,968)**	**15,653**	**(7,685)**	**—**
— Transfer to Stage 3	**(5,090)**	**(698,186)**	**703,276**	**—**
— Charge for the year	**231,053**	**775,606**	**1,333,371**	**2,340,030**
— Reversal for the year	**(413,987)**	**(174,767)**	**(170,886)**	**(759,640)**
— Write-offs	**—**	**—**	**(2,656,760)**	**(2,656,760)**
— Disposal of subsidiaries	**(1,114,791)**	**(1,863,187)**	**(4,915,214)**	**(7,893,192)**
— Others	**4**	**—**	**930,055**	**930,059**
As at 31 December 2022	**26**	**—**	**74,319**	**74,345**

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(2) Movements of loss allowance (continued)

Finance lease receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	296,642	700,545	1,902,511	2,899,698
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(54,864)	54,864	—	—
— Transfer to Stage 3	(2,536)	(443,523)	446,059	—
— Charge for the year	119,728	403,140	473,770	996,638
— Reversal for the year	(165,687)	(47,315)	(78,112)	(291,114)
— Write-offs	—	—	(892,879)	(892,879)
— Others	(2,629)	—	11,800	9,171
As at 31 December 2021	190,654	667,711	1,863,149	2,721,514
Changes in the loss allowance				
— Transfer to Stage 1	**109,594**	**(109,594)**	**—**	**—**
— Transfer to Stage 2	**(2,080)**	**74,355**	**(72,275)**	**—**
— Transfer to Stage 3	**(3,607)**	**(224,787)**	**228,394**	**—**
— Charge for the year	**41,799**	**404,718**	**1,077,154**	**1,523,671**
— Reversal for the year	**(198,521)**	**(122,542)**	**(287,873)**	**(608,936)**
— Write-offs	**—**	**—**	**(884,758)**	**(884,758)**
— Others	**8,541**	**—**	**(5,397)**	**3,144**
As at 31 December 2022	**146,380**	**689,861**	**1,918,394**	**2,754,635**

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(2) Movements of loss allowance (continued)

Debt instruments at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	168,847	1,521,690	9,529,597	11,220,134
Changes in the loss allowance				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(12,261)	41,574	(29,313)	—
— Transfer to Stage 3	(36,772)	(333,633)	370,405	—
— Charge for the year	57,407	265,662	2,277,934	2,601,003
— Reversal for the year	(67,773)	(620,348)	(552,808)	(1,240,929)
— Others	(2,620)	(31,471)	(1,346,623)	(1,380,714)
As at 31 December 2021	106,828	843,474	10,249,192	11,199,494
Changes in the loss allowance				
— Transfer to Stage 1	**—**	**—**	**—**	**—**
— Transfer to Stage 2	**(13,691)**	**175,711**	**(162,020)**	**—**
— Transfer to Stage 3	**(61,974)**	**(276,854)**	**338,828**	**—**
— Charge for the year	**29,283**	**233,848**	**3,317,950**	**3,581,081**
— Reversal for the year	**(8,428)**	**(323,990)**	**(310,773)**	**(643,191)**
— Write-offs	**—**	**—**	**(638,943)**	**(638,943)**
— Transfer out	**—**	**(5,194)**	**(2,704,196)**	**(2,709,390)**
— Disposal of subsidiaries	**(5,519)**	**—**	**(156,853)**	**(162,372)**
— Others	**(181)**	**2,159**	**(827,750)**	**(825,772)**
As at 31 December 2022	**46,318**	**649,154**	**9,105,435**	**9,800,907**

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(2) Movements of loss allowance (continued)

Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	4,887,278	5,933,830	122,212,794	133,033,902
Changes in the loss allowance				
— Transfer to Stage 1	217,075	(30,142)	(186,933)	—
— Transfer to Stage 2	(599,329)	1,015,493	(416,164)	—
— Transfer to Stage 3	(1,211,843)	(2,367,937)	3,579,780	—
— Charge for the year	2,235,660	3,078,570	14,387,434	19,701,664
— Reversal for the year	(1,403,450)	(1,577,240)	(6,310,107)	(9,290,797)
— Write-offs	—	—	(3,049,531)	(3,049,531)
— Transfer in and transfer out	(71,144)	(81,889)	(11,237,317)	(11,390,350)
— Unwinding of discount on allowance	—	—	(2,067,706)	(2,067,706)
— Exchange differences and others	(1,553)	(4,786)	(462,314)	(468,653)
As at 31 December 2021	4,052,694	5,965,899	116,449,936	126,468,529
Changes in the loss allowance				
— Transfer to Stage 1	**16,200**	**(16,200)**	**—**	**—**
— Transfer to Stage 2	**(419,543)**	**1,126,645**	**(707,102)**	**—**
— Transfer to Stage 3	**(835,906)**	**(2,336,389)**	**3,172,295**	**—**
— Charge for the year	**1,277,128**	**3,197,578**	**25,531,182**	**30,005,888**
— Reversal for the year	**(730,440)**	**(1,295,147)**	**(3,376,295)**	**(5,401,882)**
— Write-offs	**—**	**—**	**(10,093,828)**	**(10,093,828)**
— Transfer in and transfer out	**(4,800)**	**(113,505)**	**(15,079,646)**	**(15,197,951)**
— Unwinding of discount on allowance	**—**	**—**	**(7,624,711)**	**(7,624,711)**
— Disposal of subsidiaries	**(164,183)**	**(151,632)**	**(5,998,869)**	**(6,314,684)**
— Exchange differences and others	**1,334**	**16,689**	**2,857,028**	**2,875,051**
As at 31 December 2022	**3,192,484**	**6,393,938**	**105,129,990**	**114,716,412**

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

Changes in assumptions during the year are mainly changes in forward looking information and revision of estimates in probabilities of default by taking into account latest default experience.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance

More information about the significant changes in the gross carrying amount of financial assets during the year that contributed to movement of the loss allowance, is provided at the table below:

Loans and advances to customers

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	226,560,124	8,242,625	5,363,592	240,166,341
Changes in the gross amount				
— Transfer to Stage 1	586,274	(583,784)	(2,490)	—
— Transfer to Stage 2	(7,988,737)	7,998,403	(9,666)	—
— Transfer to Stage 3	(3,335,225)	(2,908,058)	6,243,283	—
— New financial assets originated or purchased	119,859,490	—	—	119,859,490
— Financial assets that have been derecognised	(89,445,973)	(2,989,952)	(939,892)	(93,375,817)
— Write-offs	—	—	(4,857,062)	(4,857,062)
— Transfer to assets of a disposal group classified as held for sale	(6,141,628)	(173,783)	(204,870)	(6,520,281)
As at 31 December 2021	240,094,325	9,585,451	5,592,895	255,272,671
Allowances for impairment loss as at 31 December 2021	1,078,970	2,175,938	4,858,940	8,113,848

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance (continued)

<u>Loans and advances to customers (continued)</u>

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2022	**240,094,325**	**9,585,451**	**5,592,895**	**255,272,671**
Changes in the gross amount				
— Transfer to Stage 1	**1,635,887**	**(1,635,109)**	**(778)**	**—**
— Transfer to Stage 2	**(4,020,226)**	**4,032,311**	**(12,085)**	**—**
— Transfer to Stage 3	**(816,228)**	**(2,312,133)**	**3,128,361**	**—**
— New financial assets originated or purchased	**89,813,383**	**—**	**—**	**89,813,383**
— Financial assets that have been derecognised	**(77,310,954)**	**(1,314,853)**	**(242,484)**	**(78,868,291)**
— Write-offs	**—**	**—**	**(2,656,760)**	**(2,656,760)**
— Disposal of subsidiaries	**(249,366,702)**	**(8,355,667)**	**(5,725,829)**	**(263,448,198)**
As at 31 December 2022	**29,485**	**—**	**83,320**	**112,805**
Allowances for impairment loss as at 31 December 2022	**26**	**—**	**74,319**	**74,345**

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance (continued)

Finance lease receivables

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	33,969,948	5,378,172	3,348,278	42,696,398
Changes in the gross amount				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(3,050,830)	3,050,830	—	—
— Transfer to Stage 3	(371,717)	(1,127,755)	1,499,472	—
— New financial assets originated or purchased	1,708,338	—	—	1,708,338
— Financial assets that have been derecognised	(15,726,257)	(1,017,303)	(492,716)	(17,236,276)
— Write-offs	—	—	(892,879)	(892,879)
As at 31 December 2021	16,529,482	6,283,944	3,462,155	26,275,581
Allowances for impairment loss as at 31 December 2021	190,654	667,711	1,863,149	2,721,514
As at 1 January 2022	**16,529,482**	**6,283,944**	**3,462,155**	**26,275,581**
Changes in the gross amount				
— Transfer to Stage 1	**632,380**	**(632,380)**	**—**	**—**
— Transfer to Stage 2	**(872,883)**	**1,106,093**	**(233,210)**	**—**
— Transfer to Stage 3	**(699,792)**	**(1,333,040)**	**2,032,832**	**—**
— New financial assets originated or purchased	**1,791,046**	**—**	**—**	**1,791,046**
— Financial assets that have been derecognised	**(8,715,499)**	**(418,209)**	**(765,186)**	**(9,898,894)**
— Write-offs	**—**	**—**	**(884,758)**	**(884,758)**
As at 31 December 2022	**8,664,734**	**5,006,408**	**3,611,833**	**17,282,975**
Allowances for impairment loss as at 31 December 2022	**146,380**	**689,861**	**1,918,394**	**2,754,635**

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance (continued)

Debt instruments at FVOCI

	Stage 1 12-month ECL	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**	**Total**
As at 1 January 2021	48,105,161	23,855,140	11,146,547	83,106,848
Changes in the gross amount				
— Transfer to Stage 1	—	—	—	—
— Transfer to Stage 2	(1,297,440)	1,377,745	(80,305)	—
— Transfer to Stage 3	(1,062,955)	(2,566,738)	3,629,693	—
— New financial assets originated or purchased	30,801,164	—	—	30,801,164
— Financial assets that have been derecognised	(40,874,013)	(12,333,239)	(3,497,136)	(56,704,388)
As at 31 December 2021	35,671,917	10,332,908	11,198,799	57,203,624
Allowances for impairment loss as at 31 December 2021	106,828	843,474	10,249,192	11,199,494
As at 1 January 2022	**35,671,917**	**10,332,908**	**11,198,799**	**57,203,624**
Changes in the gross amount				
— Transfer to Stage 1	**—**	**—**	**—**	**—**
— Transfer to Stage 2	**(1,488,464)**	**1,881,637**	**(393,173)**	**—**
— Transfer to Stage 3	**(4,333,074)**	**(4,033,238)**	**8,366,312**	**—**
— New financial assets originated or purchased	**15,989,371**	**—**	**—**	**15,989,371**
— Financial assets that have been derecognised	**(14,250,581)**	**(2,332,087)**	**(4,358,530)**	**(20,941,198)**
— Write-offs	**—**	**—**	**(638,943)**	**(638,943)**
— Disposal of subsidiaries	**(26,109,557)**	**—**	**(184,883)**	**(26,294,440)**
As at 31 December 2022	**5,479,612**	**5,849,220**	**13,989,582**	**25,318,414**
Allowances for impairment loss as at 31 December 2022	**46,318**	**649,154**	**9,105,435**	**9,800,907**

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(3) Changes in gross carry amount of financial assets that contributed to movement of the loss allowance (continued)

Debt instruments at amortised cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
As at 1 January 2021	468,521,126	101,271,391	219,289,967	789,082,484
Changes in the gross amount				
— Transfer to Stage 1	1,074,337	(595,915)	(478,422)	—
— Transfer to Stage 2	(65,024,901)	66,107,117	(1,082,216)	—
— Transfer to Stage 3	(23,213,382)	(16,519,777)	39,733,159	—
— New financial assets originated or purchased	119,058,472	—	—	119,058,472
— Financial assets that have been derecognised	(128,108,580)	(36,073,263)	(33,641,619)	(197,823,462)
— Write-offs	—	—	(3,049,531)	(3,049,531)
As at 31 December 2021	372,307,072	114,189,553	220,771,338	707,267,963
Allowances for impairment loss as at 31 December 2021	4,052,694	5,965,899	116,449,936	126,468,529
As at 1 January 2022	**372,307,072**	**114,189,553**	**220,771,338**	**707,267,963**
Changes in the gross amount				
— Transfer to Stage 1	**650,123**	**(650,123)**	**—**	**—**
— Transfer to Stage 2	**(37,887,264)**	**40,849,149**	**(2,961,885)**	**—**
— Transfer to Stage 3	**(35,490,028)**	**(41,068,326)**	**76,558,354**	**—**
— New financial assets originated or purchased	**80,244,075**	**—**	**—**	**80,244,075**
— Financial assets that have been derecognised	**(78,526,485)**	**(17,178,580)**	**(30,417,346)**	**(126,122,411)**
— Write-offs	**—**	**—**	**(10,093,828)**	**(10,093,828)**
— Disposal of subsidiaries	**(109,125,336)**	**(2,263,542)**	**(9,837,781)**	**(121,226,659)**
As at 31 December 2022	**192,172,157**	**93,878,131**	**244,018,852**	**530,069,140**
Allowances for impairment loss as at 31 December 2022	**3,192,484**	**6,393,938**	**105,129,990**	**114,716,412**

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(4) Modification of contractual cash flows

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

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 to Stage 1. The adjustment of the modified assets can only be made after meeting specified criteria throughout the observation period. As at 31 December 2022, the carrying amount of financial assets with such modified contractual cash flows was not significant.

(5) Collateral held as security and other credit enhancements

The Group holds collateral or other credit enhancements to mitigate credit risk associated with loans and advances to customers, finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost. The main types of collateral include leasehold land and buildings, machinery and equipment, shares, accounts receivable and bank deposits.

In addition to the financial assets held under resale agreements as set out in Note V.23, the fair value of collateral held by the Group amounted to RMB959,083 million as at 31 December 2022 (31 December 2021: RMB1,134,630 million). The Group did not repledge any collateral held. The Group has to return the collateral when the relevant borrowers repay the balances. Assets foreclosed by the Group was disclosed in Note V.39.

The Group requests collateral and guarantees for financial assets including loans and advances to customers, finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost. The most relevant indicator of their creditworthiness is an analysis of their financial performance and their liquidity, leverage, management effectiveness and growth ratios. For this reason, the valuation of collateral held against such financial assets is not routinely updated.

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(5) Collateral held as security and other credit enhancements (continued)

For credit-impaired of financial assets including loans and advances to customers, finance lease receivables, debt instruments at FVOCI and debt instruments at amortised cost, the Group obtains appraisals of collateral to inform its credit risk management actions. As at 31 December 2022, the net carrying amount of such financial assets was RMB154,581 million (31 December 2021: RMB117,853 million) and the value of the respective collateral was RMB421,227 million (31 December 2021: RMB300,472 million).

As at 31 December 2022, the Group has finance lease receivables at a carrying amount of RMB1,571 million (31 December 2021: RMB2,728 million) which are secured by the property and equipment leased to the lessee.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.1 Credit risk (continued)

(ix) Credit quality (continued)

(6) Investment securities analysed by credit rating from reputable rating agencies

	As at 31 December 2022					
	AAA	**AA**	**A**	**Below A**	**Unrated**	**Total**
Government bonds	**—**	**—**	**—**	**—**	**3,873,338**	**3,873,338**
Public sector and quasi-government bonds	**—**	**—**	**—**	**—**	**6,437,013**	**6,437,013**
Financial institution bonds	**951,821**	**—**	**—**	**—**	**—**	**951,821**
Corporate bonds	**—**	**207,315**	**669,493**	**2,706,136**	**3,153,340**	**6,736,284**
Convertible bonds	**—**	**—**	**—**	**210,045**	**1,555,209**	**1,765,254**
Asset-backed securities	**13,789**	**—**	**—**	**—**	**27,148**	**40,937**
Total	**965,610**	**207,315**	**669,493**	**2,916,181**	**15,046,048**	**19,804,647**

	As at 31 December 2021					
	AAA	AA	A	Below A	Unrated	Total
Government bonds	2,620,677	—	—	—	42,607,225	45,227,902
Public sector and quasi-government bonds	4,518,701	—	—	—	36,017,734	40,536,435
Financial institution bonds	2,680,050	1,460,704	—	—	7,342	4,148,096
Corporate bonds	12,165,643	14,785,885	—	4,294,777	18,109,732	49,356,037
Convertible bonds	12,756	29,477	—	—	2,147,411	2,189,644
Asset-backed securities	1,027,140	658,736	—	—	91,630	1,777,506
Total	23,024,967	16,934,802	—	4,294,777	98,981,074	143,235,620

As at 31 December 2022, among debt securities held by the Group, debt securities issued within Mainland China amounted to RMB14,973 million(31 December 2021: RMB137,811 million), and their credit ratings are assessed by domestic credit agents; debt securities issued outside Mainland China amounted to RMB4,832 million(31 December 2021: RMB5,425 million), and their credit ratings are assessed by international credit agents.

(x) Other financial assets

Other financial assets include balances with central bank, deposits and placements with financial institutions, financial assets held under resale agreements and others. The directors of the Company consider that their credit risks are not significant.

61. Financial risk management (continued)

61.2 Market risk

Market risk is the risk of loss, in respect of the Group's on-and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates financial instruments.

The Group manages its interest rate risk by:

- minimising the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities; and

- regularly performing quantitative analysis, including periodic sensitivity analysis.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.2 Market risk (continued)

Interest rate risk (continued)

At the end of the reporting period, the Group's financial assets and financial liabilities at carrying amounts, categorised by remaining maturity based on the earlier of contractual repricing or maturity dates are as follows:

	As at 31 December 2022						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	23,123	–	–	–	–	49	23,172
Deposits with financial institutions	88,262,864	7,038,141	2,205,577	40,000	–	31,661	97,578,243
Placements with financial institutions	1,300,034	–	–	–	–	209	1,300,243
Financial assets at fair value through profit or loss	12,154,729	455,337	7,263,127	46,716,957	3,097,723	239,768,013	309,455,886
Financial assets held under resale agreements	706,093	–	618	–	–	–	706,711
Loans and advances to customers	38,460	–	–	–	–	–	38,460
Finance lease receivables	2,202,091	791,346	5,883,002	4,129,578	382,991	1,139,332	14,528,340
Debt instruments at fair value through other comprehensive income	11,362,391	1,402,943	3,014,515	7,749,625	1,746,004	42,936	25,318,414
Equity instruments at fair value through other comprehensive income	–	–	–	–	–	2,038,595	2,038,595
Debt instruments at amortised cost	127,855,393	22,630,387	131,125,432	120,762,246	7,581,079	5,398,191	415,352,728
Other financial assets	331,358	236,359	833,008	1,488,381	322,954	10,350,519	13,562,579
Total financial assets	244,236,536	32,554,513	150,325,279	180,886,787	13,130,751	258,769,505	879,903,371
Placements from financial institutions	(1,393,071)	(4,821,717)	–	–	–	(1,014)	(6,215,802)
Financial assets sold under repurchase agreements	(490,799)	(5,498,084)	(754,560)	–	–	(1,352)	(6,744,795)
Borrowings	(50,251,281)	(78,608,916)	(263,172,390)	(230,619,245)	(4,371,290)	(2,472,853)	(629,495,975)
Financial liabilities at fair value through profit or loss	(24,349)	–	–	–	–	(743,797)	(768,146)
Lease liabilities	(24,064)	(15,510)	(173,678)	(310,520)	(159,615)	–	(683,387)
Bonds and notes issued	(4,673,927)	(7,661,060)	(7,626,079)	(137,323,702)	(30,707,940)	(1,867,063)	(189,859,771)
Other financial liabilities	(389,893)	(3,996)	(61,158)	(17,489,145)	–	(35,361,367)	(53,305,559)
Total financial liabilities	(57,247,384)	(96,609,283)	(271,787,865)	(385,742,612)	(35,238,845)	(40,447,446)	(887,073,435)
Interest rate gap	186,989,152	(64,054,770)	(121,462,586)	(204,855,825)	(22,108,094)	218,322,059	(7,170,064)

61. Financial risk management (continued)

61.2 Market risk (continued)

Interest rate risk (continued)

	As at 31 December 2021						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with central bank	23,941,769	—	—	—	—	14,732	23,956,501
Deposits with financial institutions	126,982,216	14,967,585	3,953,473	704,000	—	90,983	146,698,257
Placements with financial institutions	19,463,934	63,757	149,829	—	—	8,241	19,685,761
Financial assets at fair value through profit or loss	15,965,542	3,305,076	20,467,992	93,712,239	18,154,925	199,441,945	351,047,719
Financial assets held under resale agreements	10,558,893	—	—	—	—	485,378	11,044,271
Loans and advances to customers	74,603,567	22,321,881	88,108,041	50,271,472	11,268,074	590,968	247,164,003
Finance lease receivables	2,459,348	2,978,495	10,165,714	6,086,239	290,000	1,574,271	23,554,067
Debt instruments at fair value through other comprehensive income	10,712,718	1,430,343	16,186,834	21,345,356	7,129,420	398,953	57,203,624
Equity instruments at fair value through other comprehensive income	—	—	—	—	—	3,139,579	3,139,579
Debt instruments at amortised cost	101,587,009	24,936,668	184,650,827	236,676,612	29,182,403	3,765,915	580,799,434
Assets held for sale	1,777,174	1,705,552	3,034,575	236,795	—	112,149	6,866,245
Other financial assets	347,274	7,330	1,064,345	1,813,302	389,043	10,697,678	14,318,972
Total financial assets	388,399,444	71,716,687	327,781,630	410,846,015	66,413,865	220,320,792	1,485,478,433
Borrowings from central bank	(1,152,852)	(2,726,672)	(19,100,131)	—	—	(167,973)	(23,147,628)
Deposits from financial institutions	(2,517,995)	(3,590,000)	(7,449,914)	—	—	(98,431)	(13,656,340)
Placements from financial institutions	(1,677,310)	(1,631,882)	(1,473,000)	—	—	(2,027)	(4,784,219)
Financial assets sold under repurchase agreements	(14,463,359)	(5,971,445)	(10,430,622)	—	—	(796)	(30,866,222)
Borrowings	(86,722,068)	(125,989,897)	(403,790,762)	(88,854,262)	(37,883,849)	(4,384,624)	(747,625,462)
Financial liabilities at fair value through profit or loss	(625)	—	(328,132)	—	—	(354,905)	(683,662)
Due to customers	(120,074,388)	(10,284,148)	(35,136,564)	(86,103,926)	(226)	(5,609,636)	(257,208,888)
Lease liabilities	(42,518)	(49,481)	(539,425)	(1,175,740)	(226,435)	(15,941)	(2,049,540)
Bonds and notes issued	(1,870,151)	(45,794,622)	(75,609,828)	(89,015,203)	(58,094,490)	(680,919)	(271,065,213)
Liabilities directly associated with the assets held for sale	(201,524)	(300,805)	(1,183,144)	(3,632)	—	(13,676)	(1,702,781)
Other financial liabilities	(1,545,730)	(145,793)	(1,359,415)	(11,942,895)	(1,638,314)	(68,079,846)	(84,711,993)
Total financial liabilities	(230,268,520)	(196,484,745)	(556,400,937)	(277,095,658)	(97,843,314)	(79,408,774)	(1,437,501,948)
Interest rate gap	158,130,924	(124,768,058)	(228,619,307)	133,750,357	(31,429,449)	140,912,018	47,976,485

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.2 Market risk (continued)

Interest rate risk (continued)

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income before tax, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of the reporting period.

This sensitivity analysis is performed by assuming that:

- Interest income and expenses are changed by 100 basis points when interest generating assets and interest bearing liabilities within one year are reset or reinvested/replaced with similar assets or liabilities when they become matured. No changes in fair value are assumed in this assessment for financial assets at FVTPL.

- The fair value of financial instruments at FVOCI changes in response to this change of 100 basis points.

Interest rate sensitivity analysis

	Year ended 31 December			
	2022		2021	
	Profit before tax	**Other comprehensive income before tax**	Profit before tax	Other comprehensive income before tax
+ 100 basis points	**670,820**	**(447,777)**	(556,919)	(1,373,082)
- 100 basis points	**(670,820)**	**413,502**	556,919	1,438,118

Foreign exchange risk

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

61. Financial risk management (continued)

61.2 Market risk (continued)

Foreign exchange risk (continued)

At the end of the reporting period, a breakdown of the financial assets and liabilities analysed by currency is as follows:

	As at 31 December 2022				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	17,992	5,133	47	—	23,172
Deposits with financial institutions	80,034,188	15,957,325	1,505,742	80,988	97,578,243
Placements with financial institutions	1,300,243	—	—	—	1,300,243
Financial assets at fair value through profit or loss	288,040,484	12,126,670	6,525,221	2,763,511	309,455,886
Financial assets held under resale agreements	706,711	—	—	—	706,711
Loans and advances to customers	—	—	38,460	—	38,460
Finance lease receivables	13,920,737	607,603	—	—	14,528,340
Debt instruments at fair value through other comprehensive income	24,561,527	756,887	—	—	25,318,414
Equity instruments at fair value through other comprehensive income	392,878	1,087,702	178,732	379,283	2,038,595
Debt instruments at amortised cost	374,203,924	37,230,520	3,918,284	—	415,352,728
Other financial assets	8,770,549	4,405,559	356,799	29,672	13,562,579
Total financial assets	791,949,233	72,177,399	12,523,285	3,253,454	879,903,371
Placements from financial institutions	(6,215,802)	—	—	—	(6,215,802)
Financial assets sold under repurchase agreements	(5,990,235)	(754,560)	—	—	(6,744,795)
Borrowings	(605,745,367)	(20,753,753)	(2,996,855)	—	(629,495,975)
Financial liabilities at fair value through profit or loss	(24,349)	(743,797)	—	—	(768,146)
Lease liabilities	(210,261)	—	(473,126)	—	(683,387)
Bonds and notes issued	(102,379,991)	(85,459,363)	—	(2,020,417)	(189,859,771)
Other financial liabilities	(51,436,023)	(959,698)	(883,943)	(25,895)	(53,305,559)
Total financial liabilities	(772,002,028)	(108,671,171)	(4,353,924)	(2,046,312)	(887,073,435)
Net exposure	19,947,205	(36,493,772)	8,169,361	1,207,142	(7,170,064)

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.2 Market risk (continued)

Foreign exchange risk (continued)

	As at 31 December 2021				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central bank	23,878,838	77,483	179	1	23,956,501
Deposits with financial institutions	133,047,065	5,238,637	8,175,923	236,632	146,698,257
Placements with financial institutions	19,472,175	213,586	—	—	19,685,761
Financial assets at fair value through profit or loss	326,849,574	14,837,042	5,522,513	3,838,590	351,047,719
Financial assets held under resale agreements	11,044,271	—	—	—	11,044,271
Loans and advances to customers	246,988,338	136,185	35,760	3,720	247,164,003
Finance lease receivables	22,029,348	1,524,719	—	—	23,554,067
Debt instruments at fair value through other comprehensive income	56,237,078	966,546	—	—	57,203,624
Equity instruments at fair value through other comprehensive income	1,086,298	1,853,148	200,133	—	3,139,579
Debt instruments at amortised cost	540,394,449	31,134,955	9,270,030	—	580,799,434
Asset held for sale	6,866,245	—	—	—	6,866,245
Other financial assets	9,188,303	4,603,651	527,018	—	14,318,972
Total financial assets	1,397,081,982	60,585,952	23,731,556	4,078,943	1,485,478,433
Borrowings from central bank	(23,147,628)	—	—	—	(23,147,628)
Deposits from financial institutions	(13,656,340)	—	—	—	(13,656,340)
Placements from financial institutions	(4,784,219)	—	—	—	(4,784,219)
Financial assets sold under repurchase agreements	(30,035,374)	(830,848)	—	—	(30,866,222)
Borrowings	(637,117,243)	(110,058,538)	(449,681)	—	(747,625,462)
Financial liabilities at fair value through profit or loss	(355,530)	(328,132)	—	—	(683,662)
Due to customers	(256,610,971)	(489,046)	(14)	(108,857)	(257,208,888)
Lease liabilities	(1,496,524)	—	(553,016)	—	(2,049,540)
Bonds and notes issued	(169,666,913)	(95,907,504)	(3,607,098)	(1,883,698)	(271,065,213)
Liabilities directly associated with the assets held for sale	(1,702,781)	—	—	—	(1,702,781)
Other financial liabilities	(73,542,360)	(986,419)	(10,183,214)	—	(84,711,993)
Total financial liabilities	(1,212,115,883)	(208,600,487)	(14,793,023)	(1,992,555)	(1,437,501,948)
Net exposure	184,966,099	(148,014,535)	8,938,533	2,086,388	47,976,485

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.2 Market risk (continued)

Foreign exchange risk (continued)

Foreign exchange rate sensitivity analysis

The table below indicates the potential effect on profit before tax and other comprehensive income before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rates against all other currencies.

	Year ended 31 December			
	2022		2021	
	Profit before tax	**Other comprehensive income before tax**	Profit before tax	Other comprehensive income before tax
5% appreciation	**1,475,994**	**(120,130)**	19,404,537	(150,991)
5% depreciation	**(1,475,994)**	**120,130**	(19,404,537)	150,991

Price risk

Certain equity financial assets included in financial assets at FVTPL and financial assets at FVOCI are subject to price risk which may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following table illustrates the potential impact of an increase or decrease of 10 percent in price on these equity financial assets at FVTPL and financial assets at FVOCI measured at fair value on the Group's profit before tax and other comprehensive income before tax.

	Year ended 31 December			
	2022		2021	
	Profit before tax	**Other comprehensive income before tax**	Profit before tax	Other comprehensive income before tax
+10 percent	**2,705,288**	**25,268**	3,543,322	984,210
- 10 percent	**(2,705,288)**	**(25,268)**	(3,543,322)	(984,210)

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.3 Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due, or will have to do so at an excessive cost. This risk arises from mismatches in the timing of cash flows which is inherent in all business operations and can be affected by a range of group-specific and market-wide events.

The Group manages its liquidity risk by:

- optimising assets and liabilities structure;

- implementing a centralised liquidity management system by pooling group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and

- regularly performing quantitative analysis.

Due to its business nature, the Group has diverse funding sources, including issues of debt instruments, perpetual capital instruments and banking borrowings.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.3 Liquidity risk (continued)

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

	As at 31 December 2022							
	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 bank	7,645	15,548	–	–	–	–	–	23,193
Deposits with financial institutions	20,465,349	65,714,376	2,088,876	7,041,363	2,248,302	40,000	–	97,598,266
Placements with financial institutions	–	–	1,302,782	–	–	–	–	1,302,782
Financial assets at fair value through profit or loss	287,198,772	–	1,727,605	1,023,368	9,178,874	53,095,330	1,593,115	353,817,064
Financial assets held under resale agreements	–	–	706,225	–	618	–	–	706,843
Loans and advances to customers	–	–	38,460	–	–	–	–	38,460
Finance lease receivables	1,443,218	–	633,501	856,913	4,939,196	10,265,224	1,406,723	19,544,775
Debt instruments at fair value through other comprehensive income	18,253,840	–	302,958	1,764,097	5,378,403	9,630,458	1,891,785	37,221,541
Equity instruments at fair value through other comprehensive income	2,038,595	–	–	–	–	–	–	2,038,595
Debt instruments at amortised cost	206,295,164	–	18,638,409	27,994,152	138,993,231	187,659,702	10,133,263	589,713,921
Other financial assets	4,578,327	3,252,093	19,940	277,956	3,130,901	2,390,950	1,101,576	14,751,743
Total financial assets	540,280,910	68,982,017	25,458,756	38,957,849	163,869,525	263,081,664	16,126,462	1,116,757,183
Placements from financial institutions	–	–	(1,396,524)	(4,841,696)	–	–	–	(6,238,220)
Financial assets sold under repurchase agreements	–	–	(491,504)	(5,517,390)	(754,560)	–	–	(6,763,454)
Borrowings	–	(2,196,975)	(42,569,457)	(80,282,585)	(317,078,217)	(223,769,876)	(7,782,538)	(673,679,648)
Financial liabilities at fair value through profit or loss	(743,797)	–	(24,349)	–	–	–	–	(768,146)
Lease liabilities	(5,969)	(43,110)	(25,562)	(38,447)	(216,195)	(381,525)	(249,630)	(960,438)
Bonds and notes issued	–	–	(2,369,912)	(6,154,344)	(18,261,708)	(168,132,446)	(43,632,185)	(238,550,595)
Other financial liabilities	(11,546,423)	(3,789,750)	(3,128,277)	(1,812,097)	(7,901,270)	(24,816,090)	(519,183)	(53,513,090)
Total financial liabilities	(12,296,189)	(6,029,835)	(50,005,585)	(98,646,559)	(344,211,950)	(417,099,937)	(52,183,536)	(980,473,591)
Net position	527,984,721	62,952,182	(24,546,829)	(59,688,710)	(180,342,425)	(154,018,273)	(36,057,074)	136,283,592

Maturity analysis for derivative financial assets and liabilities are not presented separately as the amount is insignificant.

In respect of financial liabilities at FVTPL, the ultimate cash outflow depends on the corresponding underlying assets, and the actual amount can be different from those presented above.

61. Financial risk management (continued)

61.3 Liquidity risk (continued)

	As at 31 December 2021							
	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 bank	15,587,454	8,368,999	74	—	—	—	—	23,956,527
Deposits with financial institutions	10,143,910	120,176,225	11,490,852	1,218,308	3,235,829	705,724	—	146,970,848
Placements with financial institutions	—	—	19,471,533	67,202	157,209	—	—	19,695,944
Financial assets at fair value through profit or loss	270,632,313	297,366	1,175,254	1,970,066	27,556,133	87,133,687	15,226,942	403,991,761
Financial assets held under resale agreements	1,857,543	232,454	8,956,416	—	—	—	—	11,046,413
Loans and advances to customers	5,728,021	—	18,695,531	37,043,006	104,407,982	107,042,146	74,311,761	347,228,447
Finance lease receivables	2,044,298	—	1,167,281	1,938,837	7,484,441	15,163,761	1,647,459	29,446,077
Debt instruments at fair value through other comprehensive income	15,748,215	—	2,160,274	3,350,196	19,796,014	26,986,153	8,795,531	76,836,383
Equity instruments at fair value through other comprehensive income	3,139,579	—	—	—	—	—	—	3,139,579
Debt instruments at amortised cost	155,570,397	—	42,953,184	37,980,840	199,440,514	306,858,117	37,233,126	780,036,178
Assets held for sale	228,116	587,682	1,239,403	2,008,541	3,536,182	237,406	—	7,837,330
Other financial assets	3,200,082	1,674,724	2,648,243	47,685	3,648,317	2,753,585	2,019,728	15,992,364
Total financial assets	483,879,928	131,337,450	109,958,045	85,624,681	369,262,621	546,880,579	139,234,547	1,866,177,851
Borrowings from central bank	—	—	(1,209,803)	(2,795,882)	(19,407,693)	—	—	(23,413,378)
Deposits from financial institutions	—	(2,417,995)	(100,669)	(3,648,861)	(7,745,404)	—	—	(13,912,929)
Placements from financial institutions	—	—	(1,680,951)	(1,243,359)	(1,488,578)	—	—	(4,412,888)
Financial assets sold under repurchase agreements	—	—	(3,244,852)	(5,993,279)	(10,690,479)	—	—	(19,928,610)
Borrowings	—	(10,655,801)	(76,442,878)	(122,697,202)	(428,794,910)	(142,921,323)	(17,659,541)	(799,171,655)
Financial liabilities at fair value through profit or loss	(354,905)	—	—	(625)	(328,132)	—	—	(683,662)
Due to customers	—	(110,671,880)	(10,916,674)	(10,981,689)	(37,742,957)	(96,525,189)	(292)	(266,838,681)
Lease liabilities	—	(163,573)	(23,237)	(111,373)	(634,827)	(1,348,490)	(369,459)	(2,650,959)
Bonds and notes issued	(1,179)	—	(2,253,420)	(30,253,130)	(99,621,578)	(111,166,700)	(68,081,068)	(311,377,075)
Liabilities directly associated with the assets held for sale	—	(3,479)	(205,550)	(317,564)	(1,225,246)	(3,751)	—	(1,755,590)
Other financial liabilities	(15,815,575)	(46,923,738)	(2,682,246)	(1,265,330)	(5,396,492)	(19,495,206)	(605,178)	(92,183,765)
Total financial liabilities	(16,171,659)	(170,836,466)	(98,760,280)	(179,308,294)	(613,076,296)	(371,460,659)	(86,715,538)	(1,536,329,192)
Net position	467,708,269	(39,499,016)	11,197,765	(93,683,613)	(243,813,675)	175,419,920	52,519,009	329,848,659

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.4 Risk management of distressed assets

61.4.1 Overview

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

The Group's distressed assets risk arises from distressed debts which the Group initially classifies as financial assets at FVTPL, debt instruments at amortised cost and at FVOCI or equity instruments at FVTPL and at FVOCI.

61.4.2 Risk management of distressed debt assets

The Group exercises standardised management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before taking up distressed assets, and monitoring measures after taking up the distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts measured as financial assets at FVTPL mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as debt instruments at amortised cost and at FVOCI mainly comprise credit risk.

(i) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets measured at FVTPL and at FVOCI, due to variance in factors including future cash flows, collection period, discount rate, disposal cost and etc. Measures the Group takes to minimise the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources and etc.;
- Adopt conservative estimation on incurrence rate, discount rate, disposal cost and future cash flows when performing valuation; and
- Review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.4 Risk management of distressed assets (continued)

61.4.2 Risk management of distressed debt assets (continued)

(i) Valuation risk (continued)

The Group has established an independent valuation process for financial assets and financial liabilities. The Operation Department is responsible for the valuation of financial assets and financial liabilities, and the Risk Management Department performs an independent review of the valuation methodologies, inputs, assumptions and valuation results. The Finance Department records these items and prepares the disclosure of the financial assets and financial liabilities, based on the independently reviewed valuation.

(ii) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimise the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets are managed effectively;

- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and

- Set up reporting mechanism of significant event to ensure immediate recovery action is taken when certain risk elements emerge.

V. EXPLANATORY NOTES (continued)

61. Financial risk management (continued)

61.4 Risk management of distressed assets (continued)

61.4.2 Risk management of distressed debt assets (continued)

(iii) Credit risk

In addition to distressed debt assets classified as debt instruments at amortised cost and at FVOCI, certain distressed debt assets measured as at FVTPL may also be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are measured at FVTPL, the Group may decide to pursue repayment from the obligor instead of disposing of it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Measures the Group takes to minimise the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;

- Select counterparties with appropriate creditworthiness and repayment capability; and

- Require counterparties to provide collateral to cover the credit exposure.

61.4.3 Risk management of assets obtained through debt-to-equity swap

Certain equity classified as equity instruments at FVTPL and at FVOCI were obtained through debt-to-equity swap. Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

Measures the Group takes to minimise the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;

- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and

- Track the value changes dynamically and identify the appropriate timing for disposal to realise the maximum value of equity shares.

61.4.4 Determination of fair value

The Group determines the fair value of distressed debt assets, which are classified as financial assets at FVTPL and at FVOCI, by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between market participants or realisable value of the underlying assets.

61. Financial risk management (continued)

61.4 Risk management of distressed assets (continued)

61.4.5 Impairment assessment

The Group performs impairment assessment on distressed debt assets at amortised cost and at FVOCI. Assessment procedures for distressed debt assets at amortised cost and at FVOCI are similar to those set out in Note V.61.1.

61.5 Capital management

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

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

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the 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 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) and Capital Rules for Financial Asset Management Companies (Provisional) (Yinjianfa [2017] No. 56), issued by the CBIRC in 2016 and 2017 respectively, the Company is required to maintain a minimum core Tier II Capital Adequacy Ratio ("CAR") at 12.5%, as at 31 December 2022 and 2021, the capital adequacy ratios of the Company met the regulatory requirements.

V. EXPLANATORY NOTES (continued)

62. Fair value of financial instruments

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

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

	As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL	**27,052,882**	**11,425,123**	**270,977,881**	**309,455,886**
Debt instruments at FVOCI	**—**	**4,039,114**	**21,279,300**	**25,318,414**
Equity instruments at FVOCI	**252,683**	**1,466,985**	**318,927**	**2,038,595**
Total	**27,305,565**	**16,931,222**	**292,576,108**	**336,812,895**

	As at 31 December 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial liabilities at FVTPL	**(138)**	**(767,546)**	**(462)**	**(768,146)**

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	35,433,221	37,397,071	278,217,427	351,047,719
Debt instruments at FVOCI	9,417,405	18,768,422	29,017,797	57,203,624
Equity instruments at FVOCI	424,690	2,053,281	661,608	3,139,579
Loans and advances to customers at FVOCI	—	36,874,793	—	36,874,793
Total	45,275,316	95,093,567	307,896,832	448,265,715

	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
Financial liabilities at FVTPL	(20)	(683,038)	(604)	(683,662)

There were no significant transfers between Level 1 and Level 2 within the Group for the years ended 31 December 2022 and 2021.

62. Fair value of financial instruments (continued)

62.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

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

Financial assets	Fair value as at 31 December 2022	Fair value as at 31 December 2021	Fair value hierarchy
1) Financial assets at FVTPL			
Distressed debt assets	**179,725,620**	182,087,159	Level 3
Funds			
— Listed	**491,937**	353,583	Level 1
— Investing in the underlying assets with open or active quotations	**3,316,070**	10,083,617	Level 2
— Investing in the underlying assets without open or active quotations	**35,397,120**	38,657,986	Level 3
Trust products			
— Investing in the underlying assets with open or active quotations	**177,363**	920,232	Level 2
— Investing in the underlying assets without open or active quotations	**13,741,147**	10,762,033	Level 3
Equity instruments			
— Listed shares			
— Unrestricted shares	**26,560,945**	34,855,455	Level 1
— Unrestricted shares	—	110,941	Level 2
— Restricted shares	**6,051,365**	4,664,258	Level 3
— Unlisted shares	**21,828,176**	21,532,540	Level 3
Debt securities			
— Traded in stock exchanges	—	181,950	Level 1
— Traded in inter-bank markets	**5,722,246**	16,218,422	Level 2
— Traded over the counter	**308,027**	302,915	Level 3
Wealth management products			
— Investing in the underlying assets with open or active quotations	**1,680,502**	5,654,881	Level 2
— Investing in the underlying assets without open or active quotations	—	100	Level 3
Convertible bonds			
— Listed	—	42,233	Level 1
— Unlisted	**1,765,254**	2,147,411	Level 3
Derivatives and structured products	**366,139**	88,122	Level 2

V. EXPLANATORY NOTES (continued)

62. Fair value of financial instruments (continued)

62.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at 31 December		Fair value hierarchy
	2022	2021	
Derivatives and structured products	**3,265,911**	6,260,017	Level 3
Other debt assets			
— Investing in the underlying assets without open or active quotations	**7,390,959**	6,849,583	Level 3
Asset management plans			
— Investing in the underlying assets with open or active quotations	**162,803**	3,942,537	Level 2
— Investing in the underlying assets without open or active quotations	**816,804**	3,921,544	Level 3
Negotiable certificates of deposit	—	378,319	Level 2
Entrusted loans	**660,350**	884,284	Level 3
Asset-backed securities	**27,148**	147,597	Level 3
Subtotal	**309,455,886**	351,047,719	
2) Debt instruments at FVOCI			
Distressed debt assets	**16,683,796**	23,030,955	Level 3
Debt securities	—		
— Traded in stock exchanges	—	9,417,405	Level 1
— Traded in inter-bank markets	**4,026,726**	18,411,101	Level 2
— Traded over the counter	**49,610**	59,499	Level 3
Entrusted loans	**2,174,677**	2,409,438	Level 3
Asset management plans			
— Investing in the underlying assets with open or active quotations	—	330,977	Level 2
— Investing in the underlying assets without open or active quotations	**1,459,518**	2,463,951	Level 3
Debt instruments	**757,299**	963,403	Level 3
Trust products	**154,400**	90,551	Level 3
Asset-backed securities			
— Investing in the underlying assets with open or active quotations	**12,388**	26,344	Level 2
Subtotal	**25,318,414**	57,203,624	

62. Fair value of financial instruments (continued)

62.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at 31 December 2022	Fair value as at 31 December 2021	Fair value hierarchy
3) Equity instruments at FVOCI			
Shares			
— Listed shares	**252,683**	424,690	Level 1
— Listed shares	**1,152,675**	406,715	Level 2
— Unlisted shares	**314,310**	1,646,566	Level 2
— Unlisted shares	**318,927**	661,608	Level 3
Subtotal	**2,038,595**	3,139,579	
4) Loans and advances to customers at FVOCI			
Discounted bills	**—**	36,874,793	Level 2
Total	**336,812,895**	448,265,715	

Financial liabilities	2022	2021	Fair value hierarchy
Financial liabilities mandatorily measured as at FVTPL			
— Derivatives financial instruments	**(138)**	(20)	Level 1
— Derivatives financial instruments	**(743,797)**	(331,638)	Level 2
— Derivatives financial instruments	**(462)**	(604)	Level 3
Financial liabilities designated as at FVTPL			
— Interests of other holders in consolidated structured entities	**(23,749)**	(351,400)	Level 2
Total	**(768,146)**	(683,662)	

V. EXPLANATORY NOTES (continued)

62. Fair value of financial instruments (continued)

62.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Valuation methods for financial instruments

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

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

For Level 3 financial instruments, the management of the Group obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including income approach, market approach and asset-based approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as Level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, discount rate, etc.

62. Fair value of financial instruments (continued)

62.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

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

Business type	Valuation technique(s) and key input(s)	Significant unobservable input(s)	The effect of unobservable inputs on fair value
Distressed debt assets	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Unlisted equity instruments	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
	• Comparable company method	• Market multiplier, discount for lack of marketability (DLOM)	• The higher market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.
	• Asset-Based approach	• Adjusted net assets, discount for lack of marketability (DLOM)	• The higher the adjusted net assets, the higher the fair value. The lower the DLOM, the higher the fair value.

62. Fair value of financial instruments (continued)

62.1 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

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

Business type	Valuation technique(s) and key input(s)	Significant unobservable input(s)	The effect of unobservable inputs on fair value
Listed equity instruments (restricted)	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
Debt securities	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
Funds; Trust products; Wealth management products; Derivatives and structured products, etc	• Discounted cash flow, future cash flow is estimated based on the expected recoverable amount, and discounted at an interest rate determined by management based on the best estimate of the expected risk level	• Estimated recoverable amount, estimated recovery date, discount rate in line with estimated risk level	• The higher the expected recoverable amount, the higher the fair value. The earlier the recovery date, the higher the fair value. The lower the discount rate, the higher the fair value.
	• Comparable company method	• Market multiplier, discount for lack of marketability (DLOM)	• The higher market multiplier, the higher the fair value. The lower the DLOM, the higher the fair value.
	• Asset-Based approach	• Adjusted net assets, discount for lack of marketability (DLOM)	• The higher the adjusted net assets, the higher the fair value. The lower the DLOM, the higher the fair value.

62. Fair value of financial instruments (continued)

62.2 Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL	**Debt instruments at FVOCI**	**Equity instruments at FVOCI**	**Financial liabilities at FVTPL**
As at 1 January 2022	**278,217,427**	**29,017,797**	**661,608**	**(604)**
Recognised in profit or loss	**(751,906)**	**—**	**—**	**—**
Recognised in other comprehensive income	**—**	**482,076**	**18,403**	**—**
Additions	**48,060,526**	**1,146,386**	**415,315**	**—**
Settlements/disposals	**(49,804,065)**	**(9,366,959)**	**(776,399)**	**142**
Transferred-out from Level 3	**(4,744,101)**	**—**	**—**	**—**
As at 31 December 2022	**270,977,881**	**21,279,300**	**318,927**	**(462)**
Changes in unrealized losses for the year included in profit or loss for assets and liabilities held at the end of the year	**(5,102,732)**	**—**	**—**	**—**

	Financial assets at FVTPL	Debt instruments at FVOCI	Equity instruments at FVOCI	Financial liabilities at FVTPL
As at 1 January 2021	288,993,752	45,006,480	483,968	—
Recognised in profit or loss	(2,676,321)	—	—	—
Recognised in other comprehensive income	—	(90,208)	(8,453)	—
Additions	57,733,830	4,601,106	257,972	(604)
Settlements/disposals	(54,794,734)	(20,499,581)	(71,879)	—
Transferred-out from Level 3	(11,039,100)	—	—	—
As at 31 December 2021	278,217,427	29,017,797	661,608	(604)
Changes in unrealized losses for the year included in profit or loss for assets and liabilities held at the end of the year	(1,356,732)	—	—	—

For the year ended 31 December 2022, certain restricted shares were transferred out from Level 3 fair value measurement as they became unrestricted during the year.

62. Fair value of financial instruments (continued)

62.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis

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

	As at 31 December 2022		As at 31 December 2021	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Debt instruments at amortised cost	**415,352,728**	**432,724,356**	580,799,434	608,266,110
Loans and advances to customers	**38,460**	**38,460**	210,289,210	235,348,916
Total	**415,391,188**	**432,762,816**	791,088,644	843,615,026
Financial liabilities				
Borrowings	**(629,495,975)**	**(631,039,399)**	(747,625,462)	(696,686,455)
Bonds and notes issued	**(189,859,771)**	**(188,463,374)**	(271,065,213)	(266,303,629)
Total	**(819,355,746)**	**(819,502,773)**	(1,018,690,675)	(962,990,084)

62. Fair value of financial instruments (continued)

62.3 Fair value of financial assets and financial liabilities that are not measured on a recurring basis (continued)

	As at 31 December		Fair value hierarchy	Valuation technique
	2022	2021		
Financial assets				
Debt instruments at amortised cost	**—**	11,054,274	Level 1	Quoted ask prices in an active market
Debt instruments at amortised cost	**7,877,387**	99,790,416	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Debt instruments at amortised cost	**424,846,969**	497,421,420	Level 3	Discounted cash flows
Loans and advances to customers	**38,460**	235,348,916	Level 3	Discounted cash flows
Total	**432,762,816**	843,615,026		
Financial liabilities				
Borrowings	**(631,039,399)**	(696,686,455)	Level 3	Discounted cash flows
Bonds and notes issued	**(716,333)**	(11,833,501)	Level 1	Quoted ask prices in an active market
Bonds and notes issued	**(106,887,973)**	(216,233,091)	Level 2	Quoted prices from China Central Depository and Clearing Co., Ltd.
Bonds and notes issued	**(80,859,068)**	(38,237,037)	Level 3	Discounted cash flows
Total	**(819,502,773)**	(962,990,084)		

63. Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings	Bonds and notes issued	Financial liabilities at FVTPL	Lease liabilities	Payables to interest holders of consolidated structured entities	Dividends payable	Total
		Note V.47	Note V.22	Note V.46	Note V.48	Note V.48	
As at 1 January 2022	41,168,392	271,065,213	683,662	2,049,540	36,670,251	191,235	351,828,293
Financing cash flows	(15,859,176)	(23,381,652)	367,682	(552,620)	(22,397,492)	(66,001)	(61,889,259)
Non-cash changes							
Fair value adjustments	—	—	(279,962)	—	—	—	(279,962)
Foreign exchange translation	4,709,071	8,256,305	—	46,710	—	—	13,012,086
Interest expense	2,160,663	9,710,956	—	49,477	—	—	11,921,096
Net increase in lease	—	—	—	245,012	—	—	245,012
Disposal of subsidiaries	—	(75,791,051)	(3,236)	(1,154,732)	(3,146,842)	(12,310)	(80,108,171)
Change in net assets attributable to other holders of consolidated structured entities	—	—	—	—	(569,226)	—	(569,226)
As at 31 December 2022	32,178,950	189,859,771	768,146	683,387	10,556,691	112,924	234,159,869

63. Reconciliation of liabilities arising from financing activities (continued)

	Borrowings	Bonds and notes issued	Financial liabilities at FVTPL	Lease liabilities	Payables to interest holders of consolidated structured entities	Dividends payable	Total
		Note V.47	Note V.22	Note V.46	Note V.48	Note V.48	
As at 1 January 2021	53,231,215	336,971,821	3,301,527	919,817	68,177,577	4,312,345	466,914,302
Financing cash flows	(14,205,297)	(74,550,954)	(2,372,723)	(906,299)	(34,176,739)	(4,643,689)	(130,855,701)
Non-cash changes							
Fair value adjustments	—	—	(245,142)	—	—	—	(245,142)
Foreign exchange translation	79,935	(3,031,957)	—	(2,500)	—	—	(2,954,522)
Interest expense	2,628,182	11,676,303	—	131,340	—	—	14,435,825
Interest capitalisation	602,128	—	—	—	—	—	602,128
Net increase in lease	—	—	—	1,907,182	—	—	1,907,182
Disposal of subsidiaries	(1,167,771)	—	—	—	—	—	(1,167,771)
Change in net assets attributable to other holders of consolidated structured entities	—	—	—	—	2,669,413	—	2,669,413
Dividends declared	—	—	—	—	—	522,579	522,579
As at 31 December 2021	41,168,392	271,065,213	683,662	2,049,540	36,670,251	191,235	351,828,293

Only cash flows of borrowings of non-financial institution subsidiaries are considered as financing activities in the presentation of consolidated statement of cash flows.

64. Particulars of principal subsidiaries

Details of the Company's subsidiaries as at 31 December 2022 are set out below:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorised/ paid-in capital as at 31 December 2022 (In '000)	Proportion of ownership held by the Group at 31 December 2022	2021	Proportion of voting rights held by the Group at 31 December 2022	2021	Principal activities
				%	%	%	%	
Huarong Financial Leasing Co., Ltd. (華融金融租賃股份有限公司)[c][1][6]	Hangzhou, PRC	December 2001	RMB5,926,761	**79.92**	79.92	**79.92**	79.92	Leasing
Huarong Rongde Asset Management Co., Ltd. (華融融德資產管理有限公司)[b][6]	Beijing, PRC	June 2006	RMB1,788,000	**59.30**	59.30	**59.30**	59.30	Asset Management
Huarong Industrial Investment & Management Co., Ltd. (華融實業投資管理有限公司)[a][6]	Zhuhai, PRC	May 1994	RMB1,850,000	**100.00**	100.00	**100.00**	100.00	Real Estate Industry and Investment Management
Huarong Huitong Asset Management Co., Ltd (華融匯通資產管理有限公司)[a]	Beijing, PRC	September 2010	RMB906,700	**100.00**	100.00	**100.00**	100.00	Asset Management
Huarong Zhiyuan Investment & Management Co., Ltd. (華融致遠投資管理有限責任公司)[a]	Beijing, PRC	November 2009	RMB691,000	**100.00**	100.00	**100.00**	100.00	Asset Management
Huarong Rongda Futures Co., Ltd. (華融融達期貨股份有限公司)[c][1]	Zhengzhou, PRC	April 1993	RMB1,830,307	**59.26**	59.26	**59.26**	59.26	Futures Broking
China Huarong International Holdings Limited (中國華融國際控股有限公司)[6]	Hong Kong, PRC	January 2013	HKD2,771,382	**100.00**	100.00	**100.00**	100.00	Investment Holding
Huarong Tianze Investment Limited (華融天澤投資有限公司)[a]	Shanghai, PRC	November 2012	RMB461,000	**100.00**	100.00	**100.00**	100.00	Investment Holding
Huarong Yufu Equity Investment Fund Management Co., Ltd. (華融渝富股權投資基金管理有限公司)[d]	Chongqing, PRC	July 2010	RMB446,306	**91.00**	91.00	**91.00**	91.00	Investment Holding
Huarong Qianhai Wealth Management Co., Ltd. (華融前海財富管理股份有限公司)[c]	Shenzhen, PRC	September 2014	RMB481,618	**68.00**	68.00	**68.00**	68.00	Wealth Management
China Huarong Western Development Investment Co., Ltd. (華融西部開發投資有限公司)[a]	Yinchuan, PRC	December 2014	RMB540,000	**100.00**	100.00	**100.00**	100.00	Asset Management

V. EXPLANATORY NOTES (continued)

64. Particulars of principal subsidiaries (continued)

Details of the Company's subsidiaries as at 31 December 2022 are set out below: (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorised/ paid-in capital as at 31 December 2022	Proportion of ownership held by the Group at 31 December		Proportion of voting rights held by the Group at 31 December		Principal activities
			(In '000)	**2022**	2021	**2022**	2021	
				%	%	%	%	
HIFH (華融國際金融控股有限公司)[(1)]	Bermuda, UK	November 1993	HKD8,710	**51.00**	51.00	**51.00**	51.00	Securities
Huarong Guangdong FTA Investment Holdings Limited (華融廣東自貿區投融資控股有限公司)[(a)]	Zhuhai, PRC	November 2015	RMB255,000	**100.00**	100.00	**100.00**	100.00	Investment Management
Huarong (Tianjin FTA) Investment Co., Ltd. (華融（天津自貿試驗區）投資有限公司)[(a)]	Tianjin, PRC	November 2015	RMB255,000	**100.00**	100.00	**100.00**	100.00	Investment Management
Huarong Gannan Finance Investment Limited (華融贛南產融投資有限責任公司)[(a)]	Ganzhou, PRC	November 2015	RMB200,000	**100.00**	100.00	**100.00**	100.00	Investment Management

64. Particulars of principal subsidiaries (continued)

Details of the Company's subsidiaries as at 31 December 2022 are set out below: (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorised/ paid-in capital as at 31 December 2022 (In '000)	Proportion of ownership held by the Group at 31 December 2022 %	2021 %	Proportion of voting rights held by the Group at 31 December 2022 %	2021 %	Principal activities
Huarong Huaqiao Asset Management Co., Ltd. (華融華僑資產管理股份有限公司)[c]	Shantou, PRC	December 2015	RMB500,000	**91.00**	91.00	**100.00**	100.00	Investment Management
Huarong Capital Management Co., Ltd. (華融資本管理有限公司)[d]	Beijing, PRC	March 2016	RMB300,000	**100.00**	100.00	**100.00**	100.00	Investment Management
Huarong Emerging Industry Investment Management Co., Ltd. (華融新興產業投資管理有限公司)[a]	Beijing, PRC	November 2016	RMB510,000	**100.00**	100.00	**100.00**	100.00	Investment Management
Huarong Innovation Investment Co., Ltd. (華融創新投資有限責任公司)[a]	Beijing, PRC	January 2016	RMB255,000	**100.00**	100.00	**100.00**	100.00	Investment Management
Huarong (Fujian Free Trade Test Area) Investment Co., Ltd. (華融(福建自貿試驗區)投資有限公司)[a]	Xiamen, PRC	June 2016	RMB255,000	**100.00**	100.00	**100.00**	100.00	Investment Management
China Huarong (Macau) International Co., Ltd. (中國華融(澳門)國際股份有限公司)	Macau, PRC	November 2016	MOP233,000	**51.00**	51.00	**51.00**	51.00	Investment Management
Huarong Ruitong Equity Investment Co., Ltd. (華融瑞通股權投資管理有限公司)[a]	Beijing, PRC	January 2017	RMB300,000	**100.00**	100.00	**100.00**	100.00	Investment Management

64. Particulars of principal subsidiaries (continued)

Details of the Company's subsidiaries as at 31 December 2022 are set out below: (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorised/ paid-in capital as at 31 December 2022 (In '000)	Proportion of ownership held by the Group at 31 December 2022	2021	Proportion of voting rights held by the Group at 31 December 2022	2021	Principal activities
				%	%	%	%	
Disposal of subsidiaries for the year								
Huarong Xiangjiang Bank (華融湘江銀行股份有限公司)(2)(6)	Changsha, PRC	October 2010	RMB7,750,431	—	40.53	—	40.53	Banking
Huarong Securities Co., Ltd. (華融證券股份有限公司)(3)(6)	Beijing, PRC	September 2007	RMB5,840,703	—	71.99	—	71.99	Securities
Huarong Consumer Finance Co., Ltd. (華融消費金融股份有限公司)(4)	Hefei, PRC	January 2016	RMB900,000	—	70.00	—	70.00	Personal Consumption Loan
Huarong International Trust Co., Ltd. (華融國際信託有限責任公司)(5)	Urumqi, PRC	August 2002	RMB3,035,653	—	76.79	—	76.79	Trust
Huarong Futures Co., Ltd. (華融期貨有限責任公司)(3)	Haikou, PRC	September 1993	RMB320,000	—	92.50	—	92.50	Futures Broking

The English names of these subsidiaries are for identification purpose only.

V. EXPLANATORY NOTES (continued)

64. Particulars of principal subsidiaries (continued)

The above table lists the principal subsidiaries of the Company.

(a) This entity is registered as solely invested by a corporation limited liability company under the PRC laws.

(b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

(c) This entity is registered as an unlisted joint stock limited company under the PRC laws.

(d) This entity is registered as other limited liability company under the PRC laws.

To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

(1) These subsidiaries are regulated financial institutions, therefore, they have to comply with regulatory requirements on related party transactions or capital requirements. As a result, the ability of the Group to access assets held by these subsidiaries to settle liabilities is restricted. As at 31 December 2022, the aggregate balance of total assets of these subsidiaries before consolidation eliminations amounted to RMB117,745 million (31 December 2021: RMB633,378 million).

(2) On 29 June 2022, the Extraordinary General Meeting of Shareholders approved the transfer of the Company's equity interests in Huarong Xiangjiang Bank. On 30 June 2022, Huarong Xiangjiang Bank received the Approval of China Banking and Insurance Regulatory Commission Hunan Office on Change of Equity of Huarong Xiangjiang Bank (Xiang Yin Bao Jian Fu [2022] No. 174, Xiang Yin Bao Jian Fu [2022] No. 175), which had given approval for the transfer of 40.53% of the Company's equity interests in Huarong Xiangjiang Bank to Hunan Chasing Financial Holding Group Co., Ltd., and Central Huijin Investment Ltd. On 30 June 2022, the Company had completed the transfer of equity interests and ceased to have any equity interests in Huarong Xiangjiang Bank (see Note V.15.1).

(3) On 25 March 2022, the Extraordinary General Meeting of Shareholders approved the transfer of the Company's equity interests in Huarong Securities. On 23 June 2022, Huarong Securities received the Approval of China Securities Regulatory Commission in relation to changes in substantial shareholders and actual controller of Huarong Securities (Zheng Jian Xu Ke [2022] No. 1324), which had given approval for the transfer of 71.99% of the Company's equity interests in Huarong Securities to China Reform Capital Co., Ltd. On 24 June 2022, the Company had completed the transfer of equity interests and ceased to have any equity interests in Huarong Securities. Meanwhile, the Company ceased to have any equity interests in Huarong Futures Co., Ltd., a subsidiary of Huarong Securities (see Note V.15.2).

(4) On 17 August 2021, the Extraordinary General Meeting of Shareholders approved the transfer of the Company's equity interests in Huarong Consumer Finance. On 29 April 2022, Huarong Consumer Finance received the Approval of China Banking and Insurance Regulatory Commission in respect of the Change of Shareholder of Huarong Consumer Finance (Yin Bao Jian Fu [2022] No. 281), which had given approval for the transfer of 70% of the Company's equity interests in Huarong Consumer Finance to Bank of Ningbo Co., Ltd. On 6 May 2022, the Company had completed the transfer of equity interests and ceased to have any equity interests in Huarong Consumer Finance (see Note V.15.3).

(5) On 30 September 2022, the Extraordinary General Meeting of Shareholders approved the transfer of the Company's equity interests in Huarong Trust. On 27 December 2022, Huarong Trust received the Approval of China Banking and Insurance Regulatory Commission in respect of the Change of Equity of Huarong Trust (Yin Bao Jian Fu [2022] No. 886), which had given approval for the transfer of 76.79% of the Company's equity interests in Huarong Trust to China Trust Protection Fund Co., Ltd. On 29 December 2022, the Company had completed the transfer of equity interests and ceased to have any equity interests in Huarong Trust (see Note V.15.4).

V. EXPLANATORY NOTES (continued)

64. Particulars of principal subsidiaries (continued)

(6) The balances of bonds and notes were issued by the Company and its subsidiaries are as follows:

	As at 31 December	
Name of entity	**2022**	2021
The Company	**97,771,978**	76,461,580
Huarong Xiangjiang Bank	**—**	68,926,117
Huarong Securities	**—**	13,453,253
Huarong Financial Leasing	**3,048,283**	7,438,231
Huarong Rongde Asset Management Co., Ltd.	**716,333**	2,410,543
Huarong Industrial Investment & Management Co., Ltd.	**843,397**	4,839,315
China Huarong International Holdings Limited	**87,479,780**	97,536,174
Total	**189,859,771**	271,065,213

Apart from information of bonds and notes issued by certain subsidiaries, no other debt securities had been issued by other subsidiaries at the end of the year.

V. EXPLANATORY NOTES (continued)

65. Non-controlling interests in the subsidiaries of the Group

The subsidiaries that have significant non-controlling interests to the Group are set out below. They include Huarong Rongde Asset Management Co., Ltd. ("Huarong Rongde") and Huarong Financial Leasing.

General information about these subsidiaries has been set out in Note V.64. Summarised financial information about these subsidiaries and entities controlled by them, before intra-group eliminations, are as follows:

Huarong Financial Leasing

	As at 31 December	
	2022	2021
Total assets	**107,899,579**	117,981,983
Total liabilities	**88,538,062**	99,741,116
Total equity	**19,361,517**	18,240,867
Non-controlling interests of the subsidiary	**3,887,655**	3,662,636

	Year ended 31 December	
	2022	2021
Total revenue	**7,548,475**	7,674,206
Profit before tax	**1,597,347**	1,973,876
Total comprehensive income	**1,120,650**	1,592,699
Profit attributable to non-controlling interests of the subsidiary	**243,680**	304,059
Dividend distribution to non-controlling interests	**—**	—

	Year ended 31 December	
	2022	2021
Net cash flow (used in)/from operating activities	**(1,467,298)**	5,856,295
Net cash flow from investing activities	**905,928**	1,074,024
Net cash flow used in financing activities	**(4,595,971)**	(6,942,706)
Net cash outflow	**(5,157,341)**	(12,387)

V. EXPLANATORY NOTES (continued)

65. Non-controlling interests in the subsidiaries of the Group (continued)

Huarong Rongde

	As at 31 December	
	2022	2021
Total assets	**19,540,265**	23,256,881
Total liabilities	**16,206,610**	18,234,198
Total equity	**3,333,655**	5,022,683
Non-controlling interests of the subsidiary	**1,356,797**	2,044,232

	Year ended 31 December	
	2022	2021
Total revenue	**1,185,022**	1,290,153
Loss before tax	**(2,235,768)**	(896,062)
Total comprehensive expense	**(1,689,028)**	(661,550)
Loss attributable to non-controlling interests of the subsidiary	**(687,434)**	(269,251)
Dividend distribution to non-controlling interests	**—**	61,050

	Year ended 31 December	
	2022	2021
Net cash flow from operating activities	**2,644,212**	3,394,304
Net cash flow from/(used in) investing activities	**157,370**	(1,654,032)
Net cash flow used in financing activities	**(3,624,956)**	(1,423,003)
Net cash (outflow)/inflow	**(823,374)**	317,269

66. Comparative amounts

The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

67. Statement of financial position and changes in equity of the Company

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	As at 31 December	
	2022	2021
Assets		
Cash and balances with central bank	**—**	1,284
Deposits with financial institutions	**58,083,297**	88,081,045
Placements with financial institutions	**1,751,527**	18,606,934
Financial assets at fair value through profit or loss	**228,205,231**	230,932,543
Financial assets held under resale agreements	**500,299**	2,368,453
Debt instruments at fair value through other comprehensive income	**17,479,541**	22,222,092
Equity instruments at fair value through other comprehensive income	**133,019**	629,432
Debt instruments at amortised cost	**243,155,139**	295,561,774
Amounts due from subsidiaries	**110,105,750**	94,398,024
Interests in consolidated structured entities	**67,704,135**	35,943,651
Investment properties	**434,909**	458,030
Property and equipment	**502,258**	558,105
Right-of-use assets	**695,841**	879,760
Deferred tax assets	**13,071,172**	11,178,613
Interests in associates	**2,302,348**	982,793
Interests in subsidiaries	**8,627,607**	17,839,777
Assets held for sale	**—**	630,000
Other assets	**4,222,709**	3,998,806
Total assets	**756,974,782**	825,271,116
Liabilities		
Placements from financial institutions	**5,954,788**	3,109,192
Financial assets sold under repurchase agreements	**5,598,883**	—
Borrowings	**530,113,470**	629,861,916
Tax payable	**1,999,903**	196,565
Lease liabilities	**661,889**	807,417
Bonds and notes issued	**97,771,978**	76,396,505
Other liabilities	**53,596,790**	46,835,405
Total liabilities	**695,697,701**	757,207,000

V. EXPLANATORY NOTES (continued)

67. Statement of financial position and changes in equity of the Company (continued)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (continued)

	As at 31 December	
	2022	2021
Equity		
Share capital	**80,246,679**	80,246,679
Other equity instruments	**19,900,000**	—
Capital reserve	**17,876,601**	17,960,135
Surplus reserve	**8,564,210**	8,564,210
General reserve	**11,353,388**	11,353,388
Other reserves	**479,136**	1,124,624
Accumulated losses	**(77,142,933)**	(51,184,920)
Total equity	**61,277,081**	68,064,116
Total equity and liabilities	**756,974,782**	825,271,116

V. EXPLANATORY NOTES (continued)

67. Statement of financial position and changes in equity of the Company (continued)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

						Other reserves			
	Share capital	**Other equity instruments**	**Capital reserve**	**Surplus reserve**	**General reserve**	**Investment revaluation reserve**	**Others**	**Accumulated losses**	**Total**
As at 1 January 2022	**80,246,679**	**—**	**17,960,135**	**8,564,210**	**11,353,388**	**1,166,881**	**(42,257)**	**(51,184,920)**	**68,064,116**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(26,138,175)**	**(26,138,175)**
Other comprehensive (expenses)/income for the year	**—**	**—**	**—**	**—**	**—**	**(472,213)**	**6,887**	**—**	**(465,326)**
Total comprehensive (expenses)/income for the year	**—**	**—**	**—**	**—**	**—**	**(472,213)**	**6,887**	**(26,138,175)**	**(26,603,501)**
Capital contribution from shareholders	**—**	**19,900,000**	**—**	**—**	**—**	**—**	**—**	**—**	**19,900,000**
Others	**—**	**—**	**(83,534)**	**—**	**—**	**(180,162)**	**—**	**180,162**	**(83,534)**
As at 31 December 2022	**80,246,679**	**19,900,000**	**17,876,601**	**8,564,210**	**11,353,388**	**514,506**	**(35,370)**	**(77,142,933)**	**61,277,081**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

					Other reserves			
	Share capital	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Others	Accumulated losses	Total
As at 1 January 2021	39,070,208	17,162,909	8,564,210	11,353,388	1,405,617	(27,808)	(53,675,868)	23,852,656
Profit for the year	—	—	—	—	—	—	2,538,429	2,538,429
Other comprehensive expenses for the year	—	—	—	—	(286,217)	(14,449)	—	(300,666)
Total comprehensive (expenses)/income for the year	—	—	—	—	(286,217)	(14,449)	2,538,429	2,237,763
Capital contribution from shareholders	41,176,471	805,333	—	—	—	—	—	41,981,804
Others	—	(8,107)	—	—	47,481	—	(47,481)	(8,107)
As at 31 December 2021	80,246,679	17,960,135	8,564,210	11,353,388	1,166,881	(42,257)	(51,184,920)	68,064,116

V. EXPLANATORY NOTES (continued)

68. Dividends

In view of the fact that the Company's distributable profit as at the end of 2022 was negative, the Board of Directors proposed not to distribute any dividend for the year ended 31 December 2022.

In view of the fact that the Company's distributable profit as at the end of 2021 was negative, upon approval by the annual general meeting on 27 May 2022, the Company did not distribute any dividend for the year ended 31 December 2021.

VI. EVENTS AFTER THE BALANCE SHEET DATE

1. On 4 January 2023, Huarong Industrial Investment & Management Co., Ltd., a subsidiary of the Company, privately issued a RMB800 million debt financing plan maturing on 4 January 2024 at the Beijing Financial Assets Exchange. The debt financing plan has a coupon interest rate of 5.50% per annum.

2. As at 6 March 2023, the MOF and CITIC Group had completed registration procedures for a capital injection made by the MOF in the form of 2,407,400,372 domestic shares of the Company into CITIC Group. After the above change in equity interests, the MOF's percentage shareholding in the Company was 24.76%, while CITIC Group's percentage shareholding in the Company was 26.46%, making it the largest shareholder of the Company.

3. China Everbright Bank Company Limited ("China Everbright Bank") publicly issued 300 million convertible corporate bonds on 17 March 2017 ("Everbright Convertible Bonds") with a total principal amount of RMB30 billion. These Everbright Convertible Bonds have been listed for trading on the Shanghai Stock Exchange since 5 April 2017. On 16 March 2023, upon approval by regulators, the Company converted 140,186,860 of its Everbright Convertible Bonds into ordinary A shares of China Everbright Bank through the trading system of Shanghai Stock Exchange with a conversion price of RMB3.35 per share. Upon completion of this conversion, the Company held 4,184,682,388 ordinary A shares of China Everbright Bank, accounting for 7.08% of total common share capital of China Everbright Bank.

VII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors of the Company on 29 March 2023.

18. List of Domestic and Overseas Entities

18.1 Corporate Headquarters

China Huarong Asset Management Co., Ltd.
Address: No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59619088
Fax: 010-59618000

18.2 Branches

China Huarong Asset Management Co., Ltd. — Beijing Branch
Address: No. 293 Fuchengmennei Main Street, Xicheng District, Beijing
Postal code: 100034
Tel: 010-66511186
Fax: 010-66512517

China Huarong Asset Management Co., Ltd. — Tianjin Branch
Address: No. 1 Nanhai Road, Heping District, Tianjin
Postal code: 300050
Tel: 022-28311316
Fax: 022-28310013

China Huarong Asset Management Co., Ltd. — Hebei Branch
Address: No. 368 Zhongshan East Road, Changan District, Shijiazhuang, Hebei Province
Postal code: 050011
Tel: 0311-89291736
Fax: 0311-89291706

China Huarong Asset Management Co., Ltd. — Shanxi Branch
Address: No. 52 Kangle Street, Yingze District, Taiyuan, Shanxi Province
Postal code: 030001
Tel: 0351-4602761
Fax: 0351-4602761

China Huarong Asset Management Co., Ltd. — Inner Mongolia Branch
Address: 14-15/F, Block A, Greenland Tengfei Building, No. 45 Tengfei Road, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Postal code: 010020
Tel: 0471-6981022
Fax: 0471-6967697

China Huarong Asset Management Co., Ltd. — Liaoning Branch
Address: No. 142 Ningshan Middle Road, Huanggu District, Shenyang, Liaoning Province
Postal code: 110036
Tel: 024-86284759
Fax: 024-86284760

China Huarong Asset Management Co., Ltd. — Jilin Branch
Address: 4/F, Building 2, Northeast Asia International Finance Center, No. 10606 People's Avenue, Nanguan District, Changchun, Jilin Province
Postal code: 130061
Tel: 0431-89291517
Fax: 0431-88948454

China Huarong Asset Management Co., Ltd. — Heilongjiang Branch
Address: No. 55 Pinghuai Street, Nangang District, Harbin, Heilongjiang Province
Postal code: 150000
Tel: 0451-82718507
Fax: 0451-82718507

China Huarong Asset Management Co., Ltd. — Shanghai Branch
Address: 10/F, No. 15 Zhongshan Dong Er Road, Huangpu District, Shanghai
Postal code: 200002
Tel: 021-63899900

China Huarong Asset Management Co., Ltd. — Jiangsu Branch
Address: No. 42 Beijing East Road, Xuanwu District, Nanjing, Jiangsu Province
Postal code: 210008
Tel: 025-57710700
Fax: 025-83612051

China Huarong Asset Management Co., Ltd. — Zhejiang Branch
Address: No. 19-1, 19-2 Kaiyuan Road, Shangcheng District, Hangzhou, Zhejiang Province
Postal code: 310001
Tel: 0571-87836703
Fax: 0571-87689535

China Huarong Asset Management Co., Ltd. — Anhui Branch
Address: No. 211 Shouchun Road, Hefei, Anhui Province
Postal code: 230001
Tel: 0551-62619966
Fax: 0551-62662566

China Huarong Asset Management Co., Ltd. — Jiangxi Branch
Address: 24-26/F, Zhongshun Building, No. 135, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Postal code: 330008
Tel: 0791-86648926
Fax: 0791-86648929

China Huarong Asset Management Co., Ltd. — Fujian Branch
Address: No. 112 Gutian Road, Gulou District, Fuzhou, Fujian Province
Postal code: 350005
Tel: 0591-83820781
Fax: 0591-83320266

China Huarong Asset Management Co., Ltd. — Shandong Branch
Address: No. 89 Jingsan Road, Jinan, Shandong Province
Postal code: 250001
Tel: 0531-86059702
Fax: 0531-86059731

China Huarong Asset Management Co., Ltd. — Henan Branch
Address: No. 136 West Main Street, Zhengzhou, Henan Province
Postal code: 450000
Tel: 0371-55619117
Fax: 0371-55619100

China Huarong Asset Management Co., Ltd. — Hubei Branch
Address: Te No. 1 Tiyu Street, Yuemachang, Wuchang District, Wuhan, Hubei Province (Yintai Building 16–22/F)
Postal code: 430060
Tel: 027-88318257
Fax: 027-88318257

China Huarong Asset Management Co., Ltd. — Hunan Branch
Address: No. 976 Wuyi Avenue, Changsha, Hunan Province
Postal code: 410005
Tel: 0731-84845000
Fax: 0731-84845008

China Huarong Asset Management Co., Ltd. — Guangdong Branch
Address: 8-12 F, Block B, Zhuguang International Business Center, No. 3 Qingyi Street, Machang Road, Tianhe District, Guangzhou, Guangdong Province
Postal code: 510627
Tel: 020-83283153
Fax: 020-83287052

China Huarong Asset Management Co., Ltd. — Guangxi Branch
Address: No. 38-3 Minzu Avenue, Qingxiu District, Nanning, Guangxi Zhuang Autonomous Region
Postal code: 530022
Tel: 0771-5858778
Fax: 0771-5871108

China Huarong Asset Management Co., Ltd. — Hainan Branch
Address: No. 53-1 Longkun North Road, Haikou, Hainan Province
Postal code: 570105
Tel: 0898-66700041
Fax: 0898-66700042

China Huarong Asset Management Co., Ltd. — Sichuan Branch
Address: Jinlizongfu Building, No. 35 Zongfu Road, Jinjiang District, Chengdu, Sichuan Province
Postal code: 610016
Tel: 028-86516515
Fax: 028-82903333

China Huarong Asset Management Co., Ltd. — Chongqing Branch
Address: Block A1, Meiquan 22nd Century Office Building, No. 178 Haier Road, Jiangbei District, Chongqing
Postal code: 400025
Tel: 023-67719890
Fax: 023-67719840

China Huarong Asset Management Co., Ltd. — Yunnan Branch
Address: No. 1 Jinjiang Road, Panlong District, Kunming, Yunnan Province
Postal code: 650224
Tel: 0871-65700939
Fax: 0871-65700888

China Huarong Asset Management Co., Ltd. — Guizhou Branch
Address: No. 102 Xinhua Road, Nanming District, Guiyang, Guizhou Province
Postal code: 550002
Tel: 0851-85502443
Fax: 0851-85502443

China Huarong Asset Management Co., Ltd. — Shaanxi Branch
Address: No. 92 Dongguan Main Street, Xi'an, Shaanxi Province
Postal code: 710048
Tel: 029-89539168
Fax: 029-89539168

China Huarong Asset Management Co., Ltd. — Gansu Branch
Address: No. 225 Wudu Road, Chengguan District, Lanzhou, Gansu Province
Postal code: 730030
Tel: 0931-8500288
Fax: 0931-8500280

China Huarong Asset Management Co., Ltd. — Ningxia Branch
Address: 13–15/F, Hongfeng Building, No. 33 Yuehai Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Postal code: 750002
Tel: 0951-3059503
Fax: 0951-3059556

China Huarong Asset Management Co., Ltd. — Qinghai Branch
Address: 14–16/F, Changyuanrongxin Building, No. 102 Kunlun Center Road, Chengzhong District, Xining, Qinghai Province
Postal code: 810000
Tel: 0971-6116033
Fax: 0971-6116033

China Huarong Asset Management Co., Ltd. — Xinjiang Branch
Address: 17–18/F, Kunlun Building, Green City Plaza, No. 888 Hongguangshan Road, Shuimogou District, Urumqi, Xinjiang Uygur Autonomous Region
Postal code: 830004
Tel: 0991-2377049
Fax: 0991-2826694

China Huarong Asset Management Co., Ltd. — Dalian Branch
Address: No. 51 Gengxin Street, Xigang District, Dalian, Liaoning Province
Postal code: 116011
Tel: 0411-83682708
Fax: 0411-83696111

China Huarong Asset Management Co., Ltd. — Shenzhen Branch
Address: 27/F and 46/F, Taiping Financial Building, No. 6001 Yitian Road, Futian District, Shenzhen, Guangdong Province
Postal code: 518017
Tel: 0755-83636068

China Huarong Asset Management Co., Ltd. — Shanghai Pilot Free Trade Zone Branch
Address: 7/F, No. 15 Zhongshan Dong Er Road, Huangpu District, Shanghai
Postal code: 200002
Tel: 021-63265959
Fax: 021-63265700

18.3 Principal Platform Subsidiaries

China Huarong Financial Leasing Co., Ltd.
Address: Huazu Mansion, No. 88 Jiangjin Road, Shangcheng District, Hangzhou, Zhejiang Province
Postal code: 310016
Tel: 0571-87950988
Fax: 0571-87950511

Huarong Jinshang Asset Management Co., Ltd.
Address: No. 282 Yingze Street, Taiyuan, Shanxi Province
Postal code: 030001
Tel: 0351-5695912
Fax: 0351-5695900

China Huarong International Holdings Limited
Address: China Huarong Tower, No. 60 Gloucester Road, Wanchai, Hong Kong
Tel: 00852-31985678

Huarong Huaqiao Asset Management Co., Ltd.
Address: 10/F, Block B, Fengming Building, No.20 Fengsheng Hutong, Xicheng District
Postal code: 100033
Tel: 010-83271900

Huarong Rongde Asset Management Co., Ltd.
Address: 9/F, 3/F, Excel Center, No. 6 Wudinghou Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59400399
Fax: 010-59400399

Huarong Industrial Investment & Management Co., Ltd.
Address: Building 6, Jia No. 2, Baiwanzhuang Street, Xicheng District, Beijing
Postal code: 100037
Tel: 010-57649165
Fax: 010-57649111

Huarong Zhiyuan Investment & Management Co., Ltd.
Address: 5/F & 6/F, Block C, No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59618733

Huarong Huitong Asset Management Co., Ltd.
Address: Building 2, Jia No. 2, Baiwanzhuang Street, Xicheng District, Beijing
Postal code: 100037
Tel: 010-57809334
Fax: 010-57809374

China Huarong Capital Management Co., Ltd.
Address: 7/F-8/F, Block C, No. 8 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-56525310

Huarong Ruitong Equity Investment Co., Ltd.
Address: 6/F, Block A, Building 8, Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel: 010-59618456
Fax: 010-59619199

Huarong Rongtong (Beijing) Technology Co., Ltd.
Address: 6/F, Hesheng Fortune Plaza, Building 1, No. 13 Deshengmenwai Street, Xicheng District, Beijing
Postal code: 100088
Tel: 010-59618249

This results announcement may contain forward-looking statements relating to risks and future plans. These forward-looking statements are based on the Company's own information and from other sources which we consider to be 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 certain 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 actual commitments made by the Company to the investors. Investors are advised to pay attention to the investment risks. For details of the major risks faced and the relevant measures taken by the Company, please see "9. Management Discussion and Analysis — 9.4 Risk Management" in this results announcement.

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

Beijing, the PRC
March 29, 2023

As at the date of this announcement, the Board comprises Mr. LIU Zhengjun and Mr. LI Zimin as executive directors; Ms. ZHAO Jiangping, Mr. ZHENG Jiangping and Mr. XU Wei as non-executive directors; Mr. TSE Hau Yin, Mr. SHAO Jingchun, Mr. ZHU Ning and Ms. CHEN Yuanling as independent non-executive directors.